GMS
OFFSHORE CONTRACTOR

ANNUAL REPORT 2018

Gulf Marine Services PLC

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS


GMS ENDEAVOUR 8102
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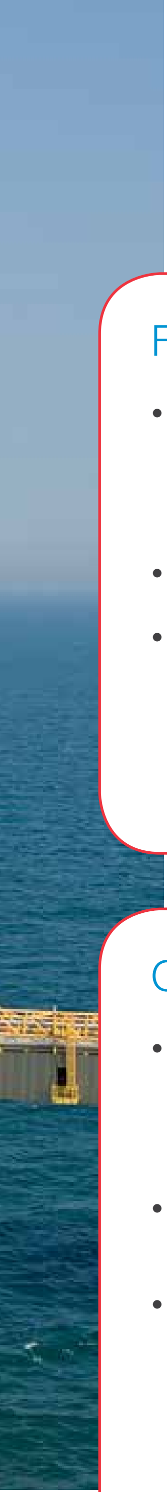
GMS
EAVOUR

Capital Structure Update

- The Board believes that GMS' interest and debt repayment obligations are both serviceable in 2019. Anticipated trading means that there is significant doubt over the Group's ability to meet the covenant test at the 30 June and 31 December 2019 testing dates. Whilst this is a material uncertainty with regards to going concern, the Board believes that covenant amendments will be agreed such that it is considered appropriate and in line with current accounting standards to adopt the going concern basis.
- The Group's projected operating performance could mean that GMS is not able to fully service the increased scheduled debt repayments from the end of Q3 2020 onwards.



Financial Highlights

- 9% increase in revenue to US$ 123.3 million (2017: US$ 112.9 million), higher levels of utilisation partly offset by reduced average charter day rates.
- Adjusted gross profit margin remained consistent at 38%.
- Adjusted EBITDA margin reduced to 47% (2017: 52%) primarily reflecting the increased requirement for vessels to be in a state of operational readiness and reactivation costs of vessels previously stacked.
- US$ 5.1 million adjusted net loss (2017: adjusted net profit of US$ 4.8 million) reflecting increased cost of bank borrowing to US$ 30.6 million (2017: US$ 22.2 million) and higher tax charges.
- Net debt as at year end was US$ 400.5 million (2017: US$ 372.8 million). We expect this to reduce to approximately US$ 390.0 million by the end of Q1 2019.
- Amendment agreed to the 31 December 2018 financial covenant schedule resulting in full compliance at that date, future covenant compliance discussed below.
- Continued day rate pressure expected to restrain trading performance in 2019. Improving industry peer utilisation is a prerequisite for day rate improvement.

Operational Highlights

- Improved utilisation rate* for the SESV fleet of 80% (2017: 61%). Calendar days* utilisation, including time for new contract mobilisations of 69% (2017: 58%).
- Seven new contract* awards announced, with a combined charter period of 20 years.
- Record 13 vessel mobilisations onto new charters.
- Continued flexibility in targeting diverse revenue streams:
  - Saudi Arabia particularly active, 44% of total revenue (2017: 37%).
  - Refocused on the renewables sector in Europe: 23% of total revenue (2017: 0%).
- Outstanding HSE performance, with zero recordable injuries in the year.
- Tendering activity in MENA is expected to continue to pick up in 2019, with clients anticipated to award a number of long-term contracts to the market during the year.
- Notwithstanding the tough market conditions, progress has been made in rebuilding backlog* by nearly 50%, to US$ 239.2 million, comprising US$ 127.3 million firm and US$ 111.9 million options as at 1 March 2019 (1 March 2018: US$ 160.6 million including options).

Repositioning Plan

- The Group is implementing a comprehensive repositioning plan to address its recent financial performance and the Board is actively engaged in developing and executing a three pronged plan to address the Group's governance, operational and capital structure challenges:
  - Steps have been initiated to strengthen governance with recent announcements regarding the appointment of Stuart Jackson as CFO and Board member, Mo Bississo as a non-executive Director, and the appointment of a new Chair is expected shortly.
  - A third round of cost cutting since 2016 is underway with US$ 6.0 million of annualised savings already identified to be realised in full by 2020.
  - The Group is engaging with its banking syndicate to address both the short-term covenant compliance challenges as well as to deliver a refinancing solution that establishes an appropriate long-term sustainable capital structure.
- Whilst already in process, these steps were outlined in disclosures ahead of the Extraordinary General Meeting ('EGM') requisitioned by Seafox International Limited ('Seafox'), Ithmar Capital Partners Limited ('Ithmar') and other shareholders held on 18 March 2019. We thank shareholders for their participation and support in rejecting the resolutions put forward at the EGM.

* Refer to Glossary

FLEXIBILITY AND DIVERSITY REMAIN KEY TO OUR STRATEGY

About us

Gulf Marine Services is the operator of the world's largest fleet of advanced self-propelled self-elevating support vessels (SESVs). Our fleet of 13 SESVs is also amongst the youngest in the industry, with an average age of just eight years, making it highly attractive to clients seeking to charter the most advanced, reliable and cost-efficient vessels for their current and longer term operations.

Our vessels provide a stable platform for the delivery of a wide range of services performed by the Group's oil company clients and contractors engaged in construction, engineering and procurement throughout the life cycle of offshore oil and gas projects, and by operators in the renewable energy (wind farm-related) industry. Our vessels are capable of operations in water depths of up to 80m that are typically found in the Middle East, South East Asia, West Africa and Europe.

A modern fleet fit for the future

We pride ourselves on being at the forefront of technological innovation and maintain our own vessels at our quayside yards in Abu Dhabi. Our extensive new build programme in recent years has made the GMS fleet one of the highest quality and most sophisticated in the industry.

Our SESVs are four-legged vessels that provide a high level of elevated stability and they can be jacked up and down quickly on location. As the vessels are fully self-propelled, they move independently, with no requirement for anchor handling or tug support. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of our clients. These vessels support our clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are opex-led activities), as well as offshore oil and gas platform installation and decommissioning and offshore wind turbine installation (which are capex-led activities).

An industry-leader with a successful track record spanning more than 40 years

GMS was established in Abu Dhabi, UAE in 1977 and in 1982 pioneered the design, build and operation of the first purpose built four-legged self-propelled SESV in the Gulf. This Small Class vessel design provided clients in the Gulf with a low cost alternative 'workhorse' for multi-move well servicing activities, with greater stability and quicker jacking speeds than the customary three-legged vessels. GMS successfully expanded its fleet and geographical coverage, from a local operation in Abu Dhabi to become one of the largest operators of self-propelled SESVs in the world. The Group listed on the London Stock Exchange in March 2014.

In 2010 the Group designed and delivered the first Large Class SESV. This Class includes dynamic positioning systems and is capable of working in harsh weather and deeper water environments. GMS was now able to expand its operations into Europe and deployed two Large Class vessels to the region to support clients in the oil and gas sector and, for the first time, in the offshore wind power installation market.

From 2014 to early 2017 GMS embarked on a new build programme to expand the fleet by a further six SESVs as part of our strategy to widen our market opportunities. This included the introduction of our Mid-Size Class vessels, which like the Large Class have dynamic positioning and can work in harsh weather environments; these have successfully bridged the gap between our Large and Small Class vessels. In 2016, the Group developed the world's first cantilever system for an SESV. This system, complete with a well workover unit, allows GMS to deliver a greater range of services from its SESVs and to carry out work that would otherwise be performed by more expensive non-propelled drilling rigs. The last of the six new vessels to be delivered was our Large Class vessel GMS Evolution, which was commissioned in Q2 2017.

The ongoing expansion of our services is part of our strategic plan to apply our ability to innovate technologically to diversify into new markets and to increase our geographical spread. Examples of projects delivered in 2018 can be found in the Operational Review on page 24.

GMS supports:

- Well intervention services and enhanced oil recovery
- Drilling support, completions and testing
- Platform construction, hookup and commissioning
- Platform restoration and maintenance
- Coil tubing, wireline and snubbing
- Well abandonment and decommissioning
- Wind turbine installation and maintenance
- Offshore wind farm substation commissioning and maintenance

The GMS fleet comprises three classes of vessels that serve a range of client needs

Large Class

- 4 units
- Average age: 6 years
- Water depth: 65m–80m
- Accommodation for up to 300 people
- Harsh weather capable

Vessels	Year of Delivery
GMS Evolution	2017
GMS Enterprise	2014
GMS Endeavour	2011
GMS Endurance	2010

Mid-Size Class

- 3 units
- Average age: 4 years
- Water depth: 55m
- Accommodation for up to 300 people
- Harsh weather capable

Vessels	Year of Delivery
MS Sharqi	2016
GMS Scirocco	2015
GMS Shamal	2015

Small Class

- 6 units
- Average age: 12 years
- Water depth: 45m–55m
- Accommodation for up to 300 people

Vessels	Year of Delivery
Pepper	2015
Keloa	2009
Kudeta	2008
Kawawa	2006
Kikuyu	2005
Kamikaze	1999

What differentiates GMS from other operators?

- GMS has owned and operated SESVs for more than 40 years and constructed in-house a fleet of the most advanced self-propelled SESVs in the world. We are the industry leaders in our knowledge and ability to build and operate SESVs.
- We pioneered the world's first four-legged SESV, and the development of Large Class and Mid-Size Class SESVs.
- All our SESVs have four legs; this, combined with our dynamic positioning system on our Large Class and Mid-Size Class vessels, helps us to accurately position our vessels very close to our clients' installations and provides a significantly more stable and reliable platform than three-legged jackup vessels.
- All our SESVs are self-propelled; they do not need costly support vessels for transiting between locations or manoeuvring, saving our clients considerable time and money.
- We design, build and operate our own SESVs. This allows us to control build quality, safety and reliability; all GMS vessels include the highest specification equipment.
- We are at the forefront of technological innovation; we use our in-house expertise to enhance the design of our vessels and expand our services so that we can provide flexible, cost-effective, offshore support solutions to our clients. Bespoke support solutions include the world's first cantilever system for an SESV and an innovative crew transfer tower that allows personnel transfers while our SESV is jacked up; more information on these can be found on pages 26 and 27.
- Our crews benefit from our state-of-the-art GMS Academy, which provides additional in-house maritime training to ensure they meet our high standards of operational excellence.
- GMS has a strong track record of successful operations and maintains an excellent HSE performance.

After five years as Chairman, the time has come for me to step down. It has been a privilege to serve on the Board of Gulf Marine Services, and to play a part in the development of one of the most modern and well-invested SESV fleets in the industry.

GMS secured seven new contracts in 2018 and these have added a total expected charter period of 20 years (including options) to the backlog. Operationally, it was a very busy year, with ten vessels mobilised onto charters supporting oil and gas operations and three vessels to projects in the renewable energy sector. Fleet utilisation has shown some improvement across all our vessel classes in the year. I am also pleased to report that once again GMS has achieved an outstanding health and safety performance, with no recordable injuries. This will remain a key priority for management going forward. I would like to thank all our land-based and offshore staff for another year of hard work and for their continued commitment to GMS.

Market conditions, however, have continued to be challenging following the industry downturn of recent years. Any recovery in charter day rates has been slow to materialise, which together with a number of other factors covered later in this report, is reflected in our financial results for the year with the Group delivering an adjusted net loss of US$ 5.1 million (2017: adjusted net profit US$ 4.8 million). Anticipated trading levels for the year indicate a risk regarding covenant compliance for 2019 and the Group's projected operating performance also means it will be challenging for GMS to service its scheduled increased debt repayments from Q3 2020 onwards. The Board has communicated extensively with shareholders on our need to establish an appropriate long term sustainable capital structure. As discussed in the Chief Executive's Review on page 8, we are engaging with our banking syndicate to seek to address this and our near term covenant pressure.

Board changes

On 11 February 2019, following extensive consultation with shareholders and the requisition of a General Meeting by Seafox International Limited, I advised the Board of my intention to step down as Chair and Director of the Company once a suitable replacement has been found. The Board is seeking a new Chair who has public market and sector experience, and who will have a particular focus on securing a stable capital base for the business that will enable all shareholders to benefit from a future market recovery; we expect the new appointment to take place before the AGM in May 2019*.

There have been a number of additional appointments to the Board since I last reported, which I have discussed more fully in the Chairman's Introduction on page 36.

I would like to welcome our new members, Dr Shona Grant and Mo Bississo, who both bring great knowledge and expertise to the Board. I would also like to take this opportunity to thank Dr Karim El Solh, who stepped down from the Board during the year, for his valuable contribution to GMS over the years.

Moving forward

We remain focused on identifying new areas to reduce costs and improve efficiency while maintaining the Group's competitive edge. A clear priority is to ensure the Group's successful capital restructuring. We will also seek to build on our successful diversification into the renewables sector.

GMS has successfully developed a modern well-invested SESV fleet that has an expected future useful life of more than 25 years, and a global workforce that is dedicated to delivering operational excellence. I am certain that the Company has the right Board, management and staffing in place to resolve its current challenges and that GMS can look forward with confidence.

Simon Heale
Chairman
25 March 2019

* Subsequent to the auditor's approval of this 2018 Annual Report on 25 March 2019, the Board announced on 26 March 2019 the appointment of Tim Summers as Non-Executive Chairman with effect from 1 April 2019; this appointment has been reflected in the Notice of AGM on page 126. Details of the appointment of Tim Summers are included within the RNS announcement dated 26 March 2019. The biographical details of Tim Summers can be found on the company's website http://www.gmsuae.com/board-of-directors/.

The Company has the right Board, management and staffing in place to resolve its current challenges and can look forward with confidence.

Improved levels of enquiries and tender opportunities in our principal markets helped to generate an increase of 19 percentage points in our SESV fleet utilisation (11 percentage points adjusted utilisation based on calendar days) in 2018 compared to the previous year; however, charter rates remained under pressure, having fallen by 38% since their peak in 2015.

Whilst the Group delivered an unprecedented 13 vessel mobilisations onto new charters, our financial results for the year reflect the ongoing challenging market conditions.

To address the current challenges and optimise our future prospects, a comprehensive plan is underway to reposition the Company, focussing on a review of operations, the capital structure and governance. Significant steps have already been taken. As announced on 8 March 2019, the Board and the Company's management have completed the evaluation of a third round of cost savings and efficiency opportunities. This process has identified around US$ 6.0 million of potential annualised savings, primarily achieved by the scaling back of our quayside facility in order to reduce costs, an organisational restructuring to allow further downsizing in headcount, and effective management of discretional capital expenditure across the Group. Implementation has already begun, and the Board expects that the full US$ 6.0 million of savings will be realised by 2020. The Company remains focused on the effective deployment of the Company's vessels at appropriate operating margins and continues to seek to improve and optimise this process.

As previously announced, the Group does not expect a recovery in its trading performance in 2019 despite continuing improving levels of utilisation. Although we believe we will be able to service all of our interest and debt repayment obligations in 2019, the Group's trading performance means that there is a significant doubt over the Group's ability to meet the covenant test at the 30 June and 31 December 2019 testing dates. Whilst recognising the material uncertainty over the going concern basis of the Group, which is described in Note 3 of the consolidated financial statements, the Board believes that covenant amendments will be agreed and considers it appropriate for the going concern basis to be adopted in line with current accounting standards.

In addition, the repayments of principal under the Group's existing debt facilities step-up materially from 2020 onwards. While the Group expects to be able to service the associated interest payments, it will not be able to service fully the principal repayments, currently from the end of Q3 2020 onwards, unless cash flows improve.

Accordingly, and as previously announced, the Group in conjunction with its financial advisors have initiated discussions with the Group's banking syndicate to resolve the 2019 covenant issues and the future repayment schedule to deliver a refinancing solution that establishes an appropriate long-term and sustainable capital structure for the Group. Shareholders will continue to be updated on material developments.

A General Meeting requisitioned by Seafox International Limited ('Seafox'), Ithmar Capital Partners Limited ('Ithmar') and other shareholders was held on 18 March 2019 to vote on resolutions proposed by Seafox and Ithmar relating to composition of the Board. As announced previously, the meeting rejected the resolutions calling for the appointment of two Directors to the GMS Board, and we thank shareholders for their participation and support of our recommendations.

We remain confident about the fundamental strengths of the Group – our high quality and young fleet combined with a strong management team with the proven ability to innovate and provide efficient offshore support solutions tailored to our clients' evolving requirements, ensures GMS is well-positioned to capitalise on future opportunities.

Group financial performance

The Group's results for 2018 reflect the prolonged challenges within the oil and gas industry, where the recovery has been slower than we had anticipated. Improved vessel utilisation, partially offset by the continued pressure on day rates, resulted in a 9% increase in revenue for the year to US$ 123.3 million (2017: US$ 112.9 million). Adjusted EBITDA for 2018 remained flat at US$ 58.0 million (2017: US$ 58.5 million). The adjusted EBITDA margin reduced to 47% (2017: 52%) with the increase in revenue offset by an increase in operating costs mainly arising from reactivation costs of vessels previously stacked. Additionally, a number of vessels were required to be in a state of operational readiness ahead of contract commencement dates. We also experienced a delay in expected contract awards which affected the results for the year. The combined effect

We remain confident about the fundamental strengths of the Group, which ensure GMS is well positioned to capitalise on future opportunities.

of the above, an increase in cost of bank borrowing to US$ 30.6 million (2017: US$ 22.2 million) as a result of increases in LIBOR and higher Group net bank leverage and a higher taxation charge from the proportion of Group revenue earned in taxable jurisdictions, contributed to deliver an adjusted net loss of US$ 5.1 million (2017: adjusted net profit of US$ 4.8 million).

Fleet utilisation and order book

Higher utilisation rates were achieved in all three vessel classes within our fleet compared to the previous year. Utilisation of the overall SESV fleet in 2018 was 80% (2017: 61%), with this calculation excluding the time vessels were unavailable for hire whilst mobilising for new contracts. As there was an unprecedented 13 vessel mobilisations in 2018, a utilisation rate based on calendar days, which includes the time the vessels were mobilising, would give an adjusted utilisation rate in the year of 69% (2017: 58%).

The Large and Mid-Size Class vessels' combined utilisation level increased to 94% (2017: 71%) with a calendar day utilisation rate of 74% (2017: 64%). It is also encouraging to see an improvement in utilisation for the Small Class vessels to 67% (2017: 53%) with a calendar day utilisation rate of 64% (2017: 49%).

The significant number of mobilisations in the year was partly as a result of our clients' requirements for a greater number of short-term contracts in the current market environment. At this point in the market cycle, our aim is to balance exposure to long-term contacts with less attractive operating margins whilst maintaining visibility from higher utilisation levels.

We are pleased to report we have made progress in improving our secured backlog, which increased by nearly 50% to US$ 239.2 million comprising US$ 127.3 million firm and US$ 111.9 million options as at 1 March 2019 (1 March 2018: US$ 160.6 million). During 2018 we announced three five-year contracts, which together with a further four awards in the year, added a total expected charter period of 20 years (including options), and US$ 153.0 million, to the Group's backlog. A number of short-term contracts were also secured in the year. Levels of enquiries and tender activity have continued to improve and in 2019 we have announced two contract awards, for a Small and a Large Class vessel, with a combined total charter period of nine months, and a long-standing client exercised an option to extend the charter of a Mid-Size Class vessel by another six months.

The Group maintains strong relationships with regional EPC contractors and as a result has seen an increase of ten percentage points in EPC work during the year, with this representing 25% of 2018 revenue (2017: 15%). The majority of this work was in Saudi Arabia where clients have been particularly active during the year. The Group also made further inroads into the renewables sector, which accounted for 23% of total revenue (2017: 0%) earned in Europe. We have continued to diversify our markets into other geographies with 85% of our revenues derived outside the UAE in 2018 (2017: 83%), compared to 41% in 2015.

Operations

I am very pleased to report the Group has once again delivered an outstanding Health, Safety and Environmental performance, with a Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR) of zero and no environmental emission releases in 2018. The total number of man hours worked was 4.1 million (2017: 4.5 million). Health, safety and the environment are a major priority for GMS across all aspects of our business. We remain committed to providing all personnel with a high quality, safe working environment at all times and will continue to maintain a focus on safety.

Operationally, 2018 was a very busy year in which we also maintained our high standards of operational excellence, achieving a technical and operational uptime of 99% for our chartered vessels. A number of projects were delivered to support the Group's 13 vessel mobilisations in the year, including the repositioning of a Large Class SESV from MENA to the UK for a wind farm charter. We market our Large and Mid-Size Class vessels to both oil and gas and renewable energy sector clients. The successful relocation of this SESV from one region to another demonstrates both our operational flexibility and our ability to deploy our vessels quickly and efficiently to other geographies in response to market demand.

Our innovative boat landing tower fitted to one of our Large Class vessels operating at a wind farm development became operational during the year, with this successfully facilitating the movement of around 200 people per day to and from transfer vessels while our SESV remains jacked up. Another project undertaken during the year was the enhancement of the capability of one of our Small Class vessels in response to a specific tender. Leg extensions were fitted to the vessel to allow it work in the same water depths as our Mid-Size Class vessels. This proved to be beneficial, as the Group was compliant with a tender process requirement with regard to the leg length and was successfully awarded a new contract.

In addition, we reactivated various vessels that had been stacked to minimise expenditure during a sustained period off hire. Following these reactivations, we are pleased to report that every vessel in the SESV fleet was on-charter at some point during 2018.

People

I would like to personally thank our Chairman Simon Heale for his support, leadership and stewardship over the past five years since the IPO of GMS. The Board, together with Spencer Stuart, is seeking a new Chair who has public market and sector experience, and who will have a particular focus on the comprehensive plan to reposition the Group and optimise its future prospects including assisting with efforts to secure a stable capital base for the business that will enable all shareholders to benefit from a future market recovery. We expect the new appointment to be announced shortly and the new Chair to be in place ahead of the AGM.

There have been a number of other changes to the Board. In October 2018, we were pleased to announce that Dr Shona Grant had joined us as an independent non-executive Director. Dr Grant brings to the Board considerable experience in the oil and gas industry, having worked extensively with BP in the areas of exploration, research and development and upstream operations. In March 2019, we welcomed Mo Bississo to the Board as a non-executive Director. Mr. Bississo co-heads Kasamar Holdings, an Abu Dhabi-based family office and shareholder of GMS through Castro Investments Ltd and is a valuable addition to the Board with extensive experience in the UAE financial sector.

Our Chief Financial Officer (CFO) John Brown tendered his resignation in October 2018, effective 28 May 2019; I would like to thank him for his significant contribution to GMS during his time with us. I look forward to welcoming Stuart Jackson, who will be appointed CFO and a member of the Board and is expected to join in July 2019. Mr Jackson has more than 20 years' experience as CFO at a number of publicly listed companies and has a deep knowledge of capital restructuring in the oilfield services sector.

Finally, I would also like to take this opportunity to thank everyone at GMS for their hard work in achieving increased fleet utilisation and for delivering another outstanding health and safety performance in such a busy year.

Market commentary

We have been encouraged by our clients' increasing activities in our oil and gas markets and by the ongoing development of the renewable energy sector. However, the protracted tender processes and delayed contract awards we have experienced in recent years continued in 2018. We recognise that we have been too hopeful in the past as to timing of market awards and project commencement dates in this downturn. We will try to remain mindful that contract awards are always subject to our clients' own operational requirements, including their tender evaluation processes and project start dates.

MENA

The quality of our modern well invested fleet continues to be helpful in tendering processes in the MENA region, where in the current competitive market environment our clients are able to express a preference for young SESVs of a high technical capability that can bring significant cost and operational efficiencies to their projects. GMS is well placed to capitalise on this situation, indeed we recently secured a contract in the region as the only vessel provider capable of meeting the clients' operating standards.

The Middle East is the Group's largest market and we were pleased to gain three new clients in 2018. The improving demand for our vessels resulted in six contract wins in the year, and a further two in early 2019. Saudi Arabia was our biggest individual market in 2018, with eight of our 13 vessel mobilisations being for new and existing clients in this country. We are continuing to develop our client relationships in the Middle East, seeking both long-term and short-term contracts to maximise levels of utilisation, whilst always being mindful to appropriate operating margins. While it is encouraging to see the return of long-term opex-based contract opportunities from NOCs, there continues to be a requirement for one-off project support to suit our clients' near-term operational needs.

We expect to see an increase in long-term charter opportunities over the mid to long term as our clients increase their focus on maximising their production levels. Unprecedented underinvestment over the last few years will risk production and asset integrity likely requiring an increase in clients' expenditure. One of our NOC clients has recently completed the first phase of a major tendering process with seven five-year contracts awarded in the region. We were very pleased to be awarded three of these contracts. A further seven contracts are expected to be awarded by the same client during 2019 in a second phase of tendering, which it is believed will result in a marginal tightening of the market as the number of competing vessels reduces.

We have also maintained our strong relationships with EPC contractors in this region and, as discussed earlier, revenue from this income stream increased ten percentage points in 2018. We believe the level of EPC activity across the region will continue to increase in the next few years, which should provide further opportunities for the Group.

Our MENA based NOC clients have all now introduced their own programmes to encourage their supply chains to maximise the goods and services procured in-country in order to benefit their own economies. We believe that this will prove beneficial to GMS over time as clients will take into account the suppliers' in-country spend score as part of tender pre-qualification and award. Our well-established presence in the region will help us to improve the likelihood of winning future contracts with these NOCs in addition to potentially acting as a barrier to entry for new entrants to our markets here.

Europe

The Group benefited from a return of demand in the renewables sector in Europe in 2018, following the award to GMS of three charters by two new clients. Wind farm-related projects represented 23% of revenue in the year (2017: 0%).

We continue to be optimistic about the opportunities in the oil and gas market for our innovative cantilever system, which is fitted to one of our Large Class SESVs. It has not been possible to demonstrate this new cantilever system operating in-field as the vessel was operating on a renewables contract. Subject to the award of future suitable charter opportunities, we believe that the ability to show the cantilever in action would help develop further interest amongst our oil and gas clients. In addition, we are enhancing our agreement with a drilling contractor to ensure a more collaborative approach to marketing of the system as well as offering greater delivery assurance to potential clients.

Outlook

An improving pipeline of both expressions of interest and tenders in the Middle East, together with increasing fleet utilisation levels, provide some indication of a rebalancing of market supply and demand. As discussed above, our NOC clients continue to seek to maximise their production capacity, and this should lead to an increase in capex and opex-based contract opportunities for GMS. We are also hopeful of further opportunities in the renewables sector given the upcoming increased construction phase expected as part of round three of the UK's offshore renewables programme. However, it is difficult to predict when this improved demand will be reflected in increased charter rates. As we have previously commented, despite continuing improving levels of utilisation the Group does not expect a recovery in its trading performance in 2019. We have discussed above the circumstances leading to our ongoing active dialogue with our banking syndicate. Whilst we can continue to trade effectively in the near-term, as a priority, we are considering a number of ways to deliver a longer-term, and sustainable solution to our capital structure.

The Group's fleet is one of the youngest and most well-invested in the industry, with an expected future useful life of more than 25 years and we are well placed to capitalise on a market recovery when it materialises. I remain confident in the capability of our fleet and the operational expertise of our global workforce. We have a strong Board to lead us through the next important stage of the Group's development, where we will seek to maximise opportunities and to generate long-term value for our shareholders.

Duncan Anderson
Chief Executive Officer
25 March 2019

OUR BUSINESS MODEL

Our business model, represented below, is centred on the provision of a modern, well invested fleet of highly cost-effective self-propelled Self-Elevating Support Vessels (SESVs) to our clients operating in the offshore oil, gas and renewable energy sectors.

Core skills and resources

Flexible modern fleet
Our fleet of 13 technologically advanced SESVs is one of the youngest in the industry. This is especially helpful in the tendering process as increasingly our clients are exercising a preference for modern vessels that can bring significant cost and operational efficiencies to their projects. For more information on our fleet, and how we have invested in this in recent years, see GMS at a Glance on pages 4 to 5.

Highly skilled workforce
Our multi-cultural workforce is recruited from more than 35 countries and has extensive experience in the global SESV sector. See page 34 for more information.

In-house technological innovation
We have a proven track record of technological advances, with the innovative enhancements we make to our vessels differentiating GMS from other providers. See page 27 for more information.

Risk management
Our robust risk management procedures help us to minimise the strategic, financial and operational and other risks that face the business. Our approach to risk management recognises that risks may present opportunities as well as threats. A description of our approach to risk management can be found on page 18.

Culture and values
We have a culture of conducting our business in a manner that aligns with our three core values of Responsibility, Excellence and Relationships. For more information on our culture see page 32.

What we do

1. OPERATE A FLEET OF SELF-PROPELLED SESVs
We own and operate a fleet of modern SESVs, which we charter to our global clients, providing cost-effective and safe offshore support solutions. With an average age of only eight years, the majority of our vessels are expected to generate revenue for the next 30 years.

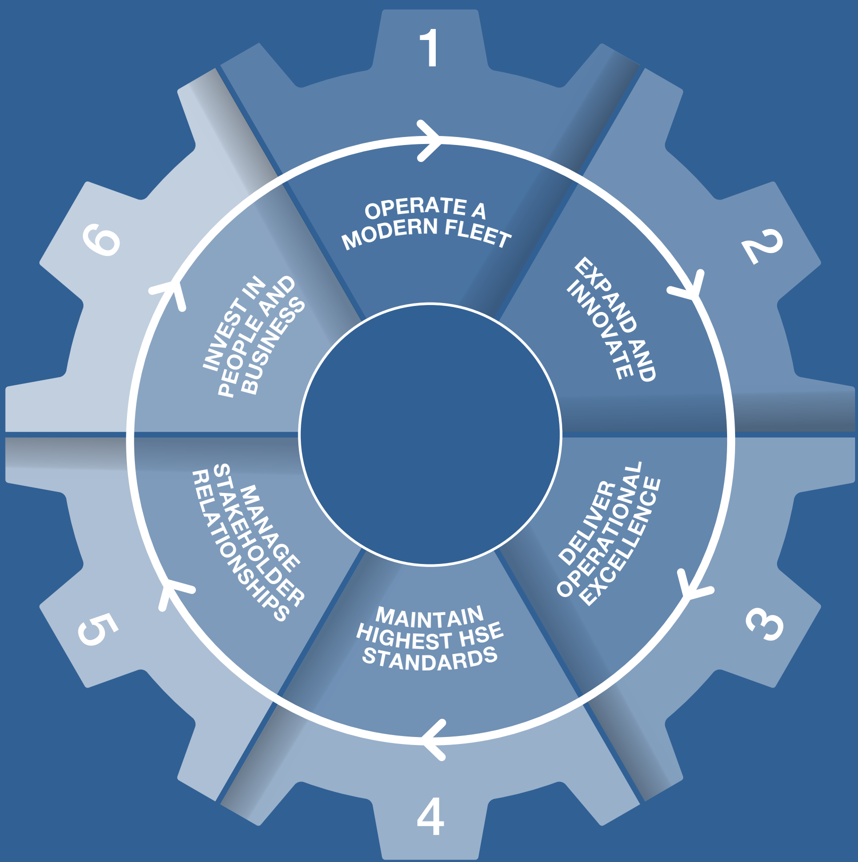
2. EXPAND OUR CAPABILITY THROUGH INNOVATION
We lead the field in technological innovation and use our skills and experience to enhance the capability of our vessels and to expand our service offering. This helps us to broaden our markets and to stay ahead of the competition.

3. DELIVER OPERATIONAL EXCELLENCE
We strive for excellence in all our operations and offer a broad range of services to our clients allowing them to achieve greater operational efficiency and significant time and cost savings. This together with our industry-leading low levels of technical downtime, help us to maximise our vessel utilisation.

4. MAINTAIN HIGHEST LEVELS OF HSE PERFORMANCE
We seek to maintain the highest levels of HSE performance as we implement robust processes and procedures to protect our clients, employees and contractors, and minimise our impact on the environment.

5. MANAGE KEY STAKEHOLDER RELATIONSHIPS
We consider our key stakeholders arise from all aspects of the environment in which we work, and include our shareholders, clients, business partners, suppliers, employees, governments, communities and wider society.

6. INVEST IN OUR PEOPLE
We recognise that the strength of our leadership team and quality of our workforce is vital to the success of GMS. We train our people to the highest operational standards through our GMS Training Academy so they can reach their full potential and contribute to the long-term success of the business.



We manage our business by establishing and tracking key performance indicators (KPIs). This allows the business and our stakeholders to review and monitor our performance. For more information on our KPIs, including our performance in 2018, refer to pages 16 to 17.

Delivery

Maximise fleet utilisation

The quality of our modern fleet together with the range of services we provide are beneficial as we strive to achieve the highest vessel utilisation possible. We consider the market cycle and are disciplined in limiting our exposure to long-term contract commitments bearing unattractive margins.

Strong HSE and operational track record

We have a consistently strong HSE track record, which underpins our ability to win and renew contracts. See page 24 for more information.

Industry-leading reputation for operational expertise

We have established strong long-term client relationships and have a clear understanding of our clients' operational requirements. By delivering innovative offshore support solutions of the highest quality we are well-positioned to attract new clients, win work and maintain our position as a first choice provider with existing clients.

Broad geographical footprint and client mix

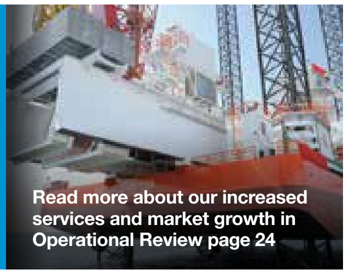
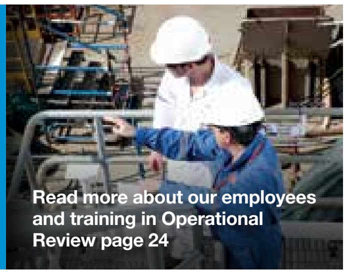
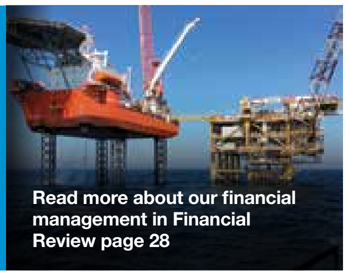
The flexibility of our fleet has allowed us to deliver our services across a broad geographical footprint to a diverse range of clients. GMS currently supports oil, gas and renewable energy clients in the MENA region and North West Europe. See page 25 for more information.

Maximised operating cash flows and EBITDA margins

Our efficient operational delivery and effective approach to cost management help us to maintain sufficient liquidity, through the maximisation of EBITDA margins and operating cash flows.

GENERATING LONG-TERM SHAREHOLDER VALUE

Our objective is to create long-term shareholder value through the delivery of modern, innovative and sustainable solutions to our clients in the offshore energy sector. In order to achieve this, we focus on the four strategic priorities set up below. We believe we are well-positioned to capitalise on a market recovery when it materialises.

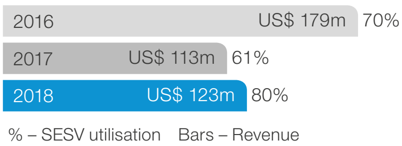
Strategic priority	What it means	Strategy in action
Provide vessel flexibility through innovation	We use our expertise in technological innovation to continually enhance our fleet, offering new or improved offshore support solutions to suit our clients' operational requirements. Our advanced fleet capability makes us ideally placed to capitalise on a recovering market. We will continue to focus on providing vessel flexibility as this allows us to target a less commoditised, niche sector where there is less competition for our cost-effective solutions, and to maximise fleet utilisation.	 Read more about our innovations and support solutions in Operational Review page 24
Expand our services and seek opportunities for growth	We work closely with our clients and continually pursue ways to expand our offering with new ideas and enhanced services. Our focus is on the expansion of our operations within our sectors, where we will continue to seek to increase our market share and diversify our range of clients.	 Read more about our increased services and market growth in Operational Review page 24
Attract, develop and retain a talented workforce	We attract and retain talented people with the right range of skills, expertise and potential in order to maintain an agile and diverse workforce that can safely deliver our flexible offshore support services. We provide bespoke training to key personnel and train our staff to the highest operational standards. We will continue to appropriately incentivise our people and to encourage their personal career development and progression within GMS.	 Read more about our employees and training in Operational Review page 24
Financial management	We focus on managing appropriately our costs and working capital, with due regard to the margins required to maximise liquidity. We will continue to seek financial solutions that provide sufficient flexibility to support both our operational delivery and our strategy to generate long-term shareholder value.	 Read more about our financial management in Financial Review page 28

KEY PERFORMANCE INDICATORS

The Group uses a combination of financial and operational Key Performance Indicators (KPIs) to measure its performance and review the impact of its business strategy. The KPIs are continually reviewed to ensure that we focus on achieving our strategic objectives whilst addressing the principal risks facing the Group.

KPI | **Description** | **2018 Performance**

Revenue and utilisation



Description

Revenue reflects the value of operating activities and is derived primarily from the charter day rates and utilisation levels achieved.

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

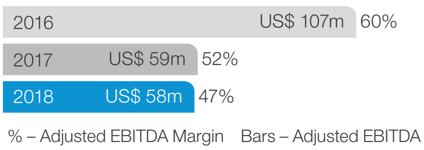
2018 Performance

The increase in revenue is mainly attributable to higher levels of utilisation partially offset by a reduction in average charter day rates.

The increase in utilisation reflects a partial recovery in market conditions, with all of the core SESV fleet having been on hire for part of the year.

Utilisation based on calendar days in the year was 69% (2017: 58%).

Adjusted EBITDA and adjusted EBITDA margin



Description

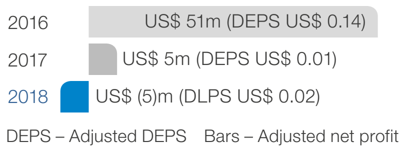
Adjusted EBITDA is a key profit measure and means earnings before interest, tax, depreciation and amortisation, excluding adjusting items. See Glossary for further details.

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

2018 Performance

Adjusted EBITDA remained fairly constant during the year with the increase in revenue offset by higher mobilisation costs arising from an increased number of vessel mobilisations, these costs have contributed to a lower adjusted EBITDA margin.

Adjusted net loss/profit and adjusted DLPS/DEPS



Description

Adjusted net profit or loss measures the net profitability of the business excluding adjusting items. See Glossary for further details.

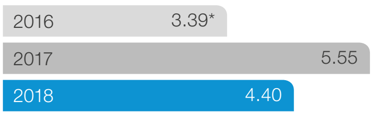
Adjusted DEPS means fully diluted earnings per share and adjusted DLPS mean diluted loss per share, which measures the level of net profit/loss, excluding adjusting items, per ordinary share outstanding.

2018 Performance

The Group has incurred a net loss during the year mainly arising from higher operating costs as a result of higher levels of utilisation, asset mobilisations and reactivation costs, higher tax driven by increasing operations in taxable jurisdictions, and an increase in finance expenses, primarily driven by increased borrowing costs.

The adjusted diluted loss per share reflects the loss incurred during the year.

Net debt to proforma EBITDA



*The figures shown for 2016 are based on the historic covenant levels of net debt to EBITDA and have not been restated using the Proforma EBITDA method (see definition in Glossary) now applicable.

Description

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

This KPI indicates the Group's level of borrowing against operating cash flows.

2018 Performance

The net debt to proforma EBITDA ratio reduced in 2018 primarily on account of an increase in proforma EBITDA arising from several recent contract awards, which were partially offset by an increase in net debt.

The Group was in technical breach of one of its covenants at the 31 December 2018 testing date. In January 2019, the Group negotiated an amendment and, as a result, the Group was in full compliance with all of its banking covenants for that testing date.

KPI	Description	2018 Performance

Backlog

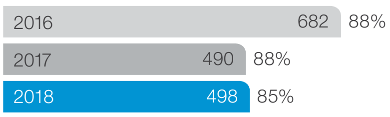
The backlog figures shown above are as at 1 March for the following year rather than 31 December of the year.

Description: Backlog shows the total order book of contracts (comprising firm and option periods) at year end.

The Group uses this KPI as an indication of future revenue and utilisation levels.

2018 Performance: The increase in the total value of backlog during the year reflects the recent award of a number of longer term contracts.

Employees



% – Offshore staff retention
Bars – Average FTE employees

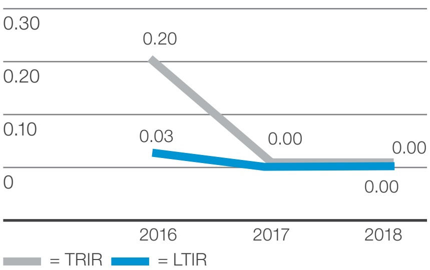
Description: Offshore staff retention shows the percentage of senior officers (masters and chief engineers) who continued to be employees in the year. The percentages shown do not take into account employee redundancies.

Average FTE employees means the average number of full time equivalent employees throughout the year which provides an indication of the Group's service capacity and scale of operations.

2018 Performance: The Group's continued focus on retention policies for key personnel has enabled it to maintain a relatively constant level of staff retention.

Average FTE employees over the year has remained largely constant although there was a steady increase in the second half of 2018 to support the increasing number of vessels on hire. Total Group headcount increased from 444 at 31 December 2017 to 536 at 31 December 2018.

TRIR and LTIR



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

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

Offshore man hours are calculated based on a 24-hour working period per day.

2018 Performance: The Group again delivered zero TRIR and LTIR incidents, which demonstrates our ongoing commitment to delivering industry leading standards of safety.

RISK MANAGEMENT

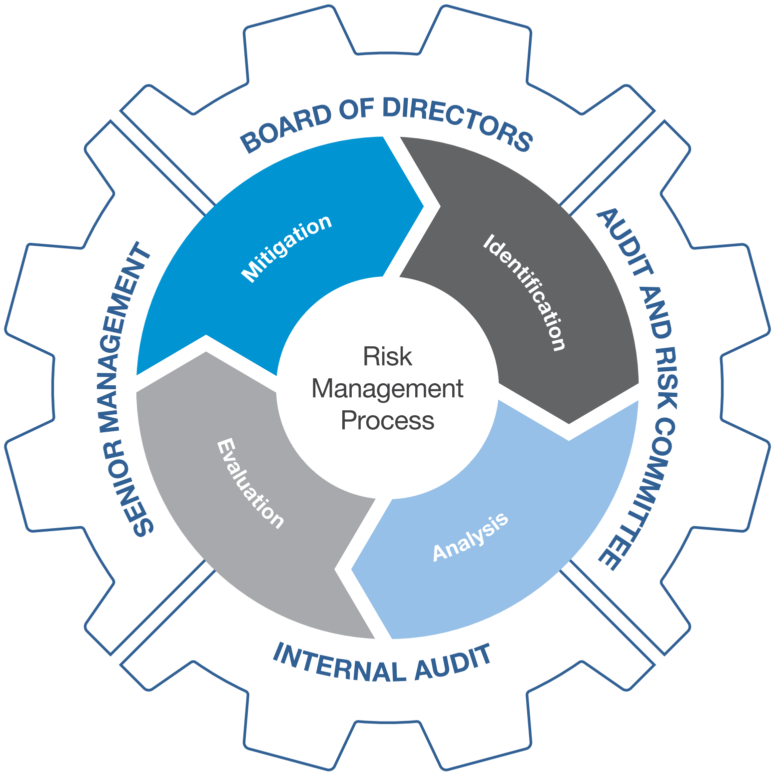
A key priority of the Group is the effective identification, management and mitigation of business risks and opportunities across the Group, which is integral to the successful delivery of the Group's strategic objectives (see pages 14 to 15). The Group has a robust risk management system in place to support the identification, analysis, evaluation, mitigation and ongoing monitoring of risks as shown in the risk management framework below.

Board of Directors
The Board has overall responsibility for ensuring the effective management of risks.

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

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

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



The Group's risk management framework encompasses the policies, culture, organisation, behaviours, processes, systems and other aspects of the Group that, taken together, facilitate its effective and efficient operation. We recognise that, with careful management, risks can offer opportunities as well as challenges.

Business risks across the Group are addressed in a systematic, effective and consistent way through the risk management framework, which has clear lines of reporting and communication to deal with the management of risks, and improvement of internal controls, where appropriate. The Board has overall responsibility for ensuring that risks are effectively managed. However, the Audit and Risk Committee has been delegated the responsibility for reviewing the effectiveness of the Group's system of internal control and procedures for the identification, assessment, management, mitigation and reporting of risks. There were no significant weaknesses identified by the Board as part of their review during the year.

The internal control process begins with identifying risks, compliance matters and other issues through regular reviews carried out by process owners and facilitated by individual departmental risk assessments where the process owners regularly assess the implications and consequences and determine the likelihood of occurrences. The risks associated with the delivery of the Group's strategy (see pages 14 to 15), business plan, and annual work programme as well as the associated mitigation measures, are maintained in a series of departmental risk registers which are consolidated and reviewed by the senior management team to formulate the Group risk management process. The outcomes of risk identification and control assessments are formally reported to the senior management team and escalated to the Audit and Risk Committee and Board, as appropriate, see page 42 for details of what the Board has done as part of their review. The Board regularly reviews all key risks facing the Group as part of the Group risk management process which ensures that the Board satisfies the UK Corporate Governance Code requirement to perform a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Group's internal audit function has been predominantly outsourced to a specialist team provided by a reputable independent third party. All internal audit activity conducted by the internal audit team is done under the direction and leadership of the Finance Director, who reports to the Chief Financial Officer, but the team also has an independent reporting line to the Chairman of the Audit and Risk Committee. In the light of the internal auditors' recommendations, management agrees and implements corrective action plans, which are tracked to completion by the internal audit team, with the results reported regularly to the Audit and Risk Committee and the Board.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group in the short to medium term are set out below, together with the principal mitigation measures. These risks are not intended to be an exhaustive analysis of all risks that may arise in the ordinary course of business or otherwise.

Key: ↑ Risk has increased since 2017 ↔ No material change in risk since 2017 ↓ Risk has reduced since 2017

Risk profile	Mitigation, monitoring and assurance	Change
Financial		
Failure of the Group to service its debts and comply with debt covenants could result in severe negative repercussions for the Group such as demand for repayment or restriction of further funding, which may cause liquidity issues for the Group or reputational damage. Macro and micro economic events, such as a sustained low oil price, may impact our ability to raise finance, achieve forecast, effectively manage our working capital and service our financial obligations. A sustained reduction in charter day rates and/or utilisation levels or an increase in borrowing costs, could lead to a breach in certain debt covenants or an impairment of Group vessels. Banking covenants which place restrictions on capital expenditure and other uses of funding, could restrict commercial and investment opportunities for the Group in the near term. The Group's continuing operations and future growth, including strategic investments, may be dependent on the ability to fund the business, either through its balance sheet or through the availability of funding. A lack of funds could ultimately threaten the long-term viability of the business.	**Robust monitoring** The Group has robust procedures in place for financial planning and forecasting. Management and the Board regularly monitor the Group's debt obligations and funding requirements which enables careful ongoing assessment of liquidity levels and covenant headroom. **Availability of funding** We maintain a close working relationship with our banking syndicate and in 2019 the Group agreed with its banking syndicate an amendment to its banking covenants. The Group has an unused working capital facility of US$ 30.0 million. The Group's near term focus is on reducing leverage levels. Please see page 68 of the Director's Report for details of going concern. **Key performance indicators (KPIs)** Transparent KPIs are used for reporting to track progress. The KPIs are reviewed regularly to ensure management has all the necessary information to make timely financial decisions. **Policies and procedures** We adhere to Group-wide financial and accounting policies which underpin our approach to risk management. **Hedging strategies** The Group takes out hedges to help mitigate the risk of volatility of exchange rates and interest rates. See Note 34 of the consolidated financial statements for further details.	↑
Strategic		
Levels of expenditure by oil & gas companies and those involved in renewable energy, which is influenced by the macroeconomic environment including global oil prices, could influence the levels of investment or operating expenditures within the industry which may adversely affect demand for the Group's services. This could lead to lower utilisation or lower charter day rates which may lead to a reduction in profit margins or an impairment of Group vessels. Demand for GMS vessels is affected by the number of vessels in the market and the competitive landscape. The actions of competing companies or the entrance of new competitors could increase the availability of SESVs, which could jeopardise our market share or adversely affect utilisation levels or charter day rate levels. GMS operates in a number of different countries. Being over exposed to any one geographic market or the loss of a major client or a reduction in activity of a major client could impact our performance. Market sentiment towards our sector and the Company, could result in our share price not reflecting the intrinsic value of the business. This could limit opportunities for strategic transactions by the Group, which could restrict growth.	**Opex v capex** The Group provides cost-effective services mainly in the opex phase of oil companies' budgets, supporting long-term oil production which historically has tended to be less cyclical than capex phase work. **Focus on low cost of production areas such as MENA** The majority of the Group's revenue is generated in the MENA region where there are a relatively high number of well-established oil fields requiring maintenance, and where the cost of oil production is generally lower than in other parts of the world. **Cost management** The Group continues to focus on managing its cost base in order to help achieve appropriate profit margins whilst having the ability to offer competitive pricing to clients. **Growth and expansion** We lead the field in technological innovation and continually seek to expand the range of activities our vessels can perform and offer innovative solutions to our clients. This helps us to retain market share. We strive to have a geographical balance of our operations by not limiting our portfolio of clients to one country or region. **Construction and modification flexibility for clients** Our vessels are built to be as flexible as possible allowing us to compete for a wide share of the market, helping us to maximise utilisation levels and charter day rates. The Group is capable of modifying assets to satisfy client requirements and can do so in its own yard where appropriate. **Counterparty risk** We monitor the risk on contractual counterparties to avoid over dependency on any one customer or business partner.	↑

Key: ↑ Risk has increased since 2017 ↔ No material change in risk since 2017 ↓ Risk has reduced since 2017

Risk profile	Mitigation, monitoring and assurance	Change
People		
As the market recovers the Group may incur challenges in recruiting and retaining the required calibre of staff which could lead to an increase in operating costs or influence effectiveness. The implementation and execution of our strategy depends on our ability to attract, motivate and retain sufficiently qualified and experienced personnel, particularly at senior management levels. Failure to attract, develop and retain sufficient competent senior offshore staff to support our clients' needs could result in serious gaps within the Group's knowledge base and lead to operational issues on-board vessels, and could lead to reductions in utilisation.	**Succession planning** The Group maintains detailed management succession plans for key personnel which are monitored by the Group HR team. The current macroeconomic environment has resulted in a wider external talent pool available for certain roles within the Group. Key technical personnel who were involved in previous vessel construction projects were integrated within the Operations Department to assist in vessel modification and maintenance projects. This has enabled the Group to retain key technical skills and expertise in our fleet of high quality vessels. **Learning and development** The Group is committed to providing bespoke training and development paths for key personnel and invests heavily in learning and development with a major focus on regular training for our safety critical, senior operational and management roles. **Competitive remuneration packages** The Group has a competitive remuneration structure that aims to attract, motivate and retain suitably qualified personnel through performance-based reward practices.	↑
Commercial		
The reliance of the Group on a limited number of NOCs, IOCs and international EPC clients may expose us to losses in the event of client relationship disruptions. The Group may not be able to win new contracts or retain existing contracts including clients not opting to exercise contractual option periods because of the actions of competitors. This could lead to lower vessel utilisation or lower charter day rates, causing profit margins to fall. The Group may not be able to secure long-term contracts or certain clients could cancel contracts, which may lead to commercial downtime between contracts and lower overall average utilisation. A reduction in average charter day rates, arising from discounted pricing in the industry, could lead to reduced margins or operating losses. Challenging and protracted client requirements, NOC tendering and award requirements or local government requirements, in certain markets, could affect our ability to win contracts, could lead to cost escalations or could impact utilisation, Group profitability and impact our ability to meet our covenant requirements.	**Flexibility and innovation** We seek to continually improve our offering through innovation including new vessel designs and specification improvements by responding directly to client feedback, which allows us to bid on a wider range of contracts. **Market knowledge and operational expertise** The Group has a clear record of established long-term relationships in the MENA region and North West Europe, which helps provide a clear understanding of our clients' requirements and operating standards. We believe that the Group continues to have a competitive edge over most other alternative providers of vessels through our operational expertise and the high quality specifications of our offshore solutions. **Tender approach** We compete in tenders for all vessels nearing the end of their firm contracts, ensuring that, if a client chooses not to exercise their option, other opportunities should not be missed. The Group has built strong relationships with potential clients and continues to work with them to ensure tenders are completed in an appropriate timeframe prior to contracts being executed. The Group continually monitors and tracks its pipeline of new contract opportunities, and prioritises bidding on the most suitable contracts with appropriate margins. The Group's robust operating standards result in minimal downtime which helps ensure that clients are not given cause to cancel contracts through non-performance. **Commercial Review Board (CRB)** The Group has in place a CRB comprising members of the senior management team to review contract requirements and consider risks and rewards, prior to bidding for and/or entering into any material contracts.	↔

Key: Risk has increased since 2017 | No material change in risk since 2017 | Risk has reduced since 2017

Risk profile	Mitigation, monitoring and assurance	Change
Investments		
Delays in completion or errors in assessing the impact of new strategic expansion projects could result in decreased margins and market share.	**Board oversight** The Board has oversight of approving and monitoring strategic projects. **Project management** Extensive project management controls and processes are adhered to throughout project life cycles.	No material change
Compliance and regulation		
Non-compliance with anti-bribery and corruption regulations could damage stakeholder relations and lead to reputational and financial loss. Failure to appropriately identify and comply with laws and regulations and other regulatory statutes in new and existing markets could lead to regulatory investigations.	**Code of conduct** The Group has a Code of Conduct which includes-anti bribery and corruption policies and all employees are required to comply with this Code when conducting business on behalf of the Group. **Due diligence** The Group performs substantial due diligence work prior to venturing into new markets and obtains an understanding of any governing laws and regulations. Group legal and external counsel support are utilised as necessary.	No material change
Health, Safety, Security, Environment and Quality		
The Group may suffer commercial and reputational damage from an environmental or safety incident involving our employees, visitors or contractors. Our operations have an inherent safety risk due to our offshore operations. We have a fundamental obligation to protect our people and recognise the implications of poor safety procedures.	**Safety awareness** Safety and assurance continues to be a top priority and is underpinned by our HSSEQ management system and strong safety-focused culture. Management ensures appropriate safety practices and procedures, disaster recovery plans and the insurance coverage of all commercial contracts are in place both prior to acceptance and during contract delivery. **Training and compliance** Our employees undergo continuous training on operational best practices. **Scheduled maintenance** The Group follows regular maintenance schedules on its vessels and the condition of the vessels is consistently monitored.	No material change
Brexit		
Continuing uncertainty surrounding negotiations on the UK's exit from the European Union ('Brexit') results in increased uncertainty over future policy, and legislation and the United Kingdom, which could impact Group operations.	**Monitoring Brexit** Our exposure to specific market turbulence in the UK is limited as most of our clients are in the MENA region. Our offshore workforce operate on internationally accepted documents so we do not anticipate mobility issues. Our supply chain is predominantly MENA and mainland Europe based, and there are no major items manufactured in the UK. We have some exposure to foreign currency fluctuation on our unhedged contract options, however even if the Sterling volatility that has been experienced since the leave vote continues, this is not expected to have a significant impact. Although it remains unclear what the position will be for the UK on 29 March 2019, based on our understanding we have not identified any unmanageable risk to our operations arising from Brexit. Management continue to monitor the status of the UK Government's negotiations, changes in legislation and future policies.	Newly-added risk

Risk profile	Mitigation, monitoring and assurance	Change
Operational		
There is a risk that the Group's assets may not be fit for purpose or may fail to operate in the manner intended by management. Failure to deliver the expected operational performance could result in reputational damage, litigation, reduced profit margins or loss of clients. Changes in the political regimes, civil and political unrest or sanctions in the jurisdictions in which we operate could adversely affect our operations. The Group may not be able to deploy stacked vessels timely for new contracts which could limit operational readiness. Also deployment costs of previously stacked vessels could be significant. There is a risk that cybersecurity incidents including loss or misuse of sensitive information could damage our operations, or lead to financial loss and reputational damage due to a breach of confidential data or technology disruption caused by an internal or external attack.	**Vessel monitoring** The Group regularly monitors the condition of the vessels and other equipment which undergo mandatory dry docking within the specified timeframes. The Group has policies and procedures in place such as the Planned Maintenance System to ensure that the vessels undergo regular preventative maintenance. **Emergency plans and insurance** For all our major assets and areas of operation, the Group maintains emergency preparedness plans. We regularly review the insurance coverage over the Group's assets to ensure adequate cover is in place. **Constant review** The Group remains vigilant to potential changes and risks and may engage with governments and legal counsel to ensure a comprehensive view of our stakeholders is presented. The Group constantly monitors the ever-changing political landscape in the regions that are considered volatile or unpredictable. **Readiness for deployment** The Group carefully plans the stacking of vessels and maintains detailed deployment plans to ensure vessels can be brought back into operation efficiently. **Cybersecurity monitoring and defence** GMS operates multi-layer cybersecurity defences which are monitored for effectiveness and to ensure they remain current. Extensive monitoring of attempts to breach IT systems take place with detailed analysis to help ensure potential threats are identified and effectively mitigated. **Business continuity plan** The Group has in place a robust business continuity management plan which it regularly maintains to support the management of any critical incidents.	↔

Other considerations

The Directors have given consideration to other risks that the Group may be exposed to including risks associated with climate change. The Directors concluded that whilst these risks exist, overall, they were not considered to be material and therefore did not constitute one of the Group's principal risks and uncertainties.

Longer-term viability

Provision C2.2. of the Corporate Governance Code requires Directors to assess the prospects of a business over a period of time longer than the 12 months typically required to determine the going concern basis of preparation of the financial statements of a business. The Directors have determined that a period of three years from the balance sheet date is appropriate for the purposes of conducting this review. This period was selected with reference to the Group's annual strategic plan which covers three years and on the basis that a longer period would not be considered appropriate given the degree of volatility inherent in the delivery of the Group strategic plan which is attributable to external factors, including sentiment surrounding oil price. The review was also restricted as the forecasts within this time period identified breaches of covenants as described below, therefore a longer review period was deemed unnecessary. The Board reviews annually and on a rolling basis the strategic plan for the business which management progressively implements.

The assessment took into consideration the potential impact that the Group's principal risks and uncertainties detailed above on pages 18 to 22 could have on the business model, liquidity and future performance within the review period. The Group has carried out a comprehensive business financial projection exercise which entailed a series of detailed reviews and inputs from members of the senior management team, including Commercial, Operations, HR and Finance. This has been reviewed in detail by the Group's Chief Financial Officer, culminating in its submission to the Board for debate and approval. This process was concluded in January 2019 and the output is a profile of financial performance for the period to 31 December 2021 that the Board reasonably believes the Group will achieve. Nevertheless, the Board has commissioned further work to identify cost saving and revenue initiatives to further improve financial performance.

Our review of the significant uncertainty caused by the Brexit negotiations has not identified any unmanageable risks within the timeframe of this review, however we will continue to monitor developments closely. While the Group expects to continue to service its loan repayment obligations and interest payable in 2019, the Group's anticipated operating performance is projected to breach financial covenants attached to its facilities in 2019 (this material uncertainty is discussed in the Going Concern review in Note 3 of the consolidated financial statements). This projected operating performance, for which the principal driver is an assumption about charter day rate improvement, will also affect the Group's rate of deleveraging such that the Group is unlikely to be able to service scheduled increased debt repayments from the end of Q3 2020 onwards. As the base forecast indicated this, it was considered there was little merit in conducting stress testing against further downside scenarios. The Board are exploring a number of ways to establish an appropriate long-term capital structure for the Group both capable of being serviced by the projected financial performance and also meeting reasonable alternative downside scenarios. Discussions with the Group's banking syndicate to address these objectives have already commenced. Against the background of these discussions, the Board will consider all available options to strengthen the balance sheet.

While the Board believes there is a reasonable prospect of a satisfactory outcome to these discussions, and the Group expects to meet all its loan repayment and service obligations until the end of Q3 2020, until such time as a new and improved capital structure is in place there can be no certainty that the Group will be viable throughout the whole review period.


GMS EVOLUTION 6104
GMS

OPERATIONAL REVIEW

As mentioned earlier in this report, GMS successfully delivered an unprecedented 13 vessel mobilisations onto new charters in 2018. This is a highly commendable performance that required considerable effort and flexibility from our operations and crewing departments to ensure the timely delivery of our SESVs to our clients. However, charter rates remained under pressure, having fallen by 38% since their peak in 2015 and protracted tender processes and delayed contract awards we have experienced in recent years continued.

Overview

Our extensive experience in the global SESV sector and in-house expertise in vessel construction and modification are especially helpful at times of multiple mobilisations, when an appropriate solution for each project must be delivered cost-effectively against strict deadlines. Examples of mobilisations delivered in 2018, together with some detail on the work involved to prepare the vessels for their new charters, are provided on pages 26 and 27.

During the year we reactivated three vessels, which had been stacked to minimise operating costs during a sustained period off hire, and we recruited 147 additional crew to fulfil the new charter commitments. Our GMS Training Academy continues to be of benefit to the Group as it allows us to efficiently provide in-house the specific training requirements we insist upon to ensure all our mariners meet our high standards of operational excellence.

HSSEQ

Health, safety and the environment continue to be our top priority and we again delivered a total recordable injury rate* of zero (2017: zero) and zero lost time injuries* (2017: zero) with no environmental emission releases. This is an outstanding achievement in a busy year operationally. The total number of man hours worked was 4.1 million in 2018 (2017: 4.5 million man hours).

We are committed to providing all our personnel with a high quality and safe working environment at all times whilst under our duty of care and will continue to maintain our focus on HSE.

Operational activity during the year was in the maintenance, accommodation and well servicing sector. The Group delivered a technical and operational uptime of 99% for our chartered vessels, with 223 rig moves and 187 client wells serviced safely and on schedule.

Utilisation, charter rates and operating costs

All three vessel classes in our SESV fleet delivered an increased utilisation rate for 2018 compared to the previous year. Utilisation for the SESV fleet, excluding the time vessels were mobilising for new contracts, was 80% (2017: 61%). A further breakdown of utilisation by vessel class is included below. Given the high number of vessel mobilisations in the year, we have provided the utilisation rate both excluding and including the time spent on mobilising to indicate the one-off impact on our normal method of reporting (i.e. to exclude mobilisation time).

Charter rates for the year were under pressure in what continues to be a highly competitive market environment. The total average daily charter rate (which excludes hotel services) decreased 6.8% to US$ 34,300 (2017: US$ 36,800). By vessel class this was US$ 46,000 (2017: US$ 52,000) for the Large Class, US$ 40,000 (2017: US$ 41,000) for the Mid-Size Class and US$ 23,000 (2017: US$ 25,000) for the Small Class. Further information on vessel revenue by Class is provided in the Financial Review on page 28.

The average daily vessel operating costs (excluding mobilisation costs) remained flat for the Mid-Size Class at US$ 13,000 (2017: US$ 13,000) and for the Small Class at US$ 9,000 (2017: US$ 9,000). There was an increase to US$ 16,000 (2017: US$ 14,000) for the Large Class, with this reflecting the Group's increased activity in Europe where it is more expensive to operate than in the Middle East.

Revenue by activity and customer base

While the Group's business continues to be weighted towards clients' oil and gas opex-based activities, with 52% of total 2018 revenue coming from this segment, this is a significant reduction on 2017 when it accounted for 71% of revenue. The contribution from oil and gas capex-based activities was fairly constant at 25% of revenue (2017: 29%). The renewables segment reflects the Group's re-entry into this sector during the year, delivering 23% of the Group's revenue.

The Group has maintained its strong relationships with regional EPC contractors and in 2018 revenue from these clients increased year-on-year by ten percentage points to 25%. A breakdown of revenue by type of client is provided below.

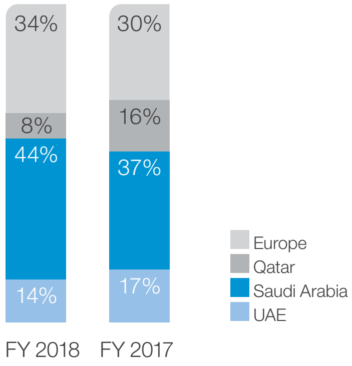
Revenue by Activity	FY 2018	FY 2017
Oil and Gas – Opex-led activities	52%	71%
Oil and Gas – Capex-led activities	25%	29%
Renewables	23%	0%

Revenue by Customer Base*	FY 2018	FY 2017
NOC	33%	43%
EPC	25%	15%
IOC	19%	42%
OSW	23%	0%

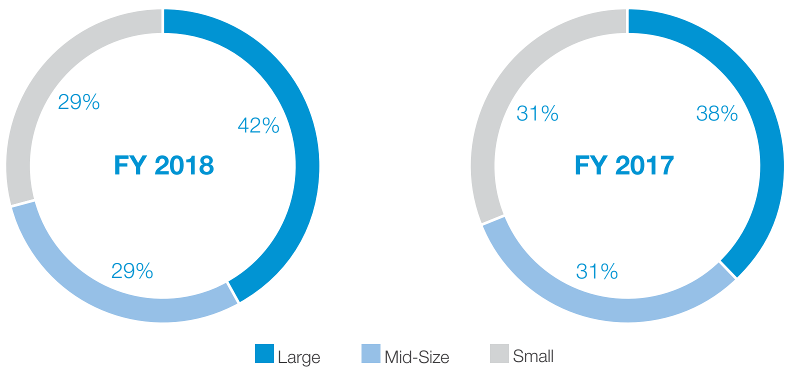
Vessel Utilisation	FY 2018 (excludes the time vessels mobilising)	FY 2018 (includes the time vessels mobilising)	FY 2017 (excludes the time vessels mobilising)	FY 2017 (includes the time vessels mobilising)
Large Class	98%	73%	70%	57%
Mid-Size Class	90%	75%	71%	71%
Small Class	67%	64%	53%	49%
Overall SESV Fleet	80%	69%	61%	58%

* Refer to the Glossary.

Revenue by geographical location



Revenue by vessel class



Markets

MENA

We have been supporting our national oil company clients and engineering, procurement and construction contractors in the Middle East for more than 40 years and have a reputation for delivering reliable, high quality cost-effective offshore support solutions. The Middle East continues to be our largest market, contributing 66% of the Group's revenue in 2018 (2017: 70%), where we secured six contracts with a combined charter period of just under 20 years including options. During the year, eight of the Group's 13 vessel mobilisations were to charters in the Middle East.

Our vessels are ideally suited to the MENA market, where aging infrastructure is generally located in shallow water and requires ongoing maintenance, upgrades and replacement. Over the years we have evolved our fleet to provide our clients with highly flexible vessels that can support a wide variety of operational requirements, including well intervention services and enhanced oil recovery, asset life extension projects and the installation of new facilities for future oil production. The average age of our fleet of only eight years, continues to be helpful in the tender process, where our clients in the current market are able to express a preference for advanced vessels that can offer greater operational and cost efficiencies.

Europe

GMS has an established reputation for successful operations in the offshore oil and gas and renewable energy sectors in Europe and revenue from this region increased slightly to 34% (2017: 30%). As mentioned earlier, the Group re-entered the renewable energy market in the year, with most of our activities in Europe supporting operations in this sector. Three of our Large Class SESVs commenced long-term term charters to support wind farm-related projects for two new clients in the region. We are hopeful of further opportunities in the sector given the upcoming increased construction phase expected as part of round three of the UK's offshore renewables programme. As North Sea wind farms are increasingly being located further offshore there is a growing requirement to accommodate the workforce close to the work site during both the construction and maintenance phases. Our SESVs are ideal as they provide a stable platform on which our clients' personnel are accommodated and can remain on location throughout the entire project. The vessels can also move rapidly between in-field locations, which helps to increase the efficiency of client personnel transfers.

Decommissioning of redundant offshore well infrastructure in the North Sea remains a source of potential demand for GMS. According to a report published in 2018 by the UK's Oil & Gas Authority, which assessed the UK Continental Shelf well stock and activity, well abandonment activity has increased four-fold since 2016, with a similar forward trend predicted. This is encouraging news for GMS, as our vessels operate in the Southern North Sea, and our innovative cantilever system fitted to one of our Large Class SESVs makes the vessel particularly suited to the cost-effective plug and abandonment of old wells, a key step in the decommissioning process. We are continuing to market this cantilever system to both new and existing clients in all our oil and gas markets globally, although our ability to demonstrate this in-field has been limited as the vessel has been supporting wind farm operations in Europe. This world-first technology will allow our vessels to supplant non-propelled drilling rigs on well workover projects by offering greater operational efficiencies, quicker servicing times and lower costs. More information on the cantilever system is provided on our website.

Summary

We have continued to deliver safe, high quality and cost-effective offshore support solutions to our clients and have increased our activities in our principal markets, gaining five new clients in the process. While the pricing environment remains challenging, we must also remain flexible in seeking ways to utilise our fleet. We believe that we are well placed to capitalise on a market recovery when it materialises.

A BUSY YEAR FOR MOBILISATIONS

GMS completed 13 mobilisations during 2018; some of the work involved in delivering the vessels onto the new charters is shown below.

Mobilisations in the Middle East

Three Small Class vessels that had been stacked to minimise off-hire costs were reactivated, and these vessels are now fully operational.

Leg extensions were fitted to a Small Class vessel to enable it to work in the same water depths as our Mid-Size Class vessels (up to 55m). This proved beneficial as the Group was awarded a new contract against a competing vessel with similar leg extensions.

A Mid-Size Class SESV required for a long-term contract underwent some changes in order to meet the client's contracted requirements. These included the removal of the additional temporary living quarters, relocation of the main crane and the installation of a secondary crane, fabrication and installation of gas lines and flare boom supports and pumping systems (GMS continues to be the only operator with an in-house pumping services capability).

Mobilisations in Europe

During the first half of 2018, two of our Large Class vessels commenced new charters to support the construction of Hornsea Project One, the world's largest offshore wind farm development. This involved relocating one of the vessels from the UAE to the UK on a heavy lift ship. In order to secure safely the SESV to the heavy lift vessel, it was necessary to remove the top leg sections and thrusters on the vessel; once the vessel arrived in the UK, the thrusters were restored.

Our innovative boat landing tower, designed specifically for Hornsea Project One, became operational during the year. The retractable tower allows safe and efficient boarding of our client's personnel from our SESV to crew transfer vessels. We are pleased to report this is working very successfully, enabling the transfer of around 200 people per day while our vessel remains jacked up, delivering a cost-effective offshore accommodation solution for our client.

Additionally, GMS has partnered with the Southern North Sea Pool (SNS Pool), a collaboration model on platform supply vessels. The SNS Pool consists of 16 offshore operators, operating in 60 offshore fields with more than 150 offshore installations. Through the partnership, and using our extensive offshore operational experience, we have negotiated a marine logistics supply agreement for our client's entire field of operations, adding further value to the existing support solutions we provide to this international energy client.

A third Large Class vessel completed an oil and gas charter in the UK during the year and, following the removal of spud can extensions and temporary living quarters that were required by the previous client, was mobilised to its next charter, a new client at another wind farm development.

FINANCIAL REVIEW

US$ million	2018	2017
Revenue	123.3	112.9
Gross profit	47.0	36.0
Adjusted gross profit*	47.0	43.3
Adjusted EBITDA*	58.0	58.5
Loss for the year	(5.1)	(18.2)
Adjusted net (loss)/profit*	(5.1)	4.8
Basic and diluted loss per share (US cents)	(1.75)	(5.31)
Adjusted basic and diluted (loss)/earnings per share (US cents)*	(1.75)	1.26

* Adjusted results shown include certain adjustments for non-recurring items in 2017. There were no non-recurring items requiring adjustments in 2018. For details and further information on Alternative Performance Measures, refer to the Glossary.

Overview

The Group's performance reflects continued challenging market conditions. Revenue increased by 9% from significantly improving utilisation rates to 80% (2017: 61%), but pressure on day rates continued, with the average day rate decreasing by approximately 7% year-on-year. These utilisation rates exclude the time vessels were unavailable for hire whilst mobilising for new contracts. An adjusted utilisation based on calendar days including this unavailable mobilisation time was 69% in 2018 (2017: 58%).

Higher cost of sales reflected operating costs increasing due to improved levels of utilisation, as well as higher than usual levels of asset mobilisations onto contracts and reactivation costs of vessels previously stacked. This was partly offset by a reduced depreciation charge in 2018 of US$ 27.3 million (2017: US$ 28.4 million) following the return of a leased vessel in August 2017. Overall, cost of sales excluding non-recurring items increased by 10% (excluding a non-recurring impairment charge of US$ 7.3 million in 2017) to US$ 76.3 million (2017: US$ 69.6 million excluding impairment charges). The Group delivered a consistent adjusted gross profit margin of 38% across both years.

Adjusted EBITDA remained flat at US$ 58.0 million (2017: US$ 58.5 million). The adjusted EBITDA margin reduced to 47% in 2018 (2017: 52%) primarily as a result of the higher operating costs discussed above, as well as higher administrative costs mainly arising from costs which could have been capitalised against projects now being expensed in the current year following completion of the new build programme. We continue to be focused on managing our costs appropriately in the current environment and are reviewing all areas of the business to drive additional efficiencies and pursue cost saving initiatives.

The adjusted net loss for the year of US$ 5.1 million (2017: adjusted net profit of US$ 4.8 million) reflects an increase in finance expenses to US$ 31.3 million (2017: US$ 23.3 million, excluding non-recurring finance costs of US$ 15.6 million). This resulted from higher borrowing rates during the year as a result of increases in LIBOR and higher Group net leverage, as well as US$ 3.1 million of interest costs reflected in the current loss which were previously being capitalised as directly attributable costs for the now completed construction of Evolution. As the new build programme has completed, all interest costs have now been expensed in the income statement. The Group also recognised a tax charge of US$ 2.7 million, compared to a tax credit of US$ 0.2 million in 2017, mainly arising from increased activity in taxable jurisdictions (particularly in Saudi Arabia) as well as a prior year tax credit of US$ 2.4 million as a result of a revision of the tax treatment of our operations in the UK.

At the year end, the Group's net bank debt (total bank borrowings less cash) was US$ 400.5 million (2017: US$ 372.8 million). At 31 December 2018, the Group had undrawn committed bank facilities of US$ 30.0 million (2017: US$ 50.0 million). As the Group was in technical breach of one covenant as at 31 December 2018, the bank debt on the balance sheet is required to be presented as a current liability which had a corresponding effect on our reported working capital balance. In January 2019, the Group agreed with its banking syndicate an amendment to its financial covenant levels for the 31 December 2018 test date and is now in full compliance with all financial covenants as at that date.

The Directors believe the Group will be able to service all of its interest and debt repayment obligations in 2019. The projections indicate that the Group's anticipated operating performance result in a significant doubt over the Group's ability to meet the covenant test at the 30 June and 31 December 2019 testing periods. Whilst recognising the material uncertainty in respect of going concern described in Note 3 of the consolidated financial statements, the Directors believe that covenant amendments will be agreed and consider it appropriate for the going concern basis to be adopted in line with current accounting standards. The Company is continuing its active dialogue with its bank and is reviewing, together with its financial advisors, a range of long-term refinancing options.

The following sections discuss the Group's adjusted results as the Directors consider that they provide a useful indicator of the Group's underlying performance. Adjusted results are also an important measure providing useful information as they form the basis of calculations required for the Group's covenants. It is noted that there were no adjusting items for 2018; however, those that were made in 2017 are disclosed in Note 6 to the consolidated financial statements.

Revenue and segmental profit

Revenue increased by just under 10% in 2018 to US$ 123.3 million (2017: US$ 112.9 million). This increase reflects an increase in the SESV fleet utilisation to 80% (2017: 61%). This calculation excluded the time vessels

Vessel Class	Revenue (US$ '000)		Adjusted gross profit/(loss)* (US$ '000)	
	2018	2017	**2018**	2017
Large Class vessels	**52,077**	42,549	**31,563**	29,074
Mid-Size Class vessels	**35,407**	34,990	**22,960**	22,800
Small Class vessels	**35,847**	35,337	**20,836**	22,024
Sundry rental income	**4**	5	**(58)**	(113)
Total	**123,335**	112,881	**75,301**	73,785

* Refer to Glossary.

were unavailable for hire whilst mobilising for new contracts. An adjusted utilisation based on calendar days (which includes this unavailable time) was 69% (2017: 58%). All of the SESV fleet were on hire for at least some of the year, including certain Small Class vessels which were previously stacked to minimise costs.

During the year, 66% of total Group revenue was derived from customers located in the MENA region (2017: 70%) while the remaining 34% of revenue was earned from customers in Europe (2017: 30%). Our revenue in the MENA region is mainly from oil and gas services. We have seen growth in Saudi Arabia, which in 2018 remains our largest geographical market with 67% of revenue earned there (2017: 53%). The remainder is split between the UAE and Qatar at 21% and 12% respectively (2017: 25% in the UAE, 22% in Qatar). Saudi Arabia is also our biggest overall geographical market, with 44% of total revenue arising there in 2018 (2017: 37%). Within Europe, all revenue was earned in the UK (2017: 49% in the UK, 41% in the Netherlands, 10% in the rest of Europe), with over half earned from renewables projects.

The table below left shows the contribution to revenue and segment adjusted gross profit or loss (being gross profit excluding depreciation, amortisation and impairment) made by each vessel class during the year. Large Class vessels continue to be the largest contributor to overall revenue and adjusted gross profit.

Increased tendering, pipeline of opportunities and current utilisation levels give some reassurance that the market is starting to recover; however, it is difficult to predict when this improved demand will be reflected in improved day rates.

Cost of sales, adjusted gross profit margin and general and administrative expenses

Cost management and efficiency remain central to our business practices. Cost of sales increased by 10% to US$ 76.3 million in 2018 (2017: US$ 69.6 million, excluding impairment charges) in line with the increase in revenue in the year. Cost of sales excluding depreciation and amortisation increased by 23%, which was offset by a reduction in depreciation following the return of a leased vessel in August 2017. The Group undertook 13 mobilisations for new contracts during the year, which is a significant increase compared to historic activity levels. A number of these vessels were required to be fully operational ahead of actual contract commencement dates, meaning the operating expenses for these vessels were at a similar level as on hire vessels which increased costs. The Group also incurred additional costs to reactivate vessels previously stacked. As a result, despite increased revenue the adjusted gross profit margin remained flat at 38% in 2018 (2017: 38%).

Gross general & administrative costs (including costs of this nature that were both expensed and capitalised in the year), reduced by 12% to US$ 19.0 million (2017: US$ 21.7 million). Costs capitalised also reduced from US$ 5.0 million in 2017 to US$ 0.5 million in 2018 following completion of the new build programme in 2017.

EBITDA

EBITDA for the year increased to US$ 58.0 million (2017: US$ 51.1 million) as there was a non-recurring impairment charge in the prior year. Adjusted EBITDA remained flat at US$ 58.0 million (2017: US$ 58.5 million). The Group's adjusted EBITDA margin in 2018 reduced to 47% (2017: 52%) with the increase in revenue offset by an increase in operating costs and general and administrative expenses described above.

Finance costs and foreign exchange

Finance costs increased by 34% in 2018 to US$ 31.3 million (2017: US$ 23.3 million excluding non-recurring refinancing costs of US$ 15.6 million), reflecting an increased cost of bank borrowing to US$ 30.6 million (2017: US$ 22.2 million) as a result of both increases in LIBOR and higher Group net leverage. The average borrowing rate in 2018 was 7.0% compared to 4.7% in 2017. In addition, no finance expenses (2017: US$ 3.3 million) were capitalised during the year following completion of the new build programme in 2017.

In 2018, there was a net foreign exchange gain of US$ 0.3 million (2017: US$ 1.9 million) arising from movements in exchange rates of the Pound Sterling and Euro against the US Dollar, the Group's presentational currency. The Group entered into new arrangements to partially hedge the volatility of movements in exchange rates as well as interest rates.

Taxation

The net tax charge for the year was US$ 2.7 million (2017: tax credit of US$ 0.2 million). There was an increase in the overall tax charge resulting from an increase in Group revenue earned in Saudi Arabia, which attracts both withholding tax and corporation tax, and a tax credit in 2017 of US$ 2.4 million as a result of a revision of the tax treatment of our operations in the UK.

Earnings

The net loss during the year was lower at US$ 5.1 million (2017: US$ 18.2 million) mainly arising from prior year non-recurring items including an impairment charge and additional finance costs as a result of refinancing of the Group's bank facility.

The Group incurred an adjusted net loss of US$ 5.1 million (2017: adjusted net profit of US$ 4.8 million) mainly as a result of higher operating costs, borrowing rates, and the tax charge described above.

The Group achieved a diluted loss per share (DLPS) of 1.75 cents (2017: 5.31 cents). The adjusted diluted loss per share (DLPS) in 2018 was 1.75 cents (2017: adjusted diluted earnings per share (DEPS) of 1.26 cents). Adjusted DLPS/DEPS is calculated based on adjusted net loss/profit; a reconciliation between adjusted net loss/profit and statutory loss is provided in Note 6.

Dividends

Dividend payments remain suspended while we focus on addressing our capital structure.

Capital expenditure

The Group's capital expenditure during the year was US$ 21.4 million (2017: US$ 29.7 million) which included expenditure on a number of vessels to make contractually committed alterations and/or enhancements which resulted in operational efficiencies for clients. Capital expenditure (including contract specific vessel modifications) during the second half of the year was US$ 7.0 million. No significant capital expenditure is currently planned in 2019 and beyond.

Cash flow and liquidity

The Group was in technical breach of one of its covenants at the 31 December 2018 testing date; however, in January 2019, the Group negotiated additional headroom, and as a result, the Group was in full compliance with all of its banking covenants for that testing date. As discussed above, the projections indicate that the Group's anticipated operating performance will result in a breach of financial covenants attached to its facilities at the 30 June and 31 December 2019 testing periods. While GMS expects the Group's interest and debt repayment obligations to be serviceable in 2019, anticipated trading means there is a significant doubt over the Group's ability to meet the covenant test contained at the 30 June and 31 December 2019 testing dates. Whilst recognising the material uncertainty in relation to going concern described in Note 3 of the consolidated financial statements, the Board believes that covenant amendments will be agreed such that it is considered appropriate for the going concern basis to be adopted in line with current accounting standards.

The Group generated positive operating cash flows, with a net inflow of US$ 28.9 million in 2018 (2017: net inflow of US$ 56.3 million). The reduction in cash inflow reflects working capital requirements to support vessel mobilisations which were required to be fully operational ahead of contract commencement dates and an increase in trade and other receivables of US$ 22.6 million. This increase was in line with revenue but also as a result of delays in payments from certain clients. 84% of the 31 December 2018 trade receivables balance has been collected from customers subsequent to year end so we are confident the remaining amount will be collected during 2019. The net cash outflow from investing activities for 2018 increased to US$ 23.0 million (2017: net outflow of US$ 21.7 million) primarily as a result of vessel specific modifications to support mobilisations in the year. The Group's net cash flow relating to financing activities was an outflow of US$ 33.8 million (2017: US$ 57.2 million) mainly attributable to payments for loan capital and interest, partially offset by a loan drawdown of US$ 20.0 million to fund working capital requirements.

Net bank debt and borrowings

The net bank debt position (total bank borrowings less cash) as at 31 December 2018 was US$ 400.5 million (2017: US$ 372.8 million) reflecting increased working capital requirements to support vessel mobilisations during the year, increased trade receivables as described above and interest repayments. We expect net debt to reduce to approximately US$ 390.0 million by the end of Q1 2019.

As the Group was in a technical breach of one of its covenants as at 31 December 2018, all bank debt was required to be reclassified as a current liability. Following the year end, in January 2019, the Group negotiated additional headroom to one of its covenants for the 31 December 2018 test date. As a result, the Group was in full compliance with all of its banking covenants for that date. Undrawn working capital revolver facilities were US$ 30.0 million at 31 December 2018 (2017: US$ 50.0 million). We are continuing to work closely with the Group's banking syndicate both to address the near term covenant pressure and to establish an appropriate long-term and sustainable capital structure to avoid further financing constraints.

Balance sheet

Total current assets at 31 December 2018 were US$ 52.5 million (2017: US$ 57.4 million), with an increase in trade and other receivables to US$ 40.9 million (2017: US$ 18.5 million) being offset by a decrease in cash and cash equivalents to US$ 11.0 million (2017: US$ 39.0 million). Net trade receivables increased by US$ 20.6 million as a result of increased revenue and payment delays as described above. During the year receivable collection days increased to 68 days (2017: 56 days). Although receivable collection days have increased, the Group's customers comprise mainly NOCs, IOCs and international EPC companies, and therefore the credit quality of the outstanding receivables is considered to be good. The reduction in the cash balance of US$ 28.0 million from US$ 39.0 million in 2017 to US$ 11.0 million in 2018 reflects additional working capital requirements to support vessel mobilisations, debt repayments and increasing finance costs described above.

Total current liabilities increased to US$ 436.6 million at 31 December 2018 (2017: US$ 49.8 million), mainly as a result of the inclusion of all the bank borrowings as required to reflect the technical breach of a banking covenant at 31 December 2018 remedied post year end, discussed above. Total current liabilities on a like for like basis reduced to US$ 45.4 million (2017: US$ 49.8 million). Payable days outstanding increased to 58 days during the year (2017: 50 days).

The combined effect of the changes in current assets and current liabilities described above resulted in a working capital and cash deficit of US$ 384.1 million as at 31 December 2018 (2017: working capital and cash balance of US$ 7.6 million). The Group achieved a working capital and cash balance of US$ 7.1 million when excluding the reclassification of the Group's debt facility.

Total non-current assets at 31 December 2018 were US$ 802.9 million (2017: US$ 808.4 million). This decrease was primarily attributable to the US$ 5.9 million decrease in the net book value of property, plant and equipment mainly as a result of depreciation during the year. Total non-current liabilities decreased to US$ 2.7 million (2017: US$ 394.7 million) due to the reclassification of the Group's debt facility described above.

Equity

Shareholders' equity decreased to US$ 414.7 million at year end from US$ 420.7 million at 31 December 2017. The movement was mainly attributed to the loss of US$ 5.1 million incurred during the year as described above.

The number of issued ordinary shares in the Company increased to 349,967,878 following the issue of 263,905 shares on 12 April 2018 awarded under the Company's 2015 Long-Term Incentive Plan. On 16 April 2018, the Company granted awards over ordinary shares under the 2018 Long-Term Incentive Plan. The awards will vest three years after grant, subject to performance conditions measured over the three-year performance period.

Going concern

After assessing the Group's financial position for a period of not less than 12 months from the date of approval and having taken account of the material uncertainty described in Note 3 to the consolidated financial statements, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group has therefore adopted the going concern basis of accounting in preparing the consolidated financial statements. Please refer to Note 3 in the consolidated financial statements for further details.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. Adjusted results are also an important measure providing useful information as they form the basis of calculations required for the Group's covenants. There have been no adjusting items in the year. In 2017, the adjusting items were comprised of non-recurring items. A reconciliation between the adjusted non-GAAP and statutory results is provided in Note 6.

Related party transactions

Green Investment Commercial Investments LLC (GICI), which was previously classified as a related party, no longer has an ownership interest in the Company following the sale of its shareholding during 2018. There have been no new material related party transactions during the year.

John Brown
Chief Financial Officer
25 March 2019

* Refer to Glossary

CORPORATE SOCIAL RESPONSIBILITY

We seek to uphold high ethical standards throughout our global business.

Ethical practice

The Group operates responsibly in accordance with the formal legal and regulatory disclosure requirements expected of a UK listed company. Our corporate governance structure is designed to ensure we are well-positioned to conduct our business appropriately as we seek to deliver the best value for our shareholders.

Our Code of Conduct ("Code") sets out the basic rules of the Group and its purpose is to ensure we work safely, ethically, efficiently and within the laws of the countries in which we operate. All our staff receive Code of Conduct training as part of their induction and our reputation and success is dependent on our staff putting the Code into practice in all our dealings with our stakeholders.

GMS also maintains an awareness of human rights issues, which is reflected in our suite of Group policies including our Anti-Corruption and Bribery Policy, Anti-Slavery Policy, Social Responsibility Policy and Whistleblowing Policy. In 2018, we strengthened our commitment to the protection of human rights with the introduction of performance targets, relating to both our supply chain and our own personnel, which were achieved in the year.

Our core values of Responsibility, Excellence and Relationships are embedded in our culture and are integral to the way we work. Further information on our core values can be found on our website.

Our stakeholders

Clients

The relationships we maintain with our clients are built on trust and a proven track record of delivering safe and efficient operations; in the case of ADNOC this spans more than 40 years. Over the years we have created a well-diversified client base and in 2018 we were pleased to add a further five new clients to our portfolio.

Shareholders

We are committed to the clear and comprehensive communication of our financial and non-financial performance to our shareholders, and our other stakeholders, via regulatory reporting, including press announcements, and through our website and selected social media. We also communicate with our shareholders in a variety of other ways, such as through meetings, presentations and roadshow events and participation in investor conferences. Further information on our shareholder engagement can be found on page 44.

Employees and subcontractors

GMS is dedicated to providing our employees and subcontractors with a safe working environment. We ensure our subcontracted personnel working at our premises or on our vessels offshore are treated with the same respect afforded to our own staff and that they comply with the Group's standards and working practices.

We encourage an honest and open dialogue with our entire workforce and host a variety of formal and informal communications initiatives. In addition, our offshore performance coach acts as a sounding board for any issues our crews wish to raise, with feedback passed to the GMS senior management team for appropriate action.

We support the personal and professional development of all our employees, so they can reach their full potential within GMS. We also remain committed to training, developing and promoting from within the Company whenever this is possible and are very pleased to report 85 promotions within the year.

Community

We encourage a healthy living lifestyle, both within the Group and in the wider communities where we operate, through our support of various sports activities and charity events.

During the year, GMS staff in the UAE participated in an annual charity walk in Abu Dhabi in support of World Diabetes Day. We were also pleased to work with the UAE Red Crescent Authority during the Holy month of Ramadan, providing food for Iftar to members of our local community in Abu Dhabi.

GMS UK sponsored two employees who took part in the annual Pedal for Scotland charity event, in aid of Macmillan Cancer Support and Friends of Anchor, a local hospice in Aberdeen that provides cancer care support.

As part of our commitment to the development and promotion of work opportunities for young people in the UAE, we provided one student internship and one post-graduate placement at our head office in Abu Dhabi.

Photographs

1 Pedal for Scotland charity event.
2 GMS Values Awards 2018.
3 Iftar with the local community during Ramadan.
4 Staff at GMS head office.
5 World Diabetes Day charity walk.
6 Student internship at GMS.
7 Post-graduate on placement at GMS.

3

4

5


6


7

Diversity

We are very proud of our cultural diversity. Our workforce consists of 536 personnel recruited from 37 countries, and the significant experience and skills they bring to GMS helps us to conduct our business from a global perspective.

For cultural and legal reasons, the extent to which we can increase the number of female personnel is often limited. For example, we cannot employ women offshore in the countries in which we currently operate in the Middle East. The charts below provide information on the number of male and female staff employed by GMS. As the provisions of the UK Government's Equality Act 2010 relating to gender pay gap disclosure are not applicable to GMS, this information has not been provided.

The charts provide details of the gender diversity and country of origin of our personnel as at 31 December 2018.

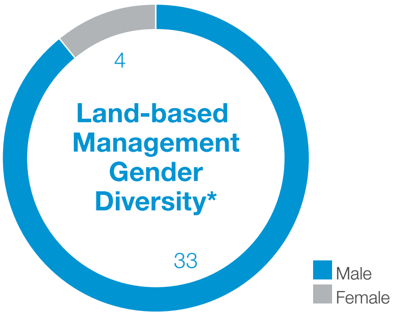
37
Nationalities

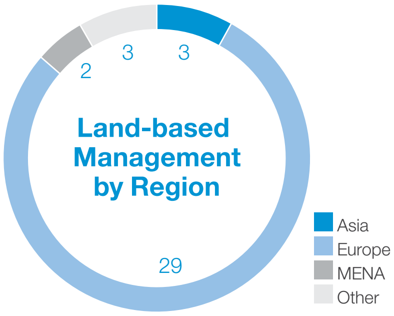
536
Employees
(37 female*, 499 male)

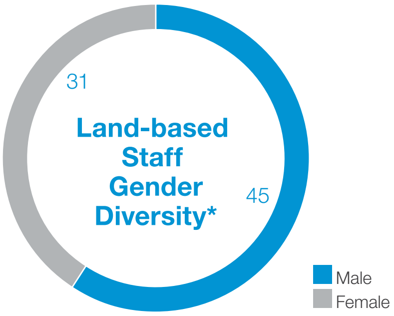
423	113
Offshore	**Onshore and including CEO**

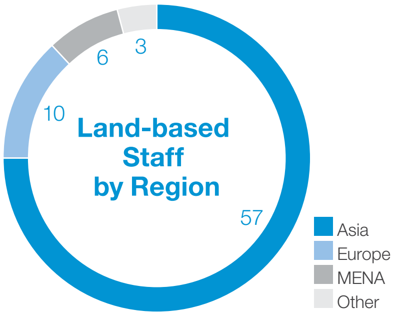
Of which:

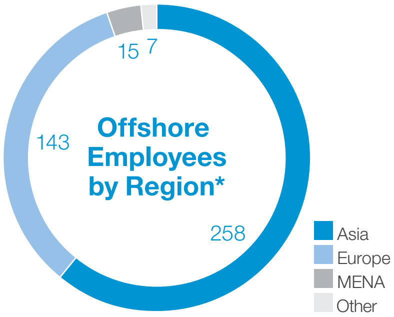
Total Number of Senior Managers: seven (all male) and includes the CEO (male) who is also included on the Board. Total members of the Board: five (four male, one female).











* For cultural and legal reasons, the extent to which we can increase the number of female personnel is often limited, as described above.

The Group is fully compliant with the General Data Protection Regulations (GDPR) that came into force in May 2018. This new legislation, which requires all 28 European Union countries to conform to a standard data protection law, imposes strict new rules on controlling and processing personally identifiable information. We ensure that such information is collected, stored, managed, retained and deleted in accordance with the GDPR.

Greenhouse Gas Emissions Statement

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

We have reported on all of the emission sources required. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

In calculating our GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), the Climate Registry 2014, the IEA CO_2 Emissions from Fuel combustion 2018 and emission factors from the UK Government Conversion Factors for Company Reporting 2018.

The table below shows the data points that are required under the UK Government regulatory requirements.

The consumption of fuel during the operation of our vessels is the largest contributor to our GHG emissions. Although our vessels are leased to our clients on a long-term basis, we have chosen to account for their GHG emissions within our footprint, in accordance with the 'operational control' approach to developing our GHG footprint. The decrease in emissions from fuel since the previous year is due to a decrease in overall vessel mileage during contracted works.

Global GHG emissions data for period 1 January 2018 to 31 December 2018

Emissions from	Tonnes of CO_2e Current reporting year 2018	Tonnes of CO_2e Comparison year 2017
Combustion of fuel and operation of facilities	42,930	48,405
Electricity, heat, steam and cooling purchased for own use	819	767
Total (in tonnes CO_2e)	**43,749**	**49,172**
Total revenue (US$ '000)	**123,335**	**112,881**
Company's chosen intensity measurement: Emissions reported above normalised to the ratio of tonnes of CO_2e per US$ 1,000 of Group revenue	**354.72***	**435.68***

* Emissions for the 2018 to 2017 comparison have been normalised to the ratio of tonnes of CO_2e per US$ 1,000,000 to provide greater clarity (a ratio of tonnes of CO_2e per US$ 1,000 was used in previous years).

On behalf of the Board

Duncan Anderson
Chief Executive Officer
25 March 2019

CHAIRMAN'S INTRODUCTION

The Board of GMS remains committed to maintaining the highest standards of corporate governance and understands that an effective and challenging Board is essential to enable the Company to deliver long-term shareholder value. Within GMS, our governance structure includes policies and procedures which are embedded within the Group, a sound and effective system of internal controls with clearly defined levels of authority and accountability and an internal reporting structure which provides the necessary information flow to the Board. This robust governance structure follows best practice and is an integral part of the way the Company designs and delivers its strategy. Detailed information on our governance, values, strategy and business model, can be found in the Strategic Report on pages 12 to 15.

All three of the Board Committees, Audit and Risk, Remuneration and Nomination, are fully compliant with the UK Corporate Governance Code. The reports from the Chairman of each of these committees describe the work we have undertaken over the past year.

Composition of the Board

In May 2018, Dr Karim El Solh, a non-executive Director who served on the Board as a representative of our previous largest shareholder, Gulf Capital, resigned. I would like to thank Dr El Solh for his valuable contribution to the Group. In October 2018, we were pleased to welcome independent non-executive Director Dr Shona Grant, who brings extensive industry knowledge to the Board. Further information on Dr Grant can be found in the Directors' biographies on pages 38 and 39. In February 2019 Mr Mo Bississo was appointed to the Board; his extensive knowledge of the UAE financial sector will further enhance the expertise of our Board and will be of benefit in our discussions with our local banking syndicate.

Following the January 2019 announcements from the Company and Seafox International Limited (its competitor and 13.7% shareholder in GMS), the Company engaged extensively with its shareholders, both in the UAE and internationally. Further to this consultation process, on 11 February 2019, I advised the Board of my intention to stand down as Chair and Director of the Company once a suitable replacement has been found.

GMS continues to engage with all shareholders with a view to potential further strategic non-executive Director appointments whilst always having regard to the overall appropriate composition of the Board. The Board has indicated its willingness to consider the appointment of new non-executive Director(s) that would be additive to the skills, experience, and knowledge of the Board, whilst maintaining its objectivity and independence, but believes that any such appointments must follow the appointment of the new Chair.

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

The Board considers that the Company complied in all respects with all the relevant recommendations of the 2016 edition of the Code throughout the year. The Corporate Governance Report, the Directors' Report and the reports of the Board Committees have been presented to provide you with a further understanding of how the Company has complied with the requirements of the Code, and to highlight key areas of focus during the year.

In July 2018, the Financial Reporting Council published a new UK Corporate Governance Code that applies to accounting periods beginning on or after 1 January 2019. Any key changes implemented to our governance structure during 2019, to reflect the new Code, will be reported in our 2019 Annual Report, as necessary.

Board evaluation

Our annual performance evaluation process represents an opportunity to enhance overall Board effectiveness. Following an external Board evaluation undertaken in 2017, an internal evaluation was conducted in 2018, which concluded that the Board and its Committees are operating effectively. Further details of the process conducted during the year can be found on page 43.

Appointment and re-election of Directors

Following the performance evaluation of Directors in 2018 (see page 43 for further details), I can confirm that Directors as at 31 December 2018 continue to be effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, as recommended by the Nomination Committee, all Directors as at 31 December 2018 will be offering themselves for re-election (or election in the case of Dr Shona Grant) at the Company's AGM to be held on 28 May 2019. Further information on the Directors can be found in the Directors' biographies on pages 38 and 39.

Succession planning

We continue to assess the composition of the senior management team. In all senior management positions an appropriate level of skills and experience, as well as objectivity and integrity, are prerequisites for appointment.

During the year John Brown gave notice of his resignation as Chief Financial Officer of GMS effective from the 2019 Annual General Meeting of the Company which is scheduled for Tuesday 28 May 2019. John has been an integral member of the GMS leadership team for many years and I wish to express our gratitude for his valuable contribution and wish him all the very best for the future.

Stuart Jackson will be appointed Chief Financial Officer of GMS, effective early summer 2019. This appointment will also see Mr Jackson join the Board of Directors. Mr Jackson has more than 30 years' experience in the international energy sector covering exploration and production, power generation and offshore services, and has led the successful capital restructuring of several businesses.

I am confident the Company has the foundations of a strong Board in place with the necessary motivation, experience and skills to take the Group forward and I trust that you will find this Governance Report helpful and informative.

I would like to take this opportunity to thank the Board and employees of GMS for their support and wish them all the best for the future.

Simon Heale
Chairman
25 March 2019

Governance calendar for 2018

The overall calendar of meetings of the Board and its Committees for 2018 is shown below.

	Further information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board (Main Meetings)	Page 42												
Audit and Risk Committee	Page 45												
Remuneration Committee	Page 49												
Nomination Committee	Page 63												
Annual General Meeting	Page 126												

The terms of reference and details of the responsibilities of the Board Committees can be found on the Company's website.

The attendance of the Directors at the meetings of the Board and its Committees during 2018 is shown below.

Meeting attendance by Directors in 2018

Attended

Attended all or part of meeting as an invitee

Apologies

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Simon Heale				
Duncan Anderson				
Simon Batey				
Dr Karim El Solh*				
W. Richard Anderson				
Dr Shona Grant**				

* Dr Karim El Solh who was previously a non-executive Director, resigned with effect from 31 May 2018. Christopher Foll, a Chartered Accountant and Chief Financial Officer of Gulf Capital, who previously served as an alternate Director for Dr. Karim El Solh, attended the March meeting on behalf of Dr. Karim El Solh who was unable to attend.

** Dr Shona Grant was appointed as an independent non-executive Director with effect from 22 October 2018; further details can be found in the Corporate Governance section on page 39.

BOARD OF DIRECTORS AS AT 31 DECEMBER 2018*

	Simon Heale Independent non-executive Chairman	**Duncan Anderson** Chief Executive Officer
Appointment date	February 2014	January 2014 (with the Group since October 2007)
Experience	Non-executive chairman of Marex Spectron from 2016 to 2018 and a non-executive director from 2007. Non-executive chairman at Kaz Minerals plc from 2013 to 2017, and a non-executive director from 2007. Served on the boards of Coats plc from 2010 to 2014, PZ Cussons from 2007 to 2013 and Morgan Advanced Materials from 2005 to 2014. Non-executive director and chairman at Panmure Gordon & Co plc from 2007 to 2011. Has extensive experience in senior executive roles, including as chief executive at the London Metal Exchange from 2001 to 2006, chief operating officer and chief financial officer at Jardine Fleming Ltd from 1997 to 2001 and deputy managing director at Cathay Pacific Airways from 1994 to 1997. A Chartered Accountant with a degree in Philosophy, Politics and Economics from Oxford University.	Brings a wealth of experience, spanning more than 35 years, to the executive team gained from prior role as chief operating officer at the UAE-based Lamnalco Group, which included the management of a fleet of 90 vessels, as well as increasing the client base in West Africa and the Middle East. Also operated the largest offshore service vessel fleet in the region as chief operating officer at Gulf Offshore North Sea. Responsible for leading the management of the GMS Group and the implementation of its strategy. A UK Chartered Engineer, with a post-graduate BSc (Hons) degree in Marine Machinery Monitoring Control.
External appointments	Appointed deputy chairman of Brooge Petroleum and Gas Investment Company fzc in 2018. Non-executive chairman of Energean Oil and Gas plc since 2017. N	Member of ABS Worldwide Technical Committee.

○ Indicates Committee Chair

A Member of the Audit and Risk Committee

N Member of the Nomination Committee

R Member of the Remuneration Committee

Previous directors

Dr Karim El Solh

Appointed in 2014 as non-executive Director and member of the Nomination Committee. Resigned in May 2018.

Simon Batey

Senior independent
non-executive Director

February 2014

An independent non-executive director and chairman of the audit committee at Telecity Group from 2007 to 2016. A non-executive director at Arriva plc from 2003 to 2010, THUS Group plc in 2006 and BlackRock New Energy Investment Trust plc from 2010 to 2014. A member of the Postal Services Commission, responsible for the regulation of the UK postal services sector, from 2010 to 2011. As a Chartered Accountant, spent 12 years in professional practice with Armitage & Norton (now part of KPMG), latterly as a partner. Has more than 20 years' experience in a number of senior finance roles in industry. Group finance director of United Utilities plc between 2000 and 2006. Chief financial officer at Thames Water Utilities Ltd from 2006 to 2007. Between 1987 and 2000, worked at AMEC Foster Wheeler plc, initially as deputy group finance director and then, from 1992, as group finance director.

A Chartered Accountant with an MA in Geography from Oxford University.

Capital programme consultancy work.

A N R

Richard Anderson

Independent
non-executive Director

February 2014

Has more than 40 years' experience in the oil and gas industry and related finance and management. Previously chairman of the board at Vanguard Natural Resources LLC from 2007 to 2017. Chief financial officer at Eurasia Drilling Company from 2008 to 2015. President and chief executive officer at Prime Natural Resources Inc from 1999 to 2007. Partner from 1989 to 1995 and then managing partner from 1995 to 1998 at Hein & Associates LLP. Served on the boards of Calibre Energy Inc from 2005 to 2007, Transocean Ltd from 2007 to 2011 and Boots & Coots Inc from 1999 to 2010.

A Certified Public Accountant, with a BSc in Business from University of Colorado, magna cum laude, and a Masters in Taxation from the University of Denver.

Chief executive officer at Soma Oil & Gas Holdings since 2015 and a non-executive director since 2013. Member of the board of Eurasia Drilling Company since 2011.

R A N

Dr Shona Grant

Independent
non-executive Director

October 2018

Extensive career in the oil and gas industry that includes 21 years with BP, holding key roles in the areas of exploration, research and development and upstream operations. Previously non-executive director at CapeOmega AS & CapeOmega Holding AS from 2014 to 2018 and atw Norwegian Energy Company ASA from 2011 to 2013. Chief executive officer at 2TD Drilling AS from 2012 to 2017 (now known as Canrig Drilling Technology (Norway)).

PhD in Geology from the University of Leicester.

Non-executive director of Bluware Corporation since 2018 and Canrig Drilling Technology (Norway) AS since 2017. Partner at Wellwork Innovation AS since 2011.

A N R

* The above shows the biographies of the Board of Directors as at 31 December 2018. Subsequent to 31 December 2018, Mo Bississo was appointed to the Board as a non-executive Director. Details of the appointment of Mo Bississo are included within the RNS announcement dated 25 February 2019. The biographical details of Mo Bississo can be found on the company's website http://www.gmsuae.com/board-of-directors/.

Corporate Governance Report

Compliance with the 2016 UK Corporate Governance Code ("the Code")

The Company has complied with all the relevant provisions set out in the Code during the year under review. This Corporate Governance statement, together with the Directors' Remuneration Report and the various Board Committee Reports included in this Annual Report describes how the Board has applied the main principles of the Code. A copy of the Code is available from the Financial Reporting Council's website.

The Company has performed a preliminary assessment of the requirements of the 2018 Corporate Governance Code, effective for accounting periods commencing on or after 1 January 2019, and will report on its compliance within the 2019 Annual Report.

Governance overview

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

Board of Directors

Responsible for the effective oversight of the Company in order to create sustainable shareholder value.

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Monitors the integrity of the Group's financial statements, financial and regulatory compliance, and the systems of internal control and risk management, including viablity assessment. Reviews the effectiveness of the internal and external audit processes. See pages 45 to 48 for the Report of the Audit and Risk Committee.	Determines the reward strategy for the executive Directors and senior management to align their interests with those of shareholders. See pages 49 to 62 for the Report of the Remuneration Committee.	Ensures the Board and senior management team have the appropriate skills, knowledge and experience to operate effectively and to deliver the Group's strategy. See pages 63 to 64 for the Report of the Nomination Committee.

Senior Management

Responsible for day-to-day operational management, the communication and implementation of strategic decisions, and making recommendations to the Board and its Committees.

Board membership

The composition of the Board complies with the provision of the Code, which provides that independent non-executive Directors should comprise at least half of the Board, excluding the Chairman.

The Board regularly reviews the composition, qualifications, experience and balance of skills on the Board to ensure there is the right mix on the Board and its Committees, and that these are working effectively. The aim is to bring relevant experience and independence to the Board whilst, simultaneously ensuring continuity and stability. The current members of the Board have a wide range of appropriate skills and experience and their biographies can be found on pages 38 to 39.

Non-executive Director independence

The independent non-executive Directors are a key source of expertise and contribute to the effectiveness of the Board. The Board considers and reviews the independence of each non-executive Director at least annually as part of the Directors' performance evaluation. In carrying out the review, consideration is given to factors such as their character, judgement, commitment and performance on the Board and relevant Committees and their ability to provide objective challenge to management.

Following the annual review for 2018, the Board concluded that each of the independent non-executive Directors continue to demonstrate those behaviours and continue to be considered by the Board as independent.

Division of responsibilities

In compliance with the UK Corporate Governance Code, a clear written division of responsibilities between the roles of Chairman and Chief Executive Officer has been agreed by the Board. The Chairman is responsible for the leadership and effectiveness of the Board. He chairs the Board meetings, ensures the agendas are appropriate and is responsible for ensuring that all Directors actively contribute to the determination of the Group's strategy. The Chief Executive Officer is responsible for the day-to-day management of the Group and implementing the Group's strategy, developing proposals for Board approval and ensuring that a regular dialogue with shareholders is maintained. The separation of authority enhances independent oversight of senior management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

The senior independent Director acts as a sounding board and confidante to the Chairman and is available to shareholders to answer questions which cannot be addressed by the Chairman or the Chief Executive Officer. The non-executive Directors are primarily responsible for constructively challenging all recommendations presented to the Board, where appropriate, based on their broad experience and individual expertise.

Roles and responsibilities of Directors

The Board is responsible collectively for the success of the Group. The division of responsibilities of the Chairman, Chief Executive Officer, senior independent Director and Company Secretary, as summarised in the table below, are set out in writing and approved by the Board.

Division of Board responsibilities

Chairman

- Providing strategic insight from his wide-ranging business experience and contacts built up over many years.
- Ensuring that the Board plays a full and constructive role in the determination and development of the Group's strategy.
- Meeting major shareholders on governance matters and is an alternate point of contact instead of the Chief Executive Officer for shareholders.
- Providing a sounding Board for the Chief Executive Officer on key business decisions, challenging proposals where appropriate.
- Agreeing with executive Director's subjects for particular consideration by the Board during the year at Board meetings, ensuring that adequate time is available to discuss all agenda items.
- Leading the Board in an ethical manner and promoting effective relations between the non-executive Directors and senior management.
- Building a well-balanced Board, considering Board composition and Board succession planning. Overseeing the annual Board evaluation process and acting on its results.
- Meeting with the non-executive Directors without the executive management team present, at least annually.

Chief Executive Officer

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

Effective division of responsibilities and Board operation

Senior Independent Director

- Serving as an intermediary for the other Directors with the Chairman when necessary.
- Making himself available to shareholders if they have concerns that cannot be addressed through normal channels.
- Acting as an internal sounding Board for the Chairman.
- Ensuring a balanced understanding of major shareholder issues and concerns.
- Meeting with the other non-executive Directors without the Chairman present, at least annually, in order to help appraise the Chairman's performance.

Company Secretary

- Secretary to the Board and each of its Committees, reporting directly to their Chairman.
- Assisting the Chairman to ensure that Board papers are clear, accurate, timely, succinct and of sufficient quality to enable the Board to discharge its duties effectively.
- Providing advice to the Board and each of its Committees through the Chairman concerning Board and governance matters.

Board calendar for 2018

	January	March	May	July	August	October	December
At specific meetings	Nomination Committee Report: Board evaluation process 2018 full year forecast	Review and approval of the 2017 annual results Review of the Directors' Remuneration Policy	Equity capital markets update from brokers	2018 half year forecast Succession planning Safety and assurance Non-executive Director recruitment process	Review and approval of the 2018 half year results	Review of Group business strategy Appointment of new non-executive Director Review of key risks facing the Group	Review and approval of 2019 Group budget Approval of 2019 Group KPIs Going Concern and Long Term Viability of the Group

At each main meeting	**Review and discussion of:** • fleet performance and operational matters • strategic opportunities • competitive landscape and market • legal and corporate governance matters • investor relations and feedback	**Review of reports on:** • finance and accounting matters • health, safety and the environment • personnel and support services • risk management and key risks facing the Group • trading and forecast update	**Review of reports from Board Committees as relevant**

How the Board operates

The Board and its Committees

The Board is responsible for providing entrepreneurial leadership on behalf of the Company and exercising its business judgement within a framework of prudent and effective controls. It also agrees the strategic direction and governance structure that will help achieve the long-term success of the Company and maximise shareholder value. The Board takes the lead in areas such as strategy, financial policy, annual budgeting, significant potential acquisitions, risk management and the overall system of internal controls. The Board's full responsibilities are set out in the matters reserved for the Board. The ultimate responsibility for the Company rests with the Board, and its legal powers and responsibilities are stated in the Articles of Association, which are available for inspection at the Company's registered office in the UK.

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition and role of each Committee is summarised on pages 45 to 64 and their full terms of reference are available on the Company's website.

The Board processes

The Chairman, along with the Chief Executive Officer and the Company Secretary, has established processes designed to maximise Board performance. Key aspects of these are shown below:

- the Chairman, Chief Executive Officer and Company Secretary meet towards the beginning of each year to agree an overall calendar of subjects to be discussed by the Board during the year;
- Board meetings are scheduled to ensure adequate time for open discussion of each agenda item allowing for questions, scrutiny, constructive challenge and full debates on key matters for decisions to be taken by consensus (although any dissenting views would be minuted accordingly);
- the development of Group strategy is led by the Chief Executive Officer, with input, challenge, examination and ongoing testing and review by the non-executive Directors throughout the year;
- good working relationships exist between non-executive Directors and non-Board members of the senior management team;
- members of the senior management team draw on the collective experience of the Board, including its non-executive Directors;
- comprehensive reporting packs, which are designed to be clear, accurate and analytical, are normally distributed in advance of Board meetings allowing sufficient time for their review, consideration and clarification or amplification of reports in advance of the meeting;
- once goals have been set and actions agreed, the Board receives regular reports on their implementation;
- comprehensive management accounts with commentary and analysis are distributed to the Board on a monthly basis;
- the Board reviews the Group's risk register at each of its main meetings and challenges it where appropriate;
- the Board visits the Group's major business locations both to review its operations and to meet with local management; and
- all Directors have open access to the Group's key advisers, including management and the Company Secretary, and are also entitled to seek independent professional advice at the Group's expense where appropriate.

Appointment and tenure

All non-executive Directors serve on the basis of letters of appointment, which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of non-executive Directors, who, on appointment, undertake that they will have sufficient time to meet what is expected of them.

The non-executive Directors are appointed for a term of three years, subject to earlier termination, including provision for early termination by either the Company or the non-executive Director on three months' notice. The non-executive Directors signed new three year letters of appointment in 2017. In accordance with the Company's Articles of Association, all Directors must retire by rotation and seek re-election by shareholders every three years; however, it is intended that the Directors will each retire and submit themselves for re-election by shareholders annually.

Director induction and training

The training needs of the Directors are periodically discussed at Board meetings and Nomination Committee meetings, and briefings are arranged on issues relating to corporate governance and other areas of importance.

Arrangements are in place for any newly appointed Directors to undertake an induction programme designed to develop their knowledge and understanding of the Company. The induction programme includes briefing sessions during regular Board meetings, visits to the Company's head office and vessel, modification and maintenance yard, meetings with members of the wider management team and discussions on relevant business issues.

Upon appointment, Directors are advised of their legal and other duties and their obligations as Directors of a listed company and under the Companies Act 2006 and they receive training from the Company's lawyers.

Re-election of Directors

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, have the required skills, knowledge and experience (see pages 38 to pages 39), are committed to their roles and have sufficient time available, to perform their duties. In accordance with the provisions of the UK Corporate Governance Code, all Directors wishing to continue serving, will be subject to annual re-election. Accordingly, all Directors elected in 2018, will seek re-election at the Company's 2019 Annual General Meeting ("AGM") as set out in the Notice of the AGM (see page 126 for resolutions relating to re-election of Directors).

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the other Directors to authorise such potential conflicts, and a procedure is in place to deal with any actual or potential conflicts of interest. The Board deals with each actual or potential conflict of interest on its individual merit and takes into consideration all the circumstances.

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

Board evaluation and effectiveness

Critical to the success of our Board and its Committees in achieving their aims is the effectiveness with which they operate. Accordingly, we take our annual evaluation of this seriously. The Board believes that these evaluations can provide a valuable opportunity to highlight recognised strengths and identify any areas for development.

The Company complies with the provisions of the Code, which recommend that Board evaluations should be externally facilitated at least every three years. Board evaluations operate on a three-year cycle with one externally led evaluation followed by two subsequent years of internal evaluations.

2017 Board evaluation process

In 2017, an external board evaluation process was undertaken with support from Linstock, an independent London-based advisory firm specialising in facilitating board performance reviews. The Nomination Committee assessed the results of the Board evaluation process and concluded that the performance of Directors continued to be effective and they continued to demonstrate commitment to their roles.

2018 Board evaluation process

During the year an internal Board evaluation process was carried out by way of a questionnaire, administered by the Company Secretary, which was completed anonymously by all of the Directors. The questionnaire was structured to provide Directors with an opportunity to express their views on a range of matters including:

- strategy and implementation;
- succession planning and talent development;
- Board dynamics and operation;
- Chairman effectiveness;
- performance of the Board and each of its Committees; and
- Director self assessment and training needs.

The results of the 2018 Board evaluation questionnaire were collectively discussed by the Board and, in light of the findings, the Board have concluded that the performance of each of the Directors standing for re-election continues to be effective and that these Directors demonstrate commitment to their roles, including commitment of time for Board and Committee meetings and any other duties.

The performance of the Chairman is evaluated by the other non-executive Directors. The evaluation, led by the senior independent non-executive Director, is carried out at least annually and also takes into account the views of the senior management team.

As part of the evaluation process, the Chairman and non-executive Directors also met twice during the year in the absence of the executive Director.

Engagement with shareholders and other stakeholders

The Chairman, Chief Executive Officer and Chief Financial Officer are responsible for shareholder relations. They ensure that there is effective communication with shareholders on matters such as governance and strategy and are responsible for ensuring that the Board understands the views of major shareholders.

As part of our investor relations programme a combination of presentations, Group calls and one-to-one meetings are arranged to discuss the Company's half year and full year results with current and prospective institutional shareholders and analysts. Additional meetings are held in the intervening periods to keep existing and prospective investors updated on our latest performance. We also arrange visits to our premises to give analysts, brokers and major shareholders a better understanding of how we manage our business.

The Board receives regular updates on the views of its shareholders from its brokers at its Board meetings. In addition, the senior independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

The Company's website provides stakeholders with comprehensive information on our business activities and financial developments, including copies of our presentations to analysts and regulatory news announcements.

The Chief Executive Officer is the principal spokesperson with the press and other stakeholders such as the Company's clients, business partners and investors.

Annual General Meeting (AGM)

The AGM is the Company's principal forum for communication with private shareholders. In addition to the formal business, there is a presentation by the Chief Executive Officer on the recent performance of the Group and its future development. The Chairman of the Board and the Chairman of each Board Committee, together with members of senior management, are available to answer shareholders' questions at the AGM. Our next AGM will be held in London on 28 May 2019, full details can be found on pages 126 to 131.

REPORT OF THE AUDIT AND RISK COMMITTEE

Chairman and Senior independent non-executive Director:
Simon Batey

Independent non-executive Directors:
W. Richard Anderson, Dr Shona Grant

Dear Shareholders,

I am pleased to present the report of the Audit and Risk Committee which provides an insight into our work, and the focus of the Committee's deliberations during 2018. The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities in areas such as the integrity of the Group's financial reporting, the effectiveness of the Group's risk management and internal control system, and related governance and compliance matters. The Committee is also responsible for making a recommendation to the Board on the appointment or re-appointment of the external auditors. These areas are important in enabling the Group to achieve its strategic goals, whilst ensuring information provided to shareholders and other stakeholders is fair, balanced and understandable.

In October 2018, we increased the size of the Committee with the addition of Dr Shona Grant as a member. I believe her broad range of experience in the oil and gas sector will be valuable. In compliance with the Code, the Committee currently comprises three independent non-executive Directors, as shown above. The members of the Committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties. Richard Anderson and I are qualified accountants with recent and relevant financial experience. I believe that the deep and varied senior financial experience of the Committee (shown on pages 38 to 39) provides independent perspective and insight to our discussions with management.

The Audit and Risk Committee regularly reports to the Board on how it has discharged its responsibilities. The Committee undertakes its responsibilities through a series of scheduled meetings during the year, the agenda of which is linked to events in the financial calendar of the Company. We met five times during the financial year, as shown in the calendar on page 46, and attendance at those meetings is set out on page 37. The Committee receives reports from external advisers and from the senior management team, as required, to enable it to discharge its duties. The Chief Financial Officer and senior members of the finance team attend each of these meetings at our request and the Chairman of the Board usually attends each of the meetings as an invitee. The internal auditor attends and presents at the majority of meetings. In addition, the external auditor attended three of these meetings. The external auditor receives copies of all relevant Committee papers (including papers that were considered at meetings when they were not in attendance) and minutes of all Committee meetings.

The Audit and Risk Committee's responsibilities include:

Financial statements	• monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance, and reviewing any significant financial reporting judgements contained in them; • reviewing accounting policies, accounting treatments and disclosures in financial reports; and • providing advice to the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
External audit	• conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; • reviewing and monitoring the external auditor's independence and objectivity; • reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; and • developing and implementing a policy on the engagement of the external auditor to supply non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required.
Internal risk management and assurance	• reviewing the Group's internal financial controls and internal control and risk management systems; and • monitoring and assessing the effectiveness of the Group's internal audit function.
Whistleblowing and related policies	• reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial and other matters, for appropriate follow-up action.

Audit and Risk Committee calendar for 2018

At specific meetings

January	March	July	August	December
Review of the Group's progress made for implementation of VAT in the MENA region Update on new accounting standards (IFRS 9, 15 and 16)	Reviews of: • 2017 Annual Results • Report from the external auditors • Review of performance and independence of external auditors Introduction of new UK audit partner Recommendations to the Board on: • 2017 Annual Results • Re-appointment of the external auditors IAS 8 impact analysis on new accounting standards Review of the work supporting Long Term Viability Statement and the Group's vessel impairment assessment	2018 Half Year Results process update Review of internal audit plans	Reviews of: • 2018 Half Year Results • Report from the external auditors Recommendation to the Board on 2018 Half Year Results 2018 Group Audit Fees Approval	Update on 2018 Annual Report process Review of Group external audit plan Going Concern and Long Term Viability of Group

At each main meeting

Reviews of financial reporting, including:
- Any proposed changes to accounting policies
- Developments in reporting and accounting requirements affecting the Group
- Key assumptions, estimates and judgements proposed by management

Review and discussion of:
- New and revised regulatory reporting requirements
- Risk management systems and internal controls, including a discussion of the risk on management process
- Whistleblowing and related polices

Consideration of internal audit:
- Internal audit reports and recommendations

Significant issues

The Audit and Risk Committee pays specific attention to matters it considers important based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application. The Committee considered the matters shown below as significant issues in 2018. These include certain issues that are, or have the potential to be, material to the Group's results for the year and closing balance sheet position. The Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures have been included in the financial statements.

Significant issue	How addressed and conclusion
Going concern IAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed.	Due to anticipated covenant breaches, the application of the going concern basis for the preparation of the financial statements required judgement. Discussions were held with the external auditors regarding the level of disclosures and the types of audit opinion that might result (emphasis of matter or qualification). Despite management believing there is a reasonable prospect that covenant relief will be obtained, this has not been achievable before the results were announced, leading to a material uncertainty around the going concern basis. The disclosures in Note 3 of the financial statements have been drafted accordingly.
Long term viability statement In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period to December 2021.	The period under review is three years, consistent with previous assessments. In 2019 management believe that the Group will be able to fully service debt, however in 2020 and 2021 a breach is projected. Until such time as a new and improved capital structure is in place there can be no certainty that the Group will be viable throughout the whole review period. This was also discussed with the external auditors and the statement drafted accordingly.

Significant issue	How addressed and conclusion
Impairment of property, plant and equipment IAS 36 requires that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Changes in the price of oil may impact the value in use of the vessels. Expected utilisation levels, day rates, current backlog and the Groups cost of capital may also impact the value in use of vessels. Impairment assessments are judgemental and careful consideration of the assumptions used in the determination of the value in use of the assets is required.	The Committee evaluated management's approach in determining the recoverable value of the Group's vessels. The assumptions used in the computation of the value in use of the vessels were assessed. Consideration was given to both the feasibility of the long-term business plan and the appropriateness of the weighted average cost of capital which formed an initial basis for determining the discount rate. Discussions were held with the external auditors and the Committee evaluated the audit testing procedures that had been conducted. The Committee was satisfied with management's approach and agreed with the conclusion that no impairments were required on the Group's vessels.

The ultimate responsibility for reviewing and approving the Annual Reports and the half-yearly reports, remains with the Board. The Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the listing rules, and makes its recommendations on these reports to the Board. In 2018, this included an assessment of whether the Annual Report taken as a whole was fair, balanced and understandable.

Internal controls and risk management

The Group's systems of internal control and in particular our risk management process have been designed to support our strategic and business objectives as well as our internal control over financial reporting. The Board has an established ongoing process for identifying, evaluating and managing the significant risks faced by the Group that have been in place for the period under review and up to the date of the Annual Report. The process is regularly reviewed by the Board and is in accordance with the FRC's guidance on internal controls and related financial and business reporting as well as the requirements of the Code.

Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the constantly changing environment. The internal control process starts with identifying risks, compliance matters and other issues through routine reviews carried out by process owners and facilitated by regular Group-wide risk assessments. For risks that are recorded in the Group risk register, the Group then assesses the implications and consequences and determines the likelihood of occurrence. Further details of the Group's risk management process can be found on pages 18 to 23.

The Audit and Risk Committee have also been delegated the responsibility for reviewing the effectiveness of the Company's reporting process. The effectiveness of the Company's reporting process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements.

Internal audit

At the majority of meetings the Committee receives a report on internal controls. These reports provide an update on progress against the internal audit plan, including the status of actions and management responses, key improvement themes and recommended areas of business focus. The internal audit function is largely outsourced to KPMG.

In addition to the internal audit plan, the Group is regularly audited by certain clients and industry bodies, with any key findings reported to the Audit and Risk Committee who assess these findings and ensure that appropriate action is taken by management as deemed necessary.

External audit

Appointment and independence

The Committee has overall responsibility for ensuring that the external auditor's independence and objectivity is not compromised.

The Committee considers formally the re-appointment of the external auditor each year, as well as assessing their independence on an ongoing basis. In accordance with UK regulations and to help ensure independence, our external auditor adheres to a rotation policy based on the FRC's Ethical standard that requires the Group audit partner to rotate every five years. As discussed in the 2017 Annual Report, the previous lead audit partner, David Paterson, had completed his rotation cycle following the completion of the 2017 audit. Accordingly, Graham Hollis was introduced and has taken over as the new lead audit partner for the 2018 audit. He is assisted in his Group auditor role by a partner in the Middle East firm of Deloitte, who has also acted as audit partner for one of the Group's material subsidiaries in the Middle East since 2012 and is therefore considered by the FRC to be a "key audit partner" under the relevant Ethical Standard. In order to maintain audit quality during the transition to a new lead audit partner in 2018, we have agreed that the Middle East partner referred to above can remain in place until the completion of the 2018 audit, notwithstanding that this would represent a period in excess of the usual five year limit for key audit partners. However, in order to ensure that the independence of Deloitte is not adversely impacted, they have implemented an additional safeguard whereby the engagement quality review partner based in the UK has performed specific additional reviews on areas of the audit that are under the direct supervision of the Middle East partner.

Following a review of the effectiveness of the audit, the Committee was satisfied that Deloitte continued to carry out its duties in a diligent and professional manner, maintained a good knowledge of the market and continued to provide a high level of service. A resolution to re-appoint Deloitte LLP as the Company's Auditor will be put to shareholders at the forthcoming AGM.

Deloitte LLP was appointed as external auditor of the Company in 2014 and the audit has not been put out to tender since that date. The Committee is aware of the legal requirements for external auditor selection and rotation. During the financial year, the Company has complied with the mandatory audit processes and the Committee has complied with the provisions set out in the Competition and Markets Statutory Audit Services Order 2014. Whilst we do not consider it necessary to have a policy for mandatory rotation of external audit firms, we plan to consider the placing of future audits out to tender over the coming years.

Assessment of external audit process

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

- A review of the audit plan including the materiality level set by the external auditor and the process they have adopted to identify financial statement risks.
- A review of the Audit Quality Inspection (AQI) Report on our external auditor published by the Financial Reporting Council with particular emphasis on those key messages applicable to the Company.
- A review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached (summarised in the Independent Auditor's Report on pages 70 to 77.
- Regular communications through formal papers submitted and presentations by the external auditor to the Committee.
- Discussions within Committee meetings with senior members of the finance team without the external auditor present, at least annually, in order to appraise the work of the external auditor.
- A review of the independence of the external auditor.
- A formal questionnaire issued to all members of senior management who are involved in the audit covering the robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice.

As part of the Committee's assessment of the objectivity and independence of the external auditor, the Committee held two private meetings with the external auditor without management being present. In addition, I met privately with the external audit Engagement Partner on several occasions.

The Committee has determined that Deloitte LLP was effective in providing its services to the Group. As a result, the Committee has recommended to the Board that the re-appointment of Deloitte LLP as the Company's external auditor be proposed to shareholders at the 2019 AGM.

Provision of non-audit services

The Committee believes that it may be appropriate for the Company to engage its external auditor to provide non-audit services in certain circumstances. Given the knowledge of a company's market, systems and operations which an external auditing firm gains through the audit process, together with effective working relationships developed with senior management, the Committee believes that on occasion appointing the Company's external auditor to provide non-audit services can represent an effective and cost-efficient process which is in the best interests of shareholders. However, to ensure the continued objectivity and independence of the external auditor are not compromised, the Committee has a long-established policy in relation to the supply of non-audit services by the external auditor.

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

Total 2018 audit fees were US$ 316,000 (2017: US$ 249,000). The total non-audit services provided by the Group's external auditor Deloitte LLP for the year ended 31 December 2018 were US$ 103,000 (2017: US$ 100,000) which comprised 25% (2017: 29%) of total audit and non-audit fees. The most significant non-audit fee was US$ 103,000 (2017: US$ 80,000) in relation to the interim review. The Committee is satisfied that the quantum and nature of the non-audit services provided by Deloitte LLP during the current year are such that the objectivity and independence of the external auditor have been safe guarded. Further details of the remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in Note 27 to the financial statements.

Ethical conduct

Our Code of Conduct encourages all employees to report any potential improprieties in financial reporting or other matters. The Group operates a confidential whistleblowing hotline and all reports received are communicated to this Committee. The Committee is satisfied that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow-up action. Where appropriate, our internal audit team or other third party specialist may be asked to investigate issues and report to us on the outcome. Code of Conduct training is included as part of the Company induction process for all new employees who join the Group.

The Group has in place a comprehensive Anti-Bribery and Corruption Policy and is satisfied that appropriate policies and training are in place to deal with any instances of whistleblowing and to ensure that appropriate follow up action is taken on a timely basis.

Simon Batey
Audit and Risk Committee Chairman
25 March 2019

REPORT OF THE REMUNERATION COMMITTEE

Chairman and Senior independent non-executive Director:
W. Richard Anderson

Independent non-executive Directors:
Simon Batey, Dr Shona Grant

Dear Shareholders,

This report has been prepared on behalf of, and has been approved by the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), the UK Corporate Governance Code and the Financial Conduct Authority Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

This report is presented in three main sections:

- an annual statement from the Remuneration Committee Chairman;
- the Annual Report on remuneration for 2018; and
- the Directors' Remuneration Policy.

The Directors' Remuneration Policy was approved by shareholders at the 2018 Annual General Meeting ("AGM") on 22 May 2018 and is not being submitted to a shareholder vote at the 2019 AGM.

In accordance with the Regulations, at the 2019 AGM we will be asking shareholders to vote on a remuneration resolution as follows:

- an advisory vote on the Annual Report on remuneration as set out on pages 49 to 62 which provides details of the remuneration earned by executive Directors for performance in the year ended 31 December 2018.

On behalf of the Remuneration Committee ("the Committee"), I am pleased to present the Report of the Remuneration Committee for the financial year ended 31 December 2018.

Remuneration policy and shareholder engagement
At the 2018 AGM, a vote of 22.1% was received against the Directors' Remuneration Policy (the "Policy"). I would like to thank our investors for their constructive input. We have reviewed the operation of our Policy in response to this vote to ensure it better reflects institutional investors' best practice expectations. We are proposing a number of best practice enhancements to the operation of the Policy for 2019 and going forward.

Our remuneration arrangements have been designed in accordance with the principles set out in the UK Corporate Governance Code, current market practices and best practices for UK listed companies. They also take into account market practice and labour laws in the local UAE market.

Our aim is to ensure that remuneration arrangements appropriately and responsibly incentivise the executive Directors and senior management to achieve the Group's strategic objectives, in turn creating long-term value for the Company's shareholders. Our remuneration structure comprises a significant proportion of variable pay based on individuals achieving KPIs which are directly linked to the fulfilment of the Group's strategic objectives.

Performance and reward for 2018
Market conditions in the oil and gas industry continued to be challenging during 2018. The short-term outlook for the oil and gas sector remains challenging. Although there are positive signs of recovery, the nature of the Company's operating model including the long-term contracts means we would expect there to be a time lag before any market upturn is reflected. Therefore, we have continued to demonstrate restraint; in 2018 for the second consecutive year there was no salary increase for Executive Directors or members of senior management. This follows Group wide salary reductions that were implemented in 2016.

The variable pay outcomes are consistent with the performance assessment outturns. The Committee has not exercised discretion to amend the vesting outcomes or payouts.

Annual bonus
Annual bonus payments are based on a combination of key performance measures as set out in the table on page 51. The Group objectives realised 20.2% out of 60% maximum whilst 30% out of 40% was earned on personal objectives. As a result, an annual bonus for Duncan Anderson of 50.2% of the maximum opportunity, which equates to US$ 209,000 of salary was payable.

LTIP
No awards vested on the LTIP granted in March 2015, as the scheme came to an end in March 2018 and the performance conditions were not achieved. Similarly, no awards vested on the LTIP granted in March 2016 as the scheme came to an end in March 2019 and the performance conditions were not achieved.

Implementation of the Remuneration Policy for the 2019 financial year

The Committee considers the external market in which GMS operates and uses comparator remuneration from time to time to inform its decisions. We recognise that such data should be used as a guide only. The Committee has been mindful of the continuing challenging market conditions in the industry when considering the remuneration for 2019.

Base salary

The Committee acknowledges the commitment made by our CEO and the wider workforce during a challenging period. The CEO's salary will remain frozen for a third consecutive year following a pay cut in 2016.

Annual bonus

The Directors' Remuneration Policy sets the normal annual bonus maximum level at 100% of base salary. The annual bonus opportunity has not increased since the Company's IPO in 2014. Achievement of the on-target performance as defined on page 60 of this report would result in no more than 50% of the maximum opportunity becoming payable. We are not proposing any changes to the annual bonus award opportunity.

Performance will continue to be measured against financial targets and a balanced scorecard of strategic, financial and operational objectives to capture a broad range of Company specific KPIs and to provide a rounded assessment of performance.

The performance measures and their respective weightings are summarised in the table below:

2019 annual bonus	
	Adjusted EBITDA (22.5%)
	Adjusted EBITDA margin (22.5%)
	Net income (5%)
	Total Recordable Injury Rate (10%)
	Strategic, financial and operation objectives (40%)

As a Committee, we have focused on establishing appropriately stretching objectives, with tangible performance outcomes focused on the delivery of the Group's short-term strategic plans. The specific performance levels are not disclosed while still commercially sensitive. The Committee is introducing a two-year bonus deferral which will apply to any future bonus awards, to the bonus amount in excess of 100% of base salary.

For awards made in 2019 and subsequently, malus and clawback provisions will be extended to apply in the event of serious misconduct, corporate failure, such as the Company going into administration or liquidation, and serious reputational risk.

LTIP

The Committee continues to take a conservative approach to the granting of LTIP awards and has not decided whether any LTIP will be granted for 2019. However, if having considered all relevant information, the Committee decides to make an LTIP award to the CEO, this would not exceed 150% of salary. The normal annual award limits may be up to 200% of base salary, therefore the resulting LTIP levels would be significantly below the maximum levels permitted by the Policy. We will continue to set robust and challenging performance targets for the LTIP awards. These awards are subject to EPS growth targets and a relative TSR condition.

For any awards made in 2019, the LTIP threshold will be reduced to 25% from the current level of 30%.

We acknowledge the comments made by investors and for LTIP awards granted from the 2019 AGM onwards, we will be introducing a two-year post-vesting holding period.

We note the comments that the share ownership requirement under the existing policy is below market levels for the FTSE SmallCap. The share ownership requirement for the CEO will be increased to 200% of base salary in line with SmallCap median CEO levels. The absolute number of shares held by the CEO, and the CEO base salary have both remained unchanged from the previous financial year. However, the impact of the share price and foreign exchange rates have resulted in the share ownership, as a percentage of salary, falling below the share ownership requirement.

The Remuneration Committee is currently assessing the application of the updated UK Corporate Governance Code and recent shareholder guidelines; other minor changes may be made following this review.

Recruitment of a Chief Financial Officer

As announced on 14 February 2019, Stuart Jackson will be appointed Chief Financial Officer, effective from early summer 2019. The appointment will also see Mr Jackson join the Board of Directors. The policy relating to the recruitment of Executive Directors was used as the basis for determining the remuneration package of the new CFO. The award of an LTIP in 2019 has been approved for Mr Jackson, within the limits of the approved Remuneration Policy. Mr Jackson will receive a salary of US$ 357,000, a bonus opportunity of 100% and an LTIP opportunity of 125% of salary.

Conclusion

The Committee continues to ensure that pay is linked to performance and that the annual bonus and LTIP provide an incentive to maximise performance over the short and longer term. The level of pay out for the annual bonus and vesting of LTIP awards reflects this.

On behalf of the Committee and the Board, I recommend this Remuneration Report to you and I hope that you find it clear, concise and helpful in understanding our Remuneration Policy and practices. We shall be seeking your support for each part of this report at the forthcoming AGM on 28 May 2019.

W. Richard Anderson
Remuneration Committee Chairman
25 March 2019

Directors' Remuneration Policy – proposed revisions to the operation of the policy for 2019, in line with best practice

Recognising the feedback received from shareholders in 2018, going forward:

- Malus and clawback provisions strengthened to extend to scenarios of corporate failure, such as the Company going into administration or liquidation, serious misconduct and serious reputational risk. This will apply to both the annual bonus and LTIP
- Introduction of bonus deferral for awards received in excess of 100% of salary. Whilst it is not currently proposed to make awards in excess of 100% of salary in 2019, any future award received above 100% of salary will be subject to a two-year deferral period for that element received in excess of 100%, from the financial year 2019 onwards
- LTIP threshold vesting reduced from 30% to 25%
- Introduction of a two-year post-vesting holding period for LTIP awards granted in 2019 and going forward
- Increased share ownership requirements for the CEO to 200% of base salary and 150% for any other executive Director

Remuneration at a glance

Implementation of our Remuneration Policy in 2019

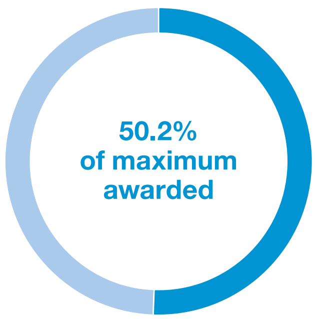
Our Remuneration Policy and practices are intended to attract and retain key talent. Reward is linked to sustainable long-term performance.

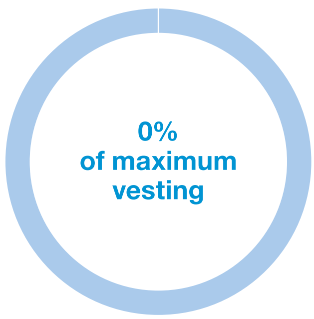
Component	Purpose	Implementation for 2019
Salary	To attract, retain and motivate high-calibre executive Directors	Salary will be held at 2018 levels
Benefits	To provide competitive and cost-effective benefits to attract and retain high-calibre individuals	Cost of air travel and transport, accommodation, private medical for the Executive Director and close family, death in service insurance, disability insurance and payment of school fees
Annual bonus	Drive and reward short-term performance against key business objectives	Up to 100% of base salary
Long-term incentive plan	Incentivise long-term value creation and alignment with shareholders	For 2019, up to 150% of base salary for CEO to the extent an award is made. An award of 125% of base salary for the CFO, on appointment (normal maximum award opportunity of 200% of base salary)
End of service gratuity	To provide an end of service gratuity as required under the UAE Labour Law	21 days base salary (excluding fixed cash allowances) for each of the first five years of employment and 30 days wages for each additional year The maximum pay out to an employee is limited by UAE Labour Law to two years' base salary. By agreement, the end of service gratuity is prepaid annually
Shareholding guidelines	Provide alignment with shareholders	200% of base salary for the CEO, 150% for all other executive Directors

Performance outcomes for annual bonus outturns and LTIP awards vesting in the 2018 financial year

2018 Annual bonus	Adjusted EBITDA (20%)	2.1% (maximum of 20%)
	Adjusted EBITDA margin (20%)	8.1% (maximum of 20%)
	Net income (10%)	0% (maximum of 10%)
	Total Recordable Injury Rate (10%)	10% (maximum of 10%)
	Strategic, financial and operation objectives (40%)	30% (maximum of 40%)
2015 LTIP award	CAGR of EPS (50%)	0% (maximum of 50%)
	Relative TSR (50%)	0% (maximum of 50%)

Duncan Anderson





Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2019 AGM. Sections of this report that are subject to audit, on pages 49 to 62 have been indicated.

Committee remit and membership

The Terms of Reference of the Committee have been formally adopted by the Board and are available for inspection in the investor relations section of the Company's website http://www.gmsuae.com/wp-content/uploads/2014/03/remuneration-committee.pdf. The principal responsibilities of the Committee include:

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

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

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

The members of the Committee for the entirety of the 2018 financial year, were W. Richard Anderson (Chairman) and Simon Batey. Dr Shona Grant was appointed in October 2018. All members were Independent non-executive Directors. The Chief Executive Officer, Chief Financial Officer and Human Resources Director are normally invited to attend for at least part of each meeting to allow the Committee to benefit from their contextual advice. The Group Chairman also normally attends meetings by invitation. The Human Resources Director acts as Secretary to the Committee. These individuals are not present when the Committee is considering matters concerning themselves.

The Committee met on 3 occasions during 2018. Members' attendance at those meetings is shown in the table below. The Committee also held informal discussions as required.

	Date of appointment to the Committee	Number of meetings attended out of a potential maximum
W. Richard Anderson	February 2014	3 out of 3
Simon Batey	February 2014	3 out of 3
Dr Shona Grant	October 2018	1 out of 1

Performance evaluation of the Committee

In 2018, the performance evaluation of the Committee was conducted in conjunction with the main Board evaluation process, further details of which are included on page 43. The Committee has assessed the results of the evaluation process and concluded that the Directors continue to be effective and demonstrate commitment to their roles.

External advice received

In carrying out their responsibilities, the Committee seeks external advice as necessary. Wholly independent advice on executive remuneration is received from the Executive Compensation practice of Aon plc. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, Aon provided the Group with advice on remuneration matters. Fees charged by Aon for advice provided to the Committee for 2018 amounted to US$ 48.3k (excluding VAT).

Shareholder voting at AGM

The 2018 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2019 AGM. At the AGM held in 2018, votes cast by proxy and at the meeting in respect of the Directors' Remuneration Policy and Remuneration Report were as follows:

Resolution	Votes for	% of votes for	Votes against	% of votes against	Votes withheld	Total votes cast
To approve the Directors' Remuneration Report for the year ended 31 December 2017	209,486,913	81.16	48,631,883	18.84	2,000	258,118,796
To approve the Directors' Remuneration Policy	201,055,052	77.90	57,028,909	22.10	36,836	258,083,961

The Directors' Remuneration Policy received a 22.1% vote against at our 2018 AGM, primarily in relation to the absence of a number of best practice features in the new policy, such as holding periods for vested LTIP awards, bonus deferral and the shareholding requirement level. The Committee has reviewed the operation of our Policy in response to this vote to ensure it better reflects institutional investors' best practice expectations. The Committee is considering the implications of changes to the UK Corporate Governance Code, and to the recent guidance issued by investors. We intend to reflect any further changes required at the next binding vote in 2021.

Statement of implementation of the Remuneration Policy for 2019

The current Remuneration Policy was implemented with effect from the 2018 AGM and continues to apply for 2019.

Executive Director

Base salary

The CEO's base salary was reviewed when the Group Listed in March 2014, and also at the end of each subsequent year including 2018, to determine the appropriate base salary for the coming year. The CEO's salary for 2019 is being held at 2018 levels. The CEO's salary has remained frozen at this level since 2016, when a 10% salary reduction was made. The CEO's base salary is set out below;

	Base salary from 1 January 2019 US$ '000	Base salary from 1 January 2018 US$ '000	% change
Duncan Anderson[1]	416	416	0%

1 Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.67.

Allowances and benefits for 2019

The cash allowances for 2019 comprise payments to cover costs of air travel and transport will be as follows:

	Allowances from 1 January 2019 US$ '000	Allowances from 1 January 2018 US$ '000	% change
Duncan Anderson[1]	31	37	-16%

1 Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.67.

Other benefits to be provided directly include accommodation, private medical insurance for the Executive Director and close family in line with local legal requirements, death in service insurance, disability insurance and payment of children's school fees.

Annual bonus for 2019

For 2019 the maximum annual bonus opportunity will be 100% of base salary. The majority of the annual bonus will be based on Group financial performance. The annual bonus will be assessed against a scorecard of key financial and personal objectives to provide a rounded assessment of the Group and individual's performance, weighted as follows:

Measure	Weighting
Adjusted EBITDA	22.5%
Adjusted EBITDA margin	22.5%
Net income	5%
Total Recordable Injury Rate (TRIR)	10%
Strategic, financial and operational objectives	40%
Total	**100%**

The Committee considers the targets to be commercially sensitive but will provide details of performance against the financial targets retrospectively in next year's Annual Report on Remuneration.

No elements of the bonus are guaranteed. The bonus will be paid wholly in cash.

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

Long-term incentive awards to be granted in 2019

The Committee has not decided whether any LTIP would be granted for 2019. However, if having considered all relevant information, the Committee decides to make an LTIP award to the CEO, this would not exceed 150% of salary. For any such LTIP award granted in 2019, the details will be included within the RNS announcement with follow on disclosure in the 2019 Annual Report.

For 2019 and going forward, a two-year post-vesting holding period will be introduced for LTIP awards.

An LTIP award of 125% of salary has been approved for the CFO, who will join the Company in the summer of 2019.

End of service gratuity

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

Fees for the Chairman and non-executive Directors

The Chairman and non-executive Directors' remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual non-executive Directors do not take part in discussions regarding their own fees. The Chairman and non-executive Directors receive no other benefits and do not participate in short-term or long-term reward schemes. A summary of the current fees and those for 2019 are set out below; however the Committee ensures that the remuneration package remains competitive in line with current market levels. Please note that fees are determined in Pound Sterling.

	Annual fee 2019 £'000	Annual fee 2018 £'000	% change
Chairman	158	158	0%
Non-executive Director base fee	45	45	0%
Additional fees:			
Senior independent Director	5	5	0%
Audit and Risk Committee Chair	5	5	0%
Remuneration Committee Chair	5	5	0%

Directors' single total figure of remuneration earned in 2018 (audited)

The table below summarises Directors' remuneration received in 2018.

		Fixed element of pay			Pay for performance			
		Base salary US$ '000	Allowances and benefits[1] US$ '000	End of service gratuity[2] US$ '000	Annual bonus[4] US$ '000	Long term incentives[5] US$ '000	Other US$ '000	Total remuneration US$ '000
Executive Director	**2018**	**416**	**162**	**35**	**209**	**–**	**–**	**822**
Duncan Anderson[3]	2017	416	166	35	213	–	–	830

	Fees 2018 US$ '000	Fees 2017 US$ '000	**Total remuneration 2018 US$ '000**	Total remuneration 2017 US$ '000
Chairman[6]				
Simon Heale	**211**	203	**211**	203
Non-executive Directors[6]				
Dr Karim El Solh[7]	**25**	58	**25**	58
Simon Batey	**74**	71	**74**	71
W. Richard Anderson	**67**	65	**67**	65
Dr Shona Grant[8]	**12**	–	**12**	–
Non-executive Director total	**389**	**397**	**389**	**397**

1 Allowances include fixed cash allowances for air travel and transport. Other benefits include accommodation private medical insurance for the executive and immediate family, death in service insurance, disability insurance and payment of children's school fees.
2 End of service gratuity is the provision accrued for in the year in accordance with UAE Labour Law. In 2018, US$ 328,000 was paid to Duncan Anderson as a prepayment of accrued end of service gratuity. Pension provision is not a feature of executive Director remuneration packages.
3 Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.67.
4 Annual bonus for the financial year.
5 Share plans vesting represent the value of LTIP awards where the performance period ends in the year.
6 The Chairman and non-executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.34/£1 for 2018.
7 Non-executive Director Dr Karim El Solh resigned from GMS Board with effect from 31 May 2018.
8 Independent non-executive Director Dr Shona Grant was appointed with effect from 22 October 2018.

Performance against annual bonus targets for 2018 (audited)

For 2018 the maximum annual bonus opportunity was set at 100% of base salary. The annual bonus was assessed against the following financial and personal objectives:

Measure	Weighting	Performance range (from zero to maximum pay-out*)	Result	% of base salary paid in cash
Adjusted EBITDA	20%	Less than US$ 53.8m – greater than US$ 72.0m	US$ 58.0m	2.1%
Adjusted EBITDA margin	20%	Less than 40.3% – greater than 50.3%	47%	8.1%
Net income	10%	Less than US$ 0.5m – greater than US$ 4.1m	US$ (5.7)m	0%
Total Recordable Injury Rate (TRIR)	10%	Greater than 0.3, 0.3 – 0.23, 0.22 – 0	0	10%
Subtotal				**20.2%**
Strategic, financial and operational objectives Delivery of key contracts (10%) Achievement of budgeted 2019 backlog (10%) Execution of strategy (20%)	40%	**	5% 10% 15%	30%
Total	**100%**			**50.2%**

* Zero to maximum pay-out is not linear as bands operate within the performance ranges shown.
** Objectives are derived from the Company's annual corporate objectives and the long term financial plan and are assessed by the Chairman.

Accordingly, the total payments under the annual bonus plan were US$ 209,000. The bonus will be paid wholly in cash. Clawback provisions apply in the event of a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year to which a payment relates.

LTIP awards vesting for 2018 (audited)

LTIP awards were granted to the CEO on 25 March 2015 over 346,572 ordinary shares. No awards vested in the year on the LTIP granted on 25 March 2015 as the performance conditions were not achieved during the period. The LTIP was assessed against the following financial objectives:

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

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

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

The Committee granted an LTIP award to the CEO on 27 March 2018 over shares with a value of 150% of base salary. A summary of the LTIP awards currently granted is provided in the tables below. The LTIP awards granted do not include consideration for accrued dividends during the performance period.

	Date of grant	Number of shares	Face value	Face value as a percentage of base salary	End of performance period	Performance conditions
Duncan Anderson[1]	22 March 2016	677,168	US$ 653,873	150%	21 March 2019	See table below
Duncan Anderson[2]	28 March 2018	1,156,067	US$ 615,606	150%	27 March 2021	See table below

1 Award face value (and value as a percentage of base salary) is calculated using the closing share price on 22 March 2016, being 71p per share and assumes all performance conditions are met in full. The number of shares has been calculated using an exchange rate of £1: US$ 1.36. The minimum award available is nil.
2 Award face value (and value as a percentage of base salary) is calculated using the closing share price on 27 March 2018, being 37.5p per share and assumes all performance conditions are met in full. The number of shares has been calculated using an exchange rate of £1: US$ 1.42. The minimum award available is nil.

The 2016 LTIP award, lapsed due to performance conditions not being achieved.

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

Performance condition	Weighting	Threshold target (30% vesting)	Stretch target (100% vesting)
Duncan Anderson (22 March 2016)			
EPS CAGR	50%	6.2% per annum	9.7% per annum
Relative TSR	50%	Median of index[1]	Upper quartile of index[1]
Duncan Anderson (28 March 2018)			
EPS CAGR	50%	136% per annum	184% per annum
Relative TSR	50%	Median of index[1]	Upper quartile of index[1]

1 FTSE 250 Index excluding financial services companies.

No LTIP awards were granted in 2017.

Clawback provisions apply in the event of a material misstatement of the Group's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year in which an award vests.

Awards outstanding under the Company's LTIP as at 31 December 2018 comprise:

Grant date	No. of shares 1 January 2018	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	No. of shares 31 December 2018	End of performance period	Vesting date
22 March 2016*	677,168	–	–	–	–	677,168	31 December 2018	22 March 2019
27 March 2018	–	1,156,067	–	–	–	1,156,067	31 December 2020	27 March 2021
Total awards outstanding						**1,833,235**		

* The 2016 LTIP award, lapsed, March 2019, due to performance conditions not having been met.

Directors' interests in ordinary shares (audited)

Through participation in performance-linked share-based plans, there is strong encouragement for the Executive Director to build and maintain a significant shareholding in the business.

As set out in the Directors' Remuneration Policy, from 2019 the Committee requires the CEO to build and maintain an increased shareholding in the Company equivalent to 200% of base salary. The shareholding requirement for other Executive Directors will be 150% of base salary. Until this requirement is achieved they are required to retain no less than 50% of the net of tax value of any share award that vests. A new appointment would normally be expected to reach this guideline in three to five years post-appointment. The Chairman and Non-Executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2018 were as follows:

	Beneficially owned at 31 December 2018	Beneficially owned at 31 December 2017	Shareholding ownership requirement met?	Outstanding LTIP awards
Duncan Anderson	**2,014,622**	**2,014,622**	Yes	1,833,235
Simon Heale	**294,074**	**74,074**	N/A	–
Dr Karim El Solh	**–**	**296,296**	N/A	–
Simon Batey	**234,913**	**37,037**	N/A	–
W. Richard Anderson	**153,453**	**153,453**	N/A	–

1 There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2019 to 25 March 2019.
2 Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.
3 There are no other share, share option schemes or outstanding share awards other than LTIP awards.
4 Non-executive Director Dr Karim El Solh resigned from GMS Board with effect from 31 May 2018.
5. The absolute number of shares held by the CEO has remained at the same level for 31 December 2018 as for 31 December 2017. Over the same period the CEO's salary has not changed. However the lower share price and the impact of the exchange rate has impacted the shareholding, as a percentage of salary.

Director's pension entitlement (audited)

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

Payments to former directors (audited)

No payments were made to past Directors during the year ended 31 December 2018.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2018.

Percentage change in remuneration levels

The table below shows the variance in base salary, allowances and benefits, and annual bonus for the CEO in the 2018 financial year, compared to that for the average employees:

	% change
Chief Executive Officer	
Base salary	0%
Allowances and benefits	-2%
Bonus	-2%
All employees	
Base salary	4%
Allowances and benefits	6%
Bonus	1%

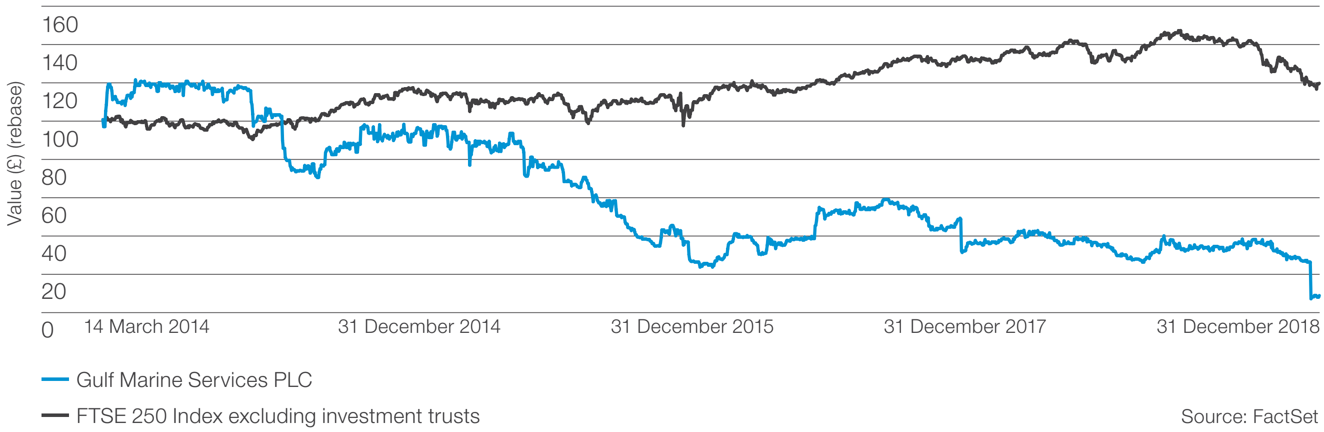
Relative importance of the spend on pay

The table below shows overall expenditure on pay in the whole Group in 2017 and 2018 financial years, compared to returns to shareholders through dividends:

	2018 US$ '000	2017 US$ '000	% change
Overall expenditure on pay	31,490	31,088	1%
Dividends proposed	–	–	0%

Total shareholder return performance graph

This graph shows the value, at 31 December 2018, of £100 invested in Gulf Marine Services PLC on 14 March 2014 (being the date that shares were first admitted to conditional trading) compared with the value of £100 invested in the FTSE 250 Index excluding financial services companies over the same period. The FTSE 250 Index has been selected for this comparison as it is one of the indexes used to determine performance under the LTIP scheme for executive directors and is considered to be the most appropriate index measure.



The total remuneration figures for the CEO during the 2018 financial year are shown in the table below. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus award based on that year's performance and the LTIP award based on the three-year performance period ending in the relevant year. The annual bonus pay out and LTIP award vesting level as a percentage of the maximum opportunity are also shown for this year.

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
Total remuneration (US$ '000)	1,003	911	970	830	**822**
Annual bonus %	35%	28%	33%	26%	**25%**
LTIP vesting %	–	–	–	–	**–**

Directors' Remuneration Policy Report

This part of the report, which is not subject to audit, sets out the Remuneration Policy for the Company and has been prepared in accordance with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code, the guidelines published by institutional advisory bodies and the views of our major shareholders. The Company is required to prepare and seek shareholder approval for an updated Directors' Remuneration Policy at least once every three years. The Directors' Remuneration Policy was approved by shareholders at the 2018 Annual General Meeting and is not subject to a vote at the 2019 Annual General Meeting. The Directors' Remuneration Policy is detailed below.

Policy overview

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

The Company's policy is to provide remuneration to executives to reflect their contribution to the business, the performance of the Group, the complexity and geography of the Group's operations and the need to attract, retain and incentivise key talent. The Committee seeks to provide remuneration packages that are simple, transparent and aligned with UK best and local UAE market practice, whilst providing an appropriate balance between fixed and variable pay that supports the delivery of the Group's strategy.

Summary of the Directors' Remuneration Policy

The following table summarises each element of the Remuneration Policy for the executive Directors, explaining how each respective element operates and links to the corporate strategy.

Base salary	
Purpose and link to strategy	• To attract, retain and motivate individuals of the necessary calibre to execute the Group's strategy. • To recognise their skills, experience and contribution to Group performance.
Operation	• Normally reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities. • The level of base salary reflects the experience and capabilities of the individual as well as the scope and scale of the role. • Any increases to base salary will take into account individual performance as well as the pay and conditions in the workforce.
Maximum opportunity	• There is no prescribed maximum annual increase. • When determining the level of any change in compensation, the Committee takes into account: – Remuneration levels in comparable organisations in the UAE and the GCC. – Remuneration levels in the international market. – Increases for the workforce generally. – Changes to an individual's role, including any additional responsibilities.
Performance criteria	• N/A
Annual bonus	
Purpose and link to strategy	• To encourage and reward delivery of the Group's annual strategic, financial and operational objectives.
Operation	• Performance measures and targets are reviewed annually by the Committee and are linked to the Group's key strategic and financial objectives. • The bonus will normally be paid wholly in cash; however the Committee has the discretion to defer a proportion of the bonus in GMS shares or cash. – Future awards in excess of 100% of salary will be subject to a two-year deferral, for the amount of the bonus received above 100% of salary. • Clawback (or malus in the event of any deferral) provisions apply in the event of a material misstatement of the Group's financial results or an error in the calculation of performance targets. Clawback and/or malus can be applied for three years from the end of the financial year to which the payment relates. – For awards made in 2019 and subsequently, clawback and malus will be extended to apply in the event of serious misconduct, corporate failure, such as the Company going into liquidation or administration, or serious reputational risk.
Maximum opportunity	• Normal maximum opportunity of 100% of base salary (exceptional limit of 150% of base salary).
Performance criteria	• The majority of the annual bonus will be based on Group financial performance. • The Committee has discretion to vary bonus payments downwards or upwards if it considers the outcome would not otherwise be a fair and complete reflection of the performance achieved by the Group and/or the executive Director. • Performance below threshold results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets.
Long Term Incentive Plan (LTIP)	
Purpose and link to strategy	• To incentivise and reward the achievement of key financial performance objectives and the creation of long-term shareholder value. • To encourage share ownership and provide further alignment with shareholders.
Operation	• Annual awards of nil-cost options or conditional shares with the level of vesting subject to the achievement of stretching performance conditions measured over a three-year period. • Performance targets are reviewed annually by the Committee and are set at such a level to motivate management and incentivise out-performance. • Dividends that would be payable to shareholders during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest. • From 2019, LTIP awards will be subject to a two-year post-vesting holding period. • Clawback provisions apply in the event of a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year in which an award vests. – For awards made in 2019 and subsequently, clawback and malus will be extended to apply in the event of serious misconduct, corporate failure or serious reputational risk.

Maximum opportunity	• Normal maximum opportunity of 200% of base salary (exceptional limit of 300% of base salary).
Performance criteria	• Performance is assessed against metrics which will normally include a financial measure, such as earnings per share (EPS), and/or a measure linked to the Company's total shareholder return (TSR), against an appropriate group of peers. Measures are captured independently. • 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for achievement of maximum performance targets.
End of service gratuity	
Purpose and link to strategy	• To provide an end of service gratuity, as required under the UAE Labour Law.
Operation	• End of service gratuity contributions are accrued by the Company. The amount of the end of service gratuity accrued to date may be pre-paid.
Maximum opportunity	• The maximum pay out to an employee is limited by UAE Labour Law to two years' base salary.
Performance criteria	• N/A
Benefits	
Purpose and link to strategy	• To provide competitive and cost-effective benefits to attract and retain high-calibre individuals.
Operation	• Private medical insurance for the executive and close family, death in service insurance, disability insurance, accommodation and payment of children's school fees.
Maximum opportunity	• Actual value of benefits provided.
Performance criteria	• N/A
Allowances	
Purpose and link to strategy	• Allowances set to cover essential living costs where this is in line with local market practice.
Operation	• Any increases to allowances will take into account local market conditions as well as the allowances provided to the workforce. • Allowances relating to air travel and transport.
Maximum opportunity	• N/A
Performance criteria	• N/A
Share ownership requirements	
Purpose and link to strategy	• To encourage alignment with shareholders.
Operation	• The CEO is required to build and maintain a shareholding equivalent to at least 200% of base salary through the retention of vested share awards or through open market purchases. Newly appointed Executive Directors are required to build and maintain a shareholding equivalent to at least 150% of base salary through the retention of vested share awards or through open market purchases. • A new appointment will normally be expected to reach this guideline in three to five years post-appointment. • Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved.
Maximum opportunity	• N/A
Performance criteria	• N/A

Notes to table

Annual bonus performance measures

The annual bonus reflects key financial performance indicators linked to the Group's strategic goals. Financial targets are set at the start of the financial year with reference to internal budgets and taking account of market expectations. The balance is based on how well the individual performed against a range of stretching objectives relating to key strategic and operational objectives.

LTIP performance measures

The LTIP performance measures (which are currently EPS growth and relative total shareholder return (TSR)) reward long-term financial growth and significant long-term returns to shareholders. Targets are set on sliding scales that take account of internal strategic planning and external market expectations for the Group. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year.

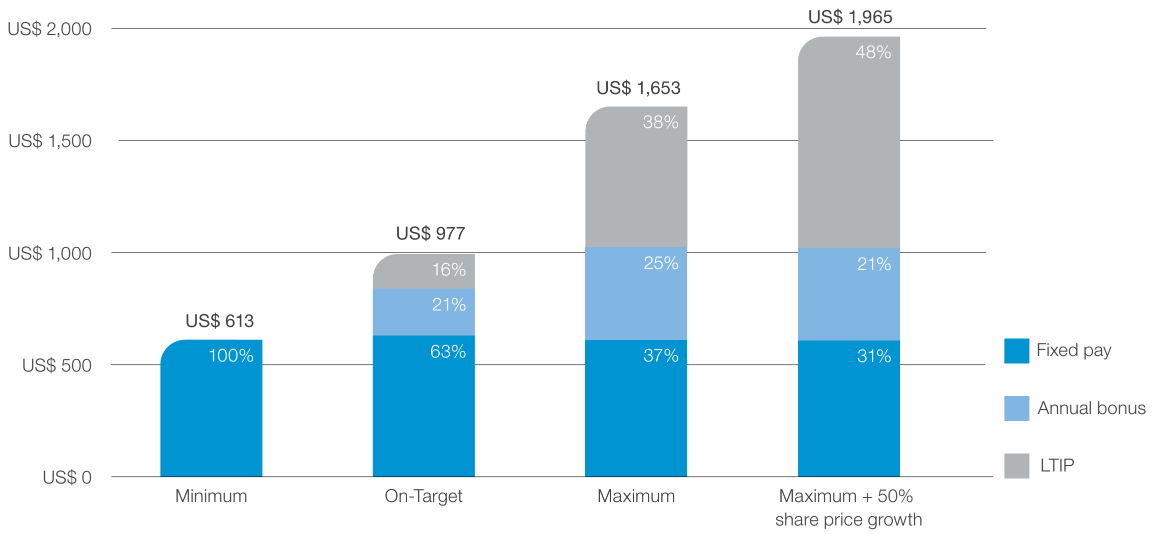
Discretion

The Committee operates annual bonus and long-term incentive arrangements for the executive Directors in accordance with their respective rules, the Listing Rules and the HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include the following:

- who participates;
- the timing of the grant of award and/or payment;
- the size of an award (up to plan limits) and/or a payment;
- the annual review of performance measures, targets and weightings for the annual bonus plan and LTIP from year to year;
- discretion relating to the measurement of performance in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Remuneration scenarios for the CEO

The chart below shows an estimate of the potential future remuneration payable for the CEO in 2019 for minimum, on-target, and maximum performance. In addition, the fourth bar illustrates the value of the total remuneration should both the annual bonus and LTIP pay out in full, and if LTIP awards are subject to 50% share price appreciation over the relevant period. The chart highlights that the performance-related elements of the package comprise a significant portion of the CEO's total remuneration at on-target and maximum performance.



1 Duncan Anderson's remuneration is paid in UAE Dirhams and shown above in US$ using an exchange rate of US$ 1/AED 3.67.
2 Minimum remuneration represents base salary and allowance levels applying as at 1 January 2019. It also includes benefits and end of service gratuity.
3 The value of benefits is based on the cost of supplying those benefits (as disclosed in the Annual Report on Remuneration on page 49) for the year ended 31 December 2018.
4 The end of service gratuity is based on the provision accrued (as disclosed in the Annual Report on Remuneration on page 49) for the year ended 31 December 2018 in line with the UAE Labour Law limit.
5 Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP. At on-target, half of the annual bonus is earned (i.e. 50% of base salary) and 25% of the maximum LTIP opportunity (150% of base salary) is achieved (i.e. 37.5% of base salary); and at maximum full vesting under both plans.
6 An additional bar represents the impact of a share price appreciation of 50% on the maximum performance scenario.

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

When considering the structure and levels of Executive Director Remuneration, the Committee reviews base salary and annual bonus arrangements for the management team, to ensure that there is a coherent approach across the Group. The annual bonus plan operates on a similar basis across the senior management team. The key difference in the executive Director Policy is that remuneration is more heavily weighted towards variable pay than that of other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the executive Directors.

The Committee does not formally consult with employees in respect of the design of the executive Director Remuneration Policy, however the Human Resources Director is available to discuss issues relating to the wider employee population. We note the requirements of the revised Code in relation to the strengthening of the employee voice and, as a result, our existing employee engagement practices are being supplemented so, in addition to listening to our employees and taking into account their views, a formal process for articulating these views to the Board will be developed.

Consideration of shareholder views

The Company is committed to maintaining good communications with investors. The Committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any changes be planned to the Directors' Remuneration Policy or if the Committee wishes to make material changes to how policy will be implemented. We have made a number of revisions in relation to the implementation of the Remuneration Policy to take account of feedback received at the 2018 AGM, details of which are included in the Chairman's letter on page 49 of the report.

Details of votes cast, for and against the Annual Report on Remuneration, at the 2018 AGM will be included in the next Annual Report on Remuneration.

Directors' recruitment and promotions

The policy on the recruitment or promotion of an Executive Director takes into account the need to attract, retain and motivate the best person for each position, while at the same time ensuring a close alignment between the interests of shareholders and management, as follows:

Base salary	The base salary for a new appointment will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the base salary for a new executive Director at a level which is below market (for example, to allow them to gain experience in the role) their base salary may be increased to achieve the desired market positioning by way of a series of phased above inflation increases. Any increases will be subject to the individual's continued development in the role.
End of service gratuity, benefits and allowances	End of service gratuity, benefits and allowances will be set in line with the policy above, reflective of typical market practice and the Labour Law for the UAE. The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual. In the event of an executive Director being recruited to work outside the UAE, additional benefits, pension provision and/or allowances may be provided in line with local market practice.
Annual bonus and LTIP	The Company's incentive plans will be operated, as set out in the policy table above, albeit with any payment pro-rata for the period of employment and with the flexibility to use different performance measures and targets, depending on the timing and nature of the appointment.
Remuneration foregone	The Committee may offer cash and/or share-based elements to compensate an individual for remuneration and benefits that would be forfeited on leaving a former employer, when it considers these to be in the best interests of the Group (and therefore shareholders). In making any future hires, we would seek to pay no more than necessary to secure the hire and will structure the contract to include mitigation. Such payments would take account of remuneration relinquished and would mirror (as far as possible) the delivery mechanism, time horizons and performance requirement attached to that remuneration. Where possible this will be facilitated through existing share plans as set out in the policy table above, but if not, the Committee may use the provisions of 9.4.2 of the Listing Rules.
Internal appointments	In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

Directors' service agreements and payments for loss of office

The Committee seeks to ensure that contractual terms of the Executive Director's service agreement reflect best practice.

Notice period	Executive Directors' service agreements are terminable by either the Company or the Director on 12 months' notice. In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The Committee has discretion to require notice to be worked, to make payment in lieu of notice or to place the Director on gardening leave. The Company may terminate the appointment summarily with immediate effect if the Director is guilty of gross misconduct in accordance with relevant provisions of the UAE labour law.
Payment in lieu of notice	In case of payment in lieu, base salary, allowances, benefits and end of service gratuity will be paid for the period of notice served or paid in lieu. If the Committee believes it would be in shareholders' interests, payments would be made either as one lump sum or in equal monthly instalments and in the case of payment in lieu will be subject to be offset against earnings elsewhere.
Annual bonus	An annual bonus may be payable in respect of the period of the bonus plan year worked by the Director; there is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked.
LTIP	Outstanding share awards under the LTIP are subject to the rules which contain discretionary provisions setting out the treatment of awards where a participant leaves for designated reasons (i.e. participants who leave early on account of injury, disability or ill health, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement or any other reason at the discretion of the Committee). In these circumstances a participant's awards will not be forfeited on cessation of employment and instead will continue to vest on the normal vesting date or earlier at the discretion of the Committee, subject to the performance conditions attached to the relevant awards. The awards will, other than in exceptional circumstances, be scaled back pro-rata for the period of the incentive term worked by the Director.
Other payments	In addition to the above payments, the Committee may make any other payments determined by a court of law in respect of the termination of a Director's contract.

Change of control	In the event of a change of control all unvested awards under the LTIP would vest, to the extent that any performance conditions attached to the relevant awards have been achieved.

The date of the CEO's Executive Service Agreement is 12 March 2014. The service contract is available for inspection during normal business hours at the Company's registered office, and available for inspection at the AGM.

External appointments

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

Non-Executive Directors' Remuneration Policy and terms of engagement

The following table sets out the components of the Non-Executive Directors' remuneration package.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
Non-Executive Directors' fee	Set to attract, retain and motivate talented individuals through the provision of market competitive fees	Reviewed periodically by the Board or, if appropriate, in the event of a change in an individual's position or responsibilities Fee levels set by reference to market rates, taking into account the individual's experience, responsibility and time commitments	There is no prescribed maximum annual increase The Board takes into account external market practice, pay increases within the Group, wider economic factors and any changes in responsibilities when determining fee increases	N/A
Non-executive Directors' benefits	Travel to the Company's registered office	Travel to the Company's registered office may in some jurisdictions be recognised as a taxable benefit	Costs of travel, grossed-up where taxable	N/A

Non-executive Directors are appointed by letter of appointment for an initial period of three years, which are terminable by three months' notice on either side. However, it is the Company's intention to comply with provision B.7.1 of the UK Corporate Governance Code and accordingly all Directors will stand for annual re-election by shareholders at future AGMs until the Board determines otherwise.

The dates of the letters of appointment of the Chairman and Non-Executive Directors are:

Simon Heale	Chairman	27 February 2017
Dr Karim El Solh[1]	non-executive Director	27 February 2017
Simon Batey	Independent non-executive Director	27 February 2017
W. Richard Anderson	Independent non-executive Director	27 February 2017
Dr Shona Grant[2]	Independent non-executive Director	22 October 2018

1 Non-executive Director Dr Karim El Solh resigned from GMS Board with effect from 31 May 2018.
2 Independent non-executive Director Dr Shona Grant was appointed with effect from 22 October 2018.

The letters of appointment are available for inspection during normal business hours at the Company's registered office. For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including the Annual Report on Remuneration, was approved by the Board on 25 March 2019 for presentation to shareholders at the AGM.

W. Richard Anderson
Remuneration Committee Chairman
25 March 2019

REPORT OF THE NOMINATION COMMITTEE

Chairman and Senior independent non-executive Director:
Simon Heale

Independent non-executive Directors:
Simon Batey, W. Richard Anderson, Dr Shona Grant

Dear Shareholders,

I am pleased to present the report of the Nomination Committee, which details the work we have completed over the course of the year. The primary role of the Committee is to promote effective succession planning for the Board and senior management and align the Board composition with the Group's culture, values and strategy. As part of this role we ensure the Board and its Committees have the right balance of skills, experience, diversity, independence and knowledge to effectively discharge their duties. The Committee understands that the success of the Company can be sustained over the long term by establishing appropriate succession planning for the Board and senior management.

The composition of the Nomination Committee continues to be in compliance with the Code, which provides that independent non-executive Directors should comprise the majority of the Committee.

Key responsibilities

The Nomination Committee's responsibilities include:

- regularly reviewing the composition, structure and size of the Board and its Committees;
- evaluating the balance of skills, knowledge, experience, personal attributes and diversity on the Board of Directors;
- reviewing and recommending to the Board, the Board's succession plan for the Chairperson of the Board, Committee Chairpersons, Directors and senior management, taking into account the challenges and opportunities faced by the Company and the skills and expertise needed on the Board of Directors in the future; and
- leading the process for Board appointments and making recommendations to the Board in respect of new appointments.

Board changes

In May 2018, non-executive Director Dr Karim El Solh resigned from the Board. An executive search consultancy, Leathwaite, a company which is independent to the Group, was engaged to help identify an appropriately qualified new Board member and in October 2018 we were pleased to appoint Dr Shona Grant as an independent non-executive Director. Dr Grant brings to the Board extensive and relevant industry experience at a very senior level and serves on all three Board committees, including the Nomination Committee. In March 2019 the Committee also welcomed Mo Bississo to the Board as a non-executive Director. Mr. Bississo is a valuable addition to the Board with extensive experience in the UAE financial sector.

On 23 October 2018 the Group announced that John Brown had resigned as Chief Financial Officer (CFO) effective from Tuesday 28 May 2019. The Committee engaged a search consultant, Spencer Stuart, which is independent to the Group and adheres to the Voluntary Code of Conduct for Executive Search Firms, to support the recruitment process. In February 2019, we were pleased to appoint Stuart Jackson, as CFO and a member of the Board with effect from early summer 2019. Mr Jackson has more than 20 years' experience as CFO at a number of publicly listed companies and has a deep knowledge of capital restructuring in the oilfield services sector.

Board and Committee evaluation

The Board retains overall responsibility for implementation of its annual performance evaluation and the process and outcomes of the 2018 evaluation are described in the Corporate Governance Report on page 43. The process included a review of all Board Committees and it was concluded that the relationship between the Board and its Committees was functioning well, with all Committees fully meeting their remit. The Nomination Committee works with the Board in seeking to address any performance evaluation outcomes relating to Board composition and succession planning.

Re-election of Directors

The biographical details of Directors as at 31 December 2018 can be found on pages 38 to 39 and of Mo Bississo on the company's website http://www.gmsuae.com/board-of-directors/. All of the Company's Directors as at 31 December 2018 will stand for re-election (or election in the case of Dr Shona Grant) and Mo Bississo will stand for election at the 2019 Annual General Meeting. The terms and conditions of appointment of non-executive Directors, which includes their expected time commitment, are available for inspection at the Company's registered office.

Diversity
The Company is committed to a culture that promotes diversity, including gender diversity, and to achieving a working environment which provides equality of opportunity. The Board continues to be diverse in terms of the range of nationality and international experience of its members. Following the appointment of Dr Shona Grant in 2018, the membership of the Board comprises four male Directors and one female Director, with a broad range of experience and expertise covering relevant technical, operational, financial, governance, legal and commercial expertise as well as the valuable experience of operating in the energy industry on an international basis.

The Company aspires to diversify its Board further as part of its succession planning process. Whilst seeking to achieve this aim, the Company will not appoint an individual to the Board unless they are considered the best candidate for the role, regardless of gender. The Corporate Social Responsibility section on pages 32 to 35 provides further information on the Group's workforce.

Succession planning
The Committee is aware of its responsibilities in relation to Board and senior management succession plans, to ensure that unforeseen changes are managed effectively and efficiently, without disruption to the Group's strategy or day-to-day operations. The Committee has developed a comprehensive succession planning process for senior management across the Group. It includes encouragement and facilitation of the development of each individual, including internal career progression opportunities as they arise.

The Group's Chief Operating Officer (COO), Simon Cook, will retire in April 2019. The Committee was pleased to recommend to the Board the appointment of internal candidate Jim Bradford, previously General Manager for GMS North West Europe, for the role of COO, which will be effective from April 2019. I would like to thank both John Brown and Simon Cook for their significant contributions to GMS during their time with us.

The Board and Nomination Committee are satisfied that the individuals currently fulfilling key senior management positions in the organisation have the requisite depth and breadth of skills, knowledge and experience.

Simon Heale
Nomination Committee Chairman
25 March 2019

DIRECTORS' REPORT

The Directors of Gulf Marine Services PLC incorporated and registered in England and Wales under company number 08860816, present their Annual Report and audited financial statements of the Company and the Group for the year ended 31 December 2018. This Directors' Report, prepared in accordance with the requirements of the Companies Act 2006, the UK Listing Authority's Listing Rules, and Disclosure and Transparency Rules, contains certain statutory, regulatory and other information.

Disclosure requirements of Listing Rule 9.8.4R.

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

Listing Rule requirement	Location
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	Refer to Directors' Remuneration Report on pages 49 to 62
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Not applicable
Details of any non pre-emptive issues of equity for cash.	Not applicable
Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	Not applicable
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	Not applicable
Details of waiver of dividends by a shareholder.	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

Legal form

The Company is incorporated in the United Kingdom with company registration number 08860816. Related undertakings are listed on page 82.

Strategic Report

Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report required by sections 414A to D of the UK Companies Act 2006 can be found in the Strategic Report section on pages 4 to 35 of this document, which forms part of this report by reference.

Corporate Governance

The Company's Corporate Governance Statement is set out on pages 40 to 44 and forms part of this report by reference.

Directors

A list of the Directors who served during the period and their biographies can be found in the Board of Directors section on pages 38 to 39.

Powers of Directors

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

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in our Articles. They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. All our Directors must be approved by the Board before they stand for re-appointment by shareholders.

Directors wishing to continue to serve will seek re-election annually in accordance with provision B.7.1 of the 2016 UK Corporate Governance Code. Members may remove a Director by passing an ordinary resolution of which special notice has been given, in accordance with the Companies Act 2006.

Amendments to the Articles of Association

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

Indemnification of Directors

The Company has provided indemnification for Directors in accordance with the Company's Articles and the Companies Act 2006. As far as is permitted by legislation, all Officers of the Company are indemnified out of the Company's own funds against any liabilities and associated costs which they could incur in the course of their duties for the Company, other than any liability to the Company or an associated company.

Compensation for loss of office

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

Share capital and control

Details of the Company's issued share capital as at 31 December 2018 can be found in Note 13 to the consolidated financial statements, on pages 101 to 102. The Company's share capital comprises ordinary shares, which are listed on the London Stock Exchange.

Ordinary shares

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

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

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

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

Authority to purchase the Company's own shares

The Company did not acquire any of its own shares in the financial year ended 31 December 2018 or in the period between the year end and the date of this report.

The Company was granted a general authority by its shareholders at the 2018 AGM to allot shares up to 33% of the Company's issued share capital as at 27 March 2018. The Company also received authority to allot shares for cash on a non-pre-emptive basis up to 5% of the Company's issued share capital as at 27 March 2018. As at the date of this Report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2019 AGM. Resolutions will be proposed at the 2019 AGM to renew these authorities.

The Company did not buy back any shares during the year, therefore the outstanding authority is 34,996,788.

The Company is due to have its 2019 AGM on 28 May 2019 and the Directors will be seeking approval from shareholders, to authorise the Company to purchase up to 10% of its existing ordinary share capital. This authority would expire at the Company's 2020 AGM; however, it is intended that this authority be renewed each year. For more information on this resolution refer to the Notice of AGM and explanatory notes on pages 126 to 131.

Substantial shareholders

The Directors are aware of the following substantial interests in the shares of the Company:

Significant direct/ indirect interest	As at 31 December 2018 Number of shares	As at 31 December 2018 % voting rights	As at 12 March 2019 Number of shares	As at 12 March 2019 % voting rights
Aberfoth Partners	69,731,569	19.93	69,731,569	19.93
Seafox International Limited	–	–	48,066,480	13.73
Castro Investments	32,643,538	9.33	34,378,680	9.82
Horizon Energy	21,136,703	6.04	21,136,703	6.04
Arqaam Capital	12,558,068	3.59	17,413,833	4.98
Aberdeen Standard Investments (Standard Life)	17,216,468	4.92	17,216,468	4.92
Aviva Investors	13,071,948	3.74	13,151,681	3.76
UBS	12,424,500	3.55	12,299,656	3.51
Forager Funds Mgt	15,113,559	4.32	10,102,528	2.89
Lazard Asset Mgt	9,388,689	2.68	9,388,689	2.68

Significant agreements

As at 31 December 2018 the Company was party to the following significant agreements that take effect, alter or terminate, or have the potential to do so, on a change of control of the Company:

Share incentive schemes

All of the Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on pages 49 to 62 contain provisions relating to a change of control of the Company. Vesting of outstanding awards and options on a change of control would normally be at the discretion of the Remuneration Committee, who would take into account the satisfaction of any applicable performance conditions at that time and the expired duration of the relevant performance period.

Executive service contracts

The service contracts for the Company's executive Directors and senior management include provisions applicable to a change of control in the Company. Further details of these service contracts are described in the Directors' Remuneration Report.

Operational contracts

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

Group banking facility

Under the terms of the Group banking facility agreement, if any person or persons, acting in concert, other than Gulf Capital PJSC (controlling shareholder of Green Investment Commercial Investments LLC, a previous shareholder in the Company), gains control of the Company by owning shares which carry 30% or more of the voting rights of the Company, this may result in the repayment or prepayment of total balances outstanding under the Group banking facility, within 30 days of notification of a change in control.

Previous Relationship Agreement

The Relationship Agreement, dated 14 March 2014, previously held between the Company and Green Investment Commercial Investments LLC ("GICI"), Ocean Investments Trading LLC ("Ocean"), Horizon Energy LLC ("Horizon"), and Al Ain Capital LLC ("Al Ain"), had ceased to be effective from May 2018 following the reduction in combined shareholding of these entities to below 10% of the Company's issued ordinary share capital. The Relationship Agreement provided that it shall terminate on there ceasing to be a "Principal Shareholder" holding at least 10% of the issued share capital of the Company or shares carrying at least 10% of the aggregate voting rights in the Company. In this context a "Principal Shareholder" was any of (a) GICI and Ocean together, (b) Horizon and (c) Al Ain.

As a result of the Relationship Agreement ceasing, Dr Karim El Solh, the previously appointed Principal Shareholder Director, resigned from the Board with effect from 31 May 2018.

Risk regarding the use of financial instruments

The Group's financial risk management objectives and policies including the use of financial instruments are set out in Note 34 to the consolidated financial statements on pages 109 to 112.

Post balance sheet events

On 23 January 2019, the Group negotiated additional headroom to the interest cover covenant for the 31 December 2018 test date. As a result, the Group was in full compliance with all its banking covenants for the 31 December 2018 test date. More details can be found in Note 37 to the consolidated financial statements on page 113.

Likely future developments

Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 4 to 35 and forms part of this report by reference.

Research and development

The Group did not undertake any research and development activities during the year (2017: none).

Political donations

The Group made no political donations and incurred no political expenditure during the year (2017: nil).

The existence of branches outside the UK

The Group has a branch in the Netherlands.

Employees and policies

The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin or disability or on any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion opportunities to disabled employees wherever appropriate.

During the year, the policy of providing employees with information about the Group and keeping them up to date on financial, economic and other factors which affect the Group has been continued through internal media methods. Employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Health and safety

Information on health and safety is provided on pages 12, 17, 21 and 24, and forms part of this report by reference.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on pages 32 to 35 and forms part of this report by reference.

Dividends

No dividend is to be paid for 2018 (2017: nil).

Going concern

The Company's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group has committed credit facilities in place at 31 December 2018 (see Note 20), comprising an existing loan facility with a balance of US$ 392.0 million and a committed working capital facility of US$ 50.0 million of which US$ 30.0 million remains undrawn as at 31 December 2018. Whilst the Company expects to continue to service its interest and debt repayment obligations in 2019, the Group's anticipated operating performance is projected to breach financial covenants attached to its facilities at the 30 June and 31 December 2019 test dates. A breach of covenants could, possibly, result in the banks exercising their rights to recall all credit facilities (including the undrawn element of the working capital facility) and to demand immediate repayment. These conditions indicate a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern.

Having agreed an amendment to its financial covenant schedule for the 31 December 2018 test date, the Group continues to work closely with the banking syndicate to address this covenant pressure. Notwithstanding the material uncertainty with regard to covenant compliance at 30 June and 31 December 2019, the Directors believe there is a reasonable prospect of a satisfactory outcome to covenant renegotiations for the 2019 test dates with which the Group will be able to comply and accordingly have adopted the going concern basis of accounting in preparing the consolidated and parent company financial statements.

The Board are also considering all options to reinforce the capital structure of the Group. In this context, discussions are also being had with the Group's banking syndicate to, amongst other things, reschedule the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business.

More information on the going concern status of the Group can be found in the going concern section of Note 3 to the consolidated financial statements on page 87. Details of the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk can be found in Note 34 to the consolidated financial statements on pages 109 to 112. The principal risks and uncertainties facing the Group are set out on pages 19 to 23.

Information on the Group's longer-term viability is provided within the risk management section on page 22.

Statement on disclosure to the external auditor

So far as each Director is aware, there is no relevant information, which would be needed by the Company's external auditor in connection with preparing its audit report (which appears on pages 70 to 77) of which the external auditor is not aware; and each Director, in accordance with section 418(2) of the Companies Act 2006, has taken all reasonable steps that he or she ought to have taken as a Director to make himself or herself aware of any such information and to ensure that the external auditor is aware of such information.

External auditor

Deloitte LLP, the Group's external auditor, have indicated their willingness to continue in office and in accordance with Section 489 of the Act, a resolution to re-appoint them will be put to the 2019 Annual General Meeting.

Annual General Meeting (AGM)

The Company's 2019 AGM will take place at 10.00am (UK time) on Tuesday 28 May 2019 at Linklaters LLP, One Silk Street, London, EC2Y 8HQ. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM can be found on page 126 and on the Company's website. The Notice of AGM sets out the business of the Meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to principal risks and uncertainties facing the Group. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by those forward-looking statements. No assurances can be given that the forward-looking statements are reasonable as they can be affected by a wide range of variables. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

This Annual Report, including this Directors' Report, as well as the Strategic Report and the Corporate Governance Statement, was approved by the Board and signed on its behalf by:

John Brown
Company Secretary
25 March 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Responsibility statement

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

This responsibility statement was approved by the Board of Directors on 25 March 2019 and is signed on its behalf by:

Duncan Anderson
Chief Executive Officer
25 March 2019

John Brown
Chief Financial Officer
25 March 2019

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

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of Gulf Marine Services plc (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- consolidated statement of comprehensive income;
- the consolidated and parent Company statements of financial position;
- the consolidated and parent Company statements of changes in equity;
- the consolidated and parent Company cash flow statements; and
- the related Notes 1 to 37 in respect of the Group and 1 to 13 in respect of the parent Company.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Material uncertainty relating to going concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that there is a risk of a covenant breach on the Group's loan facilities in respect of the 30 June 2019 and 31 December 2019 testing periods. If a covenant breach occurs then the Group's debt holders will have the right to request repayment of the outstanding debt and to cancel the relevant facilities.

The Group is currently involved in discussions with its banking syndicate and advisors to reschedule the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business.

In response to this, we:

- obtained an understanding of the current status of the debt restructuring, including the key steps to completion, by discussion with management;
- obtained evidence of the Group's engagement with both its banking syndicate and advisors in respect of the plans to restructure to date;
- considered the adequacy of management's assessment of the impact of Brexit on the Group's ability to continue as a going concern;
- evaluated the design and implementation of management's controls to address the risk that the going concern basis of preparation is not appropriate;
- obtained management's base cash flow and covenant projections for the next 12 months (the going concern period), which was approved by the Board;
- compared the cash flow forecasts used in the going concern model to those used in the asset value in use calculations for impairment purposes;
- compared forecast day rates to signed contracts and challenged the basis adopted for day rates elsewhere in the calculations, corroborating to third party evidence where possible and considering the existence of any contradictory evidence in relation to management's assumptions of contract success;
- assessed the historical accuracy of forecasts prepared by management;
- tested the mechanical accuracy of the cash flow model and the related financial covenant forecasts;
- performed stress tests to model a range of reasonably possible downside scenarios and considered their impact on the ability of the Group to meet their debt servicing obligations as they fall due for the next 12 months; and
- considered whether the disclosures in the basis of preparation section of the accounting policies are appropriate.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty relation to going concern section above); • Impairment of the Group's vessels; and • Revenue recognition. The key audit matters included within our report are consistent with those included in our 2017 audit report with the exception of the addition of the key audit matter relating to going concern.
Materiality	The materiality that we used for the Group financial statements was $2.1 million, which was determined on the basis of 0.5% of consolidated net assets.
Scoping	We identified the Group's business to be a single component, and therefore all operations of the Group were subject to a full scope audit. All audit work for the Group was performed directly by the audit engagement team.
Significant changes in our approach	We have changed the basis for materiality from 5.6% of normalised average pre-tax profit for the 2015-2017 period (adjusted to exclude impairment charges and the expensing of refinancing costs) to 0.5% of consolidated net assets. This is to reflect the decline in the Group's profitability and the loss before tax recorded in 2018, as we no longer consider the use of a profit-based metric to determine materiality to be appropriate. There have been no other significant changes in our audit approach compared to the prior year other than to extend the nature of our procedures and challenge around going concern in light of the material uncertainty in this regard.

Conclusions relating to principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 19 to 22 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 18 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 22 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Aside from the impact of the matters disclosed in the material uncertainty relating to going concern section, we confirm that we have nothing material to add or draw attention to in respect of these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of the Group's vessels

Key audit matter description	The Group's vessels are its sole revenue generating assets, with a carrying value of $732.6 million at 31 December 2018 (2017: $748.1 million) which represents 86% of the Group's total assets at that date (2017: 86%). Their recoverable amount is based on an assessment of the higher of fair value less cost to sell and value in use. Estimates of fair value less costs to sell take into consideration vessel valuations from an independent ship broker, whilst value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In the current year, there is a risk that recoverable amounts could be adversely impacted by the significant and prolonged fall in prevailing oil and gas prices, due to the resultant impact on the Group's customer base in the oil and gas industry. Due to the high level of judgements involved, we have also determined that there was a potential for fraud through possible manipulation of the recoverable amount. Management has assessed recoverable amount based on the estimated value in use of each vessel, which in all cases was higher than fair value less costs to sell. The key assumptions utilised in these calculations include, on a vessel by vessel basis: • forecast utilisation; • forecast day rates; • cost assumptions; and • discount rate. As referenced in Note 4 of the financial statements the carrying value of the Group's vessels is considered by management as a critical accounting judgement and key source of estimation uncertainty. Further details of the Group's vessels is provided in Note 8 to the financial statements and in the Audit and Risk Committee Report on page 47.
How the scope of our audit responded to the key audit matter	We challenged the key assumptions made by management on a vessel by vessel basis by reference to publicly available information, our knowledge of the Group and industry and the Group's most recent budget. This included: • understanding the process by which management has derived its value in use estimates; • evaluating the design and implementation of management's controls to address the risk of impairment of the Group's vessels; • evaluating the competence, capabilities and objectivity of the Group's vessel broker; • testing the clerical accuracy of the calculations; and • consideration as to whether the related disclosures in financial statements are appropriate. Our challenge of management's key assumptions in respect of forecast utilisation and day rates included: • comparing projected utilisation and day rates to those achieved in prior periods; • performing independent valuation calculations tailored to each vessel demonstrating an impairment indicator as at 31 December 2018, using more conservative assumptions for future day rates and utilisation levels to take into consideration the current market conditions described above; and • calculating the breakeven day rates that would be required for the carrying value to be recovered should average utilisation achieved during 2016 to 2018 be sustained throughout the remaining useful economic lives of the vessels and comparing these breakeven rates to rates historically achieved; and comparing projected day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations. Our challenge of management's key cost assumptions included: • comparing projected costs with 2016, 2017 and 2018 actuals on a vessel-by-vessel basis and understanding and challenging variances; and • reviewing projections to assess whether enhancement capital expenditure is excluded. Our challenge of management's assumption in relation to the discount rate applied included: • using our internal valuation specialists to perform an independent assessment of the discount rate.
Key observations	We note that management's day rate assumptions demonstrate a degree of optimism, however we do not consider this to be unreasonable given the level of headroom indicated under our downside valuation scenarios and the remaining useful economic lives of the vessels. On this basis, we concur with management's conclusion that no impairment is required as at 31 December 2018.

Revenue recognition

Key audit matter description	Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as a standby rate for when the vessel is available for use but not operational. Certain contracts also include amounts payable to the Group in respect of mobilising the vessel at the inception of the contract and/or demobilising the vessel at the end of the contract term. As disclosed in the accounting policies in Note 3, revenue is recognised over the term of the contract for certain performance obligations such as mobilisation, and at a point in time for other performance obligations such as lump-sum fees received for equipment moves (and related costs) as part of demobilising a vessel. The costs of related equipment modifications or upgrades are capitalised and depreciated in accordance with the Group's fixed asset capitalisation policy. Accordingly, in order for revenue to be recorded appropriately, for each vessel management needs to: • accurately record the number of days both on hire and on standby (to achieve both completeness and accuracy); • apply the correct contractual rates, net of any discounts, to the number of days in each of these categories (to ensure accuracy); and • ensure there is an appropriate process for reviewing all contracts in place to ensure contractual terms are accounted for in line with both the lessor accounting requirements of IAS 17 and the revenue recognition principles of IFRS 15. Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete and accurate recording of revenue as a key audit matter. Further details of revenue arising in the year is provided in Note 24 to the financial statements.
How the scope of our audit responded to the key audit matter	We have obtained a detailed schedule analysing the revenue earned by month and by vessel, which specifies both the number of days on hire/on standby and the relevant contractual rate, and agreed this to the general ledger. We have: • performed an analytical review in respect of the number of days on hire/standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the period; • on a sample basis, agreed the day rate to the underlying contract; • on a sample basis, recalculated the revenue figure based on the days on hire/standby and the day rate and agreed both the revenue amount and days on hire/standby to invoice; • obtained an overview of new contracts in the period and the appropriateness of the revenue recognition policies adopted; • for mobilisation and demobilisation revenue, determined whether revenue has been recorded in accordance with the terms of the contract and the Group's accounting policy in this area; and • performed a recalculation of the deferred revenue in respect of mobilisation revenue by agreeing mobilisation income to contract and apportioning according to the life of the minimum contracted period of the contract. We have also tested and subsequently relied upon management controls to address the risk of inappropriate revenue recognition, such as the review and approval by operational management of invoices prior to issuance.
Key observations	We are satisfied that revenue has been recorded in accordance with the terms of the underlying contracts and the Group's accounting policies in this area.

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

Our application of materiality

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

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

	Group and Parent Company financial statements
Materiality	$2.1 million (2017: $2.7 million).
Basis for determining materiality	Group: 0.5% of consolidated net assets. Parent Company: 3% of net assets, capped at the materiality applied to the Group financial statements, which equates to 0.4% of the parent Company's net assets.
Rationale for the benchmark applied	As outlined in the 'Summary of our audit approach' section of this report, we no longer consider the use of a profit-based metric to determine materiality to be appropriate in the context of the loss recognised in the year. We consider an asset measure to be appropriate as this not only reflects the focus of our audit resulting from the identified key audit matter of impairment of the Group's vessels, but also the asset-based nature of the business. In addition to this primary metric, we have also taken into consideration a number of other factors, noting that $2.1 million represents 3.6% of earnings before interest, tax, depreciation and amortisation ("EBITDA"). For the parent Company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $105,000 (2017: $135,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we identified the Group's business to be a single component, and therefore all operations of the Group were subject to a full scope audit.

During the course of the audit, senior members of the UK audit team, including the Senior Statutory Auditor, supervised the members of the Group audit team who are based in the United Arab Emirates ("UAE") through detailed review of their work for compliance with auditing standards throughout the planning and execution of the audit. The UK audit team held regular calls and meetings with both management and the Group audit team in the UAE throughout the audit process, and visited the UAE operations during the completion stages of the audit.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit and Risk Committee reporting* – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:
- enquiring of management, internal audit, and the Audit and Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: judgements made by management in both preparing the Group's going concern forecast and value in use calculations and revenue recognition. We also considered the impact of changes in senior management and the Board of Directors; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and the Listing Rules. We also considered whether there were any laws and regulations that had a fundamental effect on the operations of the Group.

Audit response to risks identified
As a result of performing the above, we identified impairment of the Group's vessels and revenue recognition as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

Our procedures to respond to risks identified included the following:
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

We have nothing to report in respect of these matters.

Other matters

Auditor tenure
Following the recommendation of the Audit and Risk Committee, we were appointed by the Company's Audit Committee on 14 March 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 December 2014 to 31 December 2018.

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

Use of our report

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

Graham Hollis, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
25 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	5, 24	**123,335**	112,881
Cost of sales		**(76,317)**	(69,596)
Impairment charge	8, 10	**–**	(7,327)
Gross profit		**47,018**	35,958
General and administrative expenses		**(18,556)**	(16,721)
Finance income	26	**22**	47
Finance expenses	25	**(31,301)**	(38,960)
Other income		**140**	75
Gain/(Loss) on disposal of assets		**6**	(575)
Foreign exchange gain, net	27	**266**	1,856
Loss for the year before taxation		**(2,405)**	(18,320)
Taxation (charge)/credit for the year	21	**(2,698)**	167
Loss for the year	27	**(5,103)**	(18,153)
Other comprehensive expense – items that will not be reclassified subsequently to profit and loss:			
Net gain on cash flow hedges	18	**685**	–
Net change in cost of hedging	18	**(923)**	–
Other comprehensive income – items that may be reclassified to profit and loss:			
Exchange differences on translating foreign operations		**(615)**	46
Total comprehensive loss for the year		**(5,956)**	(18,107)
Loss attributable to:			
Owners of the Company		**(6,126)**	(18,565)
Non-controlling interests	33	**1,023**	412
		(5,103)	(18,153)
Total comprehensive loss attributable to:			
Owners of the Company		**(6,979)**	(18,519)
Non-controlling interests	33	**1,023**	412
		(5,956)	(18,107)
Loss per share:			
Basic (cents per share)	7	**(1.75)**	(5.31)
Diluted (cents per share)	7	**(1.75)**	(5.31)

All results are derived from continuing operations in each year.

The attached Notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**798,595**	804,500
Dry docking expenditure	10	**2,401**	2,711
Deferred tax asset	21	**1,866**	1,176
Total non-current assets		**802,862**	808,387
Current assets			
Trade and other receivables	11	**40,919**	18,493
Cash and cash equivalents	12	**11,046**	38,954
Derivative financial instruments	18	**543**	–
Total current assets		**52,508**	57,447
Total assets		**855,370**	865,834
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**57,992**	57,957
Share premium account	13	**93,080**	93,075
Restricted reserve	17	**272**	272
Group restructuring reserve	14	**(49,710)**	(49,710)
Share option reserve	15	**3,410**	2,465
Capital contribution	16	**9,177**	9,177
Cash flow hedge reserve	18	**685**	–
Cost of hedging reserve	18	**(923)**	–
Translation reserve	19	**(2,584)**	(1,969)
Retained earnings	19	**303,319**	309,445
Attributable to the owners of the Company		**414,718**	420,712
Non-controlling interests	33	**1,346**	598
Total equity		**416,064**	421,310
Non-current liabilities			
Bank borrowings	20	**–**	391,514
Provision for employees' end of service benefits	22	**2,722**	3,188
Deferred tax liability		**13**	13
Total non-current liabilities		**2,735**	394,715
Current liabilities			
Trade and other payables	23	**18,833**	24,907
Current tax liability		**5,442**	4,633
Bank borrowings – scheduled repayments within one year	20	**20,338**	20,269
Bank borrowings – scheduled repayments more than one year	20	**391,177**	–
Derivative financial instruments	18	**781**	–
Total current liabilities		**436,571**	49,809
Total liabilities		**439,306**	444,524
Total equity and liabilities		**855,370**	865,834

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2019. They were signed on its behalf by:

Duncan Anderson
Chief Executive Officer

John Brown
Chief Financial Officer

The attached Notes 1 to 37 form an integral part of these consolidated financial statements.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$'000	Share premium account US$'000	Restricted reserve US$'000	Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	Cash flow hedge reserve US$'000	Cost of hedging reserve US$'000	Translation reserve US$'000	Retained earnings US$'000	Attributable to the Owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017	57,929	93,075	272	(49,710)	1,702	9,177	–	–	(2,015)	333,259	443,689	560	444,249
Total comprehensive (loss)/income	–	–	–	–	–	–	–	–	46	(18,565)	(18,519)	412	(18,107)
Share options rights charge (Note 35)	–	–	–	–	791	–	–	–	–	–	791	–	791
Shares issued under LTIP schemes (Note 13)	28	–	–	–	(28)	–	–	–	–	–	–	–	–
Dividends declared during the year (Note 36)	–	–	–	–	–	–	–	–	–	(5,249)	(5,249)	(374)	(5,623)
At 31 December 2017	57,957	93,075	272	(49,710)	2,465	9,177	–	–	(1,969)	309,445	420,712	598	421,310
Total comprehensive (loss)/income	–	–	–	–	–	–	685	(923)	(615)	(6,126)	(6,979)	1,023	(5,956)
Share options rights charge (Note 35)	–	–	–	–	985	–	–	–	–	–	985	–	985
Shares issued under LTIP schemes (Note 13)	35	5	–	–	(40)	–	–	–	–	–	–	–	–
Dividends declared during the year (Note 36)	–	–	–	–	–	–	–	–	–	–	–	(275)	(275)
At 31 December 2018	**57,992**	**93,080**	**272**	**(49,710)**	**3,410**	**9,177**	**685**	**(923)**	**(2,584)**	**303,319**	**414,718**	**1,346**	**416,064**

Please refer to Note 19 for description of each reserve.

The attached Notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Net cash generated from operating activities	29	**28,876**	56,273
Investing activities			
Payments for property, plant and equipment		**(21,190)**	(22,822)
Proceeds from insurance claim		**–**	1,801
Proceeds from disposal of property, plant and equipment		**80**	1,209
Movement in capital advances		**–**	67
Dry docking expenditure incurred		**(1,890)**	(2,049)
Movement in guarantee deposits		**–**	82
Interest received		**22**	47
Net cash used in investing activities		**(22,978)**	(21,665)
Financing activities			
Bank borrowings received		**20,000**	–
Repayment of bank borrowings		**(20,653)**	(21,999)
Payment of issue cost on bank borrowings		**(796)**	(2,283)
Interest paid		**(32,357)**	(25,114)
Payment on obligations under finance lease		**–**	(2,584)
Dividends paid		**–**	(5,249)
Net cash used in financing activities		**(33,806)**	(57,229)
Net decrease in cash and cash equivalents		**(27,908)**	(22,621)
Cash and cash equivalents at the beginning of the year		**38,954**	61,575
Cash and cash equivalents at the end of the year	12	**11,046**	38,954
Non-cash transactions			
Shares issued under LTIP schemes	13	**35**	28
Return of finance leased vessel	8	**–**	(37,500)
Insurance claim receivable	8	**–**	(1,710)

The attached Notes 1 to 37 form an integral part of these consolidated financial statements.

1 General information

Gulf Marine Services PLC ("GMS" or "the Company") is a Company which is registered and was incorporated in England and Wales on 24 January 2014. The Company is a public limited company with operations mainly in the Middle East and North Africa, and Europe. The address of the registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816.

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

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

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 2017, except for the adoption of new standards and interpretations effective as at 1 January 2018.

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

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

- IFRS 15 *Revenue from Contracts with Customers*; and
- IFRS 9 *Financial Instruments*.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and related Interpretations and applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model, to account for revenue arising from contracts with customers and requires revenue to be recognised at an amount that reflects the considerations to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances, when applying each step of the model to contracts with their customers. The standard also specifies accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group has adopted IFRS 15 using the modified retrospective method of adoption without restatement of comparatives, with the date of initial application as at 1 January 2018. The Group elected to apply the standard to all contracts as at 1 January 2018 as permitted by IFRS 15.

The Group's revenue from contracts with customers is mainly derived from the charter of vessels, mobilisation and demobilisation of vessels, providing messing and accommodation services, maintenance and sundry income.

Management have performed a detailed impact analysis on adoption and implementation of IFRS 15 with the following results:

1) There are four performance obligations identified. The first is a combined performance obligation for chartering of vessels, mobilisation, messing and accommodation services, recognised over time, as these obligations are not separable or distinct in nature. Management note, this performance obligation being the service element of client contracts, is separate from the underlying lease component contained within client contracts, recognised separately under IAS 17 (see below). Management have also identified demobilisation services, maintenance income and sundry income as separate performance obligations, recognised as services are rendered at a point in time.
2) There is no change in revenue recognition for these performance obligations. Revenue from chartering vessels, mobilisation, messing and accommodation services are recognised over time, when the performance obligations are satisfied based on the use of vessels by customers on a daily basis.
3) The standard introduces the terms 'contract asset' and 'contract liability' to describe what may more commonly be known as 'accrued revenue' and 'deferred revenue'. Since the standard does not prohibit using alternative descriptions in the statement of financial position, management have continued using the previous terms 'accrued revenue' and 'deferred revenue' and present them within 'trade and other receivables' and 'trade and other payables', respectively.

Apart from the above changes, there have been no other changes identified by management, which could have an impact on the financial performance of the Group.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has adopted IFRS 9 using the modified retrospective method of adoption, with the date of initial application as at 1 January 2018 as permitted by IFRS 9. Differences arising from the adoption of IFRS 9 had no material impact on the Group's consolidated financial statements and therefore the Group have not stated any comparatives.

The effect of adopting IFRS 9 as at 1 January 2018 is described below:

(1) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit and loss, amortised cost or fair value through OCI. The classification is based on two criteria: the Group's business model for managing assets: and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have an impact on the Group's financial assets and will continue to be classified at amortised cost, except for derivative financial assets.

The Group has not designated any financial liabilities as at fair value through profit and loss. There are no changes in classification and measurement for the Group's financial liabilities.

(2) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses of financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9.

The Group assessed the impact of IFRS 9 and have concluded that the impairment loss under a credit loss model had no material impact on retained earnings as at 1 January 2018. Therefore the Group have not restated any comparatives.

(3) Hedge accounting

The Group designates the change in fair value of the entire derivative contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of IFRS 9, the Group designates forward points and foreign currency basis points in other comprehensive income as a separate component of equity and any fair value movement is recognised in the cost of hedging reserve.

Under IFRS 9, gains and losses arising on cash flow hedges need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the consolidated statement of financial position as at 1 January 2018.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases*	1 January 2019
IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*	1 January 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
IFRS 3 *Business Combinations*	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
IAS 23 *Borrowing Costs*	1 January 2019

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). The Group plans to elect to use exemptions proposed by the standards on lease contracts for which the lease terms ends within 12 months and lease terms for low-value assets.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$ 1.3 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low-value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Under the updated IFRS, the Group has preliminarily determined that its revenue contracts with customers contain a lease element as the Group's clients have the right to 'direct use' of the assets within the parameters of a predetermined contract. Management note that the pattern of income recognition should be the same under IFRS 16 as that under IFRS 15 *Revenue from Contracts with Customers*. There may be a requirement to disclose a leasing component separate to contract revenue upon adoption of IFRS 16. Based on a preliminary assessment, the Group would be required to disclose US$ 41.7 million as lease revenue separately, if IFRS 16 was effective from 1 January 2018.

There are several other amendments and interpretations issued but not yet effective in 2018, which are not expected to have a material impact on the consolidated financial statements of the Group.

3 Significant accounting policies

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and therefore the financial information presented complies with Article 4 of the EU IAS Regulation. IFRS includes the standards and interpretations approved by the International Accounting Standards Board ("IASB") including International Accounting Standards ("IAS") interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

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

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

Details of GMS's subsidiaries at 31 December 2018 and 2017 are as follows:

Name	Place of registration	Registered address	Proportion of ownership interest 2018	2017	Type of activity
Gulf Marine Services W.L.L.	United Arab Emirates	MN1 Mussafah Base, Mussafah Industrial Area Abu Dhabi, P.O. Box 46046 United Arab Emirates	**100%**	100%	Marine Contractors
Offshore Holding Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Holding Company
Offshore Logistics Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Holding Company
Offshore Jack-up Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of "Helios" – Dormant
Offshore Tugboat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of "Atlas" – Dormant
Offshore Boat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Endurance"
Mena Marine Limited	Cayman Islands	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	**100%**	100%	General investment and trading
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	P.O. Box 257, Dammam 31411 Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	**100%**	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Enterprise"

3 Significant accounting policies continued

Basis of consolidation continued

Name	Place of registration	Registered address	Proportion of ownership interest 2018	2017	Type of activity
GMS Sharqi Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Shamal"
GMS Jersey Holdco. 1 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	**100%**	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	**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
GMS Global Commercial Invt LLC	United Arab Emirates	Al Mariah Island, Al Sowwa Square, Abu Dhabi, United Arab Emirates	**100%**	100%	General Investment
GMS Keloa Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Keloa"
GMS Pepper Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Evolution"
Gulf Marine Services LLC*	Qatar	Qatar Financial Centre, Doha	**100%**	–	Marine Contractor

* This entity was incorporated on 27 November 2017 with an extended year end to 31 December 2018 and the results will be consolidated for the first time in the Group's 2018 financial statements.

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

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Going concern

The Company's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group has committed credit facilities in place at 31 December 2018 (see Note 20), comprising an existing loan facility with a balance of US$ 392.0 million and a committed working capital facility of US$ 50.0 million of which US$ 30.0 million remains undrawn as at 31 December 2018. Whilst the Company expects to continue to service its interest and debt repayment obligations in 2019, the Group's anticipated operating performance is projected to breach financial covenants attached to its facilities at the 30 June and 31 December 2019 test dates. A breach of covenants could, possibly, result in the banks exercising their rights to recall all credit facilities (including the undrawn element of the working capital facility) and to demand immediate repayment. These conditions indicate a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern.

Having agreed an amendment to its financial covenant schedule for the 31 December 2018 test date, the Group continues to work closely with the banking syndicate to address this covenant pressure.

Notwithstanding the material uncertainty with regard to covenant compliance at 30 June and 31 December 2019, the Directors believe there is a reasonable prospect of a satisfactory outcome to covenant renegotiations for the 2019 test dates with which the Group will be able to comply and accordingly have adopted the going concern basis of accounting in preparing the consolidated and parent company financial statements.

The Board are also considering all options to reinforce the capital structure of the Group. In this context, discussions are also being had with the Group's banking syndicate to, amongst other things, reschedule the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business. This matter is further discussed in the Group's Long Term Viability Statement in the Report of the Audit and Risk Committee on page 46.

Revenue recognition

The Group recognises revenue from contracts with customers as follows:

- charter revenue;
- contract mobilisation revenue;
- revenue from messing and accommodation services;
- contract demobilisation revenue;
- maintenance income; and
- sundry income.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

The following performance obligations exist which are either recognised over time or at a point in time.

Revenue recognised over time

Performance obligation 1 – Charter revenue, contract mobilisation revenue, revenue from messing and accommodation services

Chartering of vessels, mobilisations and messing and accommodation services are considered to be a combined performance obligation as they are not considered 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, recognised separately under IAS 17.

Charter revenue

Revenue from charter of vessels is recognised as the services are rendered over time, including where they are based on contractual daily rates for the chartering of vessels in respect of multi-year service contracts. Income from vessels hired on time and from the hire of equipment or personnel is accounted for on a time apportionment basis in line with the agreed contract terms.

3 Significant accounting policies continued

Revenue recognition continued

Contract mobilisation revenue

Charter contracts generally provide for payment on a daily rate basis, and revenue is recognised as the work progresses with the passage of time. In addition, lump-sum payments are occasionally received at the outset or at the end of a contract for equipment moves or modifications. Lump-sum fees received for equipment moves (and related costs) and fees received for contract-specific equipment modifications or upgrades as part of mobilisations are initially deferred and amortised on a straight-line basis over the term of the contract.

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.

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

Revenue from messing and accommodation services

Revenue from messing and accommodation services are recognised as the services are rendered, including where they are based on contractual daily rates for providing accommodation and messing services which may include catering and cleaning services.

Revenue recognised at a point in time

Performance obligation 2 – Contract demobilisation revenue

Lump-sum fees received for equipment moves (and related costs) as part of demobilisations are recognised as the services relating to the demobilisation are rendered.

Performance obligation 3 – Maintenance income

Maintenance income relates to maintenance work which is carried out on vessels during times that the vessel is on hire. This is done periodically throughout the year and is charged to customers in accordance with agreed contractual daily rates. Maintenance revenue is recognised when the work takes place.

Performance obligation 4 – Sundry income

Sundry income relates to handling charges which are applied to costs which are paid by the Group and then recharged to the customer. The revenue is recognised when the costs are recharged to customers with the handling charge applied.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments calculated using the Group's incremental borrowing rate. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Property, plant and equipment

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

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

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

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

The estimated useful lives used for this purpose are:

Vessels	25 – 35 years
Land, buildings and improvements	3 – 20 years
Vessel spares, fittings and other equipment	3 – 20 years
Office equipment and fittings	3 – 5 years
Motor vehicles	3 years

Taking into consideration independent professional advice, management considers the principal estimated useful lives of vessels for the purpose of calculating depreciation to be 25 to 35 years from the date of construction.

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

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

Standby equipment

The cost of purchased second hand engines and related refurbishment expenses, which are classified as standby equipment are capitalised and depreciated from the date that the engine has been made ready for use and installed on the vessel.

Second hand refurbished engines are depreciated over the shorter of the useful economic life of the refurbished second hand standby equipment or the life of the vessel on which such equipment is installed.

Repair expenses relating to used engines belonging to the Group are charged to cost of sales when incurred.

Dry docking

The costs incurred for periodical dry docking or major overhauls of the vessels are identified as a separate inherent component of the vessels and are depreciated on a straight-line basis over the period to the next anticipated dry dock being approximately 30 months.

For acquired or newly built vessels, a notional dry dock cost is allocated from the vessel's cost based on experience of similar vessels, and (if material) depreciated on a straight-line basis to the next anticipated dry docking. If a dry docking occurs prior to its anticipated date, any remaining capitalised dry docking expenditure is expensed.

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.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives used for this purpose are:

Customer relationships	10 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The amortisation expense on intangibles is included as a part of general and administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3 Significant accounting policies continued

Impairment of tangible and intangible assets other than goodwill

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

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

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

The total expense recognised in profit or loss of US$ 0.6 million (2017: US$ 0.6 million) represents end of service benefit provision made to employees in accordance with the UAE and Saudi Arabia Labour Laws.

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

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

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

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

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

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

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, 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.

3 Significant accounting policies continued

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. Service and non-market performance conditions are taken into account in determining the number of rights that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Financial assets

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

The Group has the following financial assets: cash and cash equivalents, trade and other receivables (excluding prepayments and advances to suppliers), amounts due from related parties and contract assets. 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 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.

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

Cash and cash equivalents

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

Trade and other receivables and amounts due from related parties

Trade and other receivables (excluding prepayments and advances to suppliers) and due from related parties represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before the payment of the consideration is due).

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

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

The Group had an expected credit loss provision of US$ 0.1 million as at 31 December 2018.

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, bank borrowings, loans from related parties, due to related parties and contract liabilities. All financial liabilities are classified at amortised cost unless they can be designated as at Fair Value Through Profit or Loss 'FVTPL'.

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

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

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

Derecognition of financial liabilities
The 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 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 in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

3 Significant accounting policies continued

Financial liabilities and equity instruments continued

Derivative financial instruments

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

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

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

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

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of 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 other operating income or other expenses.

The Group designates interest rate swaps (IRS) and cross currency interest rate swaps (CCIRS) as hedging instruments. The Group designates the change in fair value of the entire derivative contracts in its cash flow hedge relationships. For a CCIRS derivative, upon adoption of the hedge accounting requirements of IFRS 9, the Group designates forward points and foreign currency basis points in other comprehensive income as a separate component of equity and any fair value movement is recognised in the cost of hedging reserve.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

Management evaluates the carrying amounts of the Group's vessels and vessels under construction to determine whether there is any indication that those vessels have suffered an impairment loss. If any such indication exists, the recoverable amount of vessels is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. As part of the process of assessing fair values less costs to sell of the vessel, management obtain vessel valuations from leading, independent and internationally recognised ship brokers on an annual basis or when there is an indication that the value of the vessel may be impaired. In assessing value in use, the estimated future cash flows are discounted to their present value using a real pre-tax discount rate of 11.5% (2017: 11.5%) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the asset. No impairment charge was recognised during the year ended 31 December 2018 (31 December 2017: US$ 7.3 million) (Note 8). As at 31 December 2018 the Group had property, plant and equipment of US$ 798.6 million (2017: US$ 804.5 million).

Critical accounting judgements

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

Going concern

As disclosed in Note 3, the Company's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Specifically, notwithstanding the material uncertainty in respect of going concern with regard to covenant compliance at 30 June and 31 December 2019, the Directors consider there to be a reasonable prospect of a satisfactory outcome to covenant renegotiations for the 2019 test dates with which the Group will be able to comply and accordingly have adopted the going concern basis of accounting in preparing the consolidated financial statements. See Note 3 for further details of this key judgement.

Capitalisation of vessel costs

Management exercises judgement in assessing the extent to which costs incurred in relation to its vessel fleet, including overheads, dry docking expenditure and finance charges, meet the criteria for capitalisation under IFRS.

Judgement is also required in determining the date at which vessels under construction are ready for use at which point capitalisation of the majority of costs ceases and depreciation commences. Further details of expenditure incurred during the year is provided in Note 8.

5 Segment reporting

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

The operating and reportable segments of the Group are (i) Small Class vessels, which include the Kamikaze, Kikuyu, Kawawa, Kudeta, Keloa, Kinoa and Pepper vessels (ii) Mid-Size Class vessels, which include the Shamal, Scirocco and Sharqi vessels, (iii) Large Class vessels, which include the Endeavour, Endurance, Enterprise and Evolution vessels, and (iv) Other vessels, considered non-core assets, which include one accommodation barge (Khawla) and one 36-year old vessel (Naashi), which do not form part of the Small, Mid-Size or Large Class vessels segments. The composition of the Other vessels segment, which are non-core assets, was amended in 2018, following the sale of Khawla, and in the second half of 2017, following the reclassification of the vessel Naashi from Small Class vessels to Other 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.

5 Segment reporting continued

	Revenue		Segment adjusted gross profit/(loss)*	
	2018 US$ '000	2017 US$ '000	**2018 US$ '000**	2017 US$ '000
Small Class vessels	**35,847**	35,337	**20,836**	22,024
Mid-Size Class vessels	**35,407**	34,990	**22,960**	22,800
Large Class vessels	**52,077**	42,549	**31,563**	29,074
Other vessels	**4**	5	**(58)**	(113)
	123,335	112,881	**75,301**	73,785
Less:				
Depreciation charged to cost of sales			**(26,083)**	(26,987)
Amortisation charged to cost of sales			**(2,200)**	(3,513)
Impairment charge			**–**	(7,327)
Gross profit			**47,018**	35,958
General and administrative expenses			**(18,556)**	(16,721)
Finance income			**22**	47
Finance expenses			**(31,301)**	(38,960)
Other income			**140**	75
Gain/(loss) on disposal of assets			**6**	(575)
Foreign exchange gain, net			**266**	1,856
Loss for the year before taxation			**(2,405)**	(18,320)

* See Glossary

The total revenue from reportable segments which comprises the Small, Mid-Size and Large Class vessels is US$ 123.3 million (2017: US$ 112.9 million). The Other vessels segment does not constitute a reportable segment per IFRS 8 *Operating Segments*.

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

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

Information about major customers
During the year, five customers (2017: seven) 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, were US$ 25.16 million (2017: US$ 18.35 million), US$ 23.55 million (2017: US$ 17.05 million), US$ 16.71 million (2017: US$ 15.61 million), US$ 14.94 million (2017: US$ 14.73 million), US$ 13.18 million (2017: US$ 13.84 million). The revenue from these customers is attributable to the Large Class vessels, Mid-Size Class vessels and Small Class vessels reportable segments.

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

	2018 US$ '000	2017 US$ '000
Saudi Arabia	**54,850**	41,830
United Arab Emirates	**17,262**	19,542
Qatar	**9,788**	18,119
Total – Middle East and North Africa	**81,900**	79,491
United Kingdom	**41,435**	16,338
Netherlands	**–**	13,602
Rest of Europe	**–**	3,450
Total – Europe	**41,435**	33,390
Worldwide Total	**123,335**	112,881

6 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 2018			Year ended 31 December 2017		
	Adjusted non-GAAP results US$ '000	**Adjusting items US$ '000**	**Statutory total US$ '000**	Adjusted non-GAAP results US$ '000	Adjusting items US$ '000	Statutory total US$ '000
Revenue	**123,335**	**–**	**123,335**	112,881	–	112,881
Cost of sales						
– Operating expenses	**(48,034)**	**–**	**(48,034)**	(39,096)	–	(39,096)
– Depreciation and amortisation	**(28,283)**	**–**	**(28,283)**	(30,500)	–	(30,500)
– Impairment charge*	**–**	**–**	**–**	–	(7,327)	(7,327)
Gross profit	**47,018**	**–**	**47,018**	43,285	(7,327)	35,958
General and administrative						
– Depreciation	**(1,229)**	**–**	**(1,229)**	(1,391)	–	(1,391)
– Other administrative costs	**(17,327)**	**–**	**(17,327)**	(15,330)	–	(15,330)
Operating profit	**28,462**	**–**	**28,462**	26,564	(7,327)	19,237
Finance income	**22**	**–**	**22**	47	–	47
Finance expenses	**(31,301)**	**–**	**(31,301)**	(23,327)	–	(23,327)
Expensing of loan arrangement and facility fees**	**–**	**–**	**–**	–	(11,021)	(11,021)
Costs to acquire new bank facility***	**–**	**–**	**–**	–	(5,891)	(5,891)
Fair value gain on financial liabilities held at amortised cost****	**–**	**–**	**–**	–	1,279	1,279
Other income	**140**	**–**	**140**	75		75
Gain/(loss) on disposal of asset	**6**	**–**	**6**	(575)	–	(575)
Foreign exchange gain, net	**266**	**–**	**266**	1,856	–	1,856
(Loss)/profit before taxation	**(2,405)**	**–**	**(2,405)**	4,640	(22,960)	(18,320)
Taxation (charge)/credit	**(2,698)**	**–**	**(2,698)**	167	–	167
(Loss)/profit for the year	**(5,103)**	**–**	**(5,103)**	4,807	(22,960)	(18,153)
(Loss)/profit attributable to						
Owners of the Company	**(6,126)**	**–**	**(6,126)**	4,395	(22,960)	(18,565)
Non-controlling interests	**1,023**	**–**	**1,023**	412	–	412
(Loss)/earnings per share (basic and diluted)	**(1.75)**	**–**	**(1.75)**	1.26	(6.57)	(5.31)
Supplementary non-statutory information						
Operating profit	**28,462**	**–**	**28,462**	26,564	(7,327)	19,237
Add: Depreciation and amortization charges	**29,512**	**–**	**29,512**	31,891	–	31,891
Non-GAAP EBITDA	**57,974**	**–**	**57,974**	58,455	(7,327)	51,128

* The impairment charge on certain vessels has been added back to operating profit to arrive at adjusted profit for the year ended 31 December 2017.

** The expensing of unamortised loan arrangement fees (US$ 9.6 million) following the extinguishment of old facility in December 2017 and the expensing of unamortised commitment fees (US$ 1.4 million) for a capex loan facility that was cancelled in June 2017, have been added back to profit before taxation to arrive at adjusted profit for the year ended 31 December 2017.

*** Costs incurred to acquire a new bank facility have been added back to profit before taxation to arrive at adjusted profit for the year ended 31 December 2017.

**** The gain on initial recognition of new financial liabilities at fair value has been added back to profit before taxation to arrive at adjusted profit for the year ended 31 December 2017.

7 Loss per share

	2018	2017
Loss for the purpose of basic and diluted loss per share being loss for the year attributable to Owners of the Parent (US$ '000)	**(6,126)**	(18,565)
(Loss)/earnings for the purpose of adjusted basic and diluted (loss)/earnings per share (US$ '000) (Note 6)	**(6,126)**	4,395
Weighted average number of shares ('000)	**349,895**	349,614
Weighted average diluted number of shares in issue ('000)	**349,895**	349,614
Basic loss per share (cents)	**(1.75)**	(5.31)
Diluted loss per share (cents)	**(1.75)**	(5.31)
Adjusted (loss)/earnings per share (cents)	**(1.75)**	1.26
Adjusted diluted (loss)/earnings per share (cents)	**(1.75)**	1.26

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

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

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of share options outstanding during the year. As the Group incurred a loss in 2018, diluted loss per share is the same as loss per share, as the effect of share options is anti-dilutive.

Adjusted diluted loss per share is calculated on the same basis but uses adjusted loss (Note 6) attributable to equity holders of the Company.

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

	2018 '000s	2017 '000s
Weighted average basic number of shares in issue	**349,895**	349,614
Weighted average diluted number of shares in issue	**349,895**	349,614

8 Property, plant and equipment

	Vessels US$ '000	Capital work-in-progress US$ '000	Land, building and improvements US$ '000	Vessel spares, fitting and other equipment US$ '000	Others US$ '000	Total US$ '000
Cost						
At 1 January 2017	896,890	108,339	10,299	14,964	4,545	1,035,037
Additions	–	29,723	–	–	–	29,723
Transfers	92,374	(127,664)	126	35,087	77	–
Disposals*	(75,780)	–	–	(1,616)	(973)	(78,369)
Other**	(3,511)	–	–	–	–	(3,511)
At 31 December 2017	909,973	10,398	10,425	48,435	3,649	982,880
Additions	–	21,356	–	–	51	21,407
Transfers	6,096	(18,989)	44	12,849	–	–
Disposals	(7,218)	–	–	(510)	–	(7,728)
At 31 December 2018	**908,851**	**12,765**	**10,469**	**60,774**	**3,700**	**996,559**

* Disposals in 2017 include the costs of disposal of vessel Kinoa which was returned to its lessor in August 2017 having previously been held under a finance lease.
** This relates to the insurance claim pertaining to the construction of a Mid-Size Class vessel that was delivered in March 2016. It comprises the insurance claim proceeds received during the 2017 of US$ 1.8 million and insurance claim receivable of US$ 1.7 million as at 31 December 2017 (Note 11).

	Vessels US$ '000	Capital work-in-progress US$ '000	Land, building and improvements US$ '000	Vessel spares, fitting and other equipment US$ '000	Others US$ '000	Total US$ '000
Accumulated depreciation						
At 1 January 2017	166,595	–	5,229	7,327	3,488	182,639
Eliminated on disposal of assets	(37,320)	–	–	(1,607)	(973)	(39,900)
Depreciation expense (Note 27)	25,410	–	965	1,417	586	28,378
Impairment charge	7,220	–	–	43	–	7,263
At 31 December 2017	161,905	–	6,194	7,180	3,101	178,380
Eliminated on disposal of assets	(7,218)	–	–	(510)	–	(7,728)
Depreciation expense (Note 27)	24,530	–	973	1,389	420	27,312
Transfers	(2,943)	–	–	2,943	–	–
At 31 December 2018	**176,274**	**–**	**7,167**	**11,002**	**3,521**	**197,964**
Carrying amount						
At 31 December 2018	**732,577**	**12,765**	**3,302**	**49,772**	**179**	**798,595**
At 31 December 2017	748,068	10,398	4,231	41,255	548	804,500

Depreciation amounting to US$ 26.1 million (2017: US$ 27.0 million) has been allocated to cost of sales. The balance of the depreciation charge is included in general and administrative expenses.

Included in additions to the vessels under construction is nil (2017: US$ 3.3 million) in respect of capitalised borrowing costs. The capitalisation rate used to determine this figure was nil (2017: 3.37%) based on specific borrowing rates.

Certain vessels with a total net book value of US$ 679.5 million (2017: US$ 748.1 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (Note 20).

Impairment assessment

The Group undertook a full impairment review of its fixed assets during the year. The resulting recoverable amounts for each vessel was higher than their respective carrying amounts. Therefore, no impairment charge was recognised as at 31 December 2018.

In the prior year, the Group recognised an impairment charge of US$ 7.3 million on a 36-year old vessel to reduce its carrying amount to its estimated recoverable amount of US$ 3.0 million.

For the purpose of the impairment assessment, each vessel is considered a separate cash-generating unit ("CGU") and management has estimated the recoverable amounts of its vessels based on their value in use and fair value less costs to sell.

The cash flow projections used in determining the value in use of each CGU were based on forecasts prepared by management taking into account past experience. The average compound annual growth rates ("CAGR") in revenue for the CGUs were assumed as an average upward revision of 7.2% (2017: 10.0%) between 2019 and 2023, remaining flat thereafter. The CAGR is dependent on the average utilisation and charter rate of the vessels.

The risk adjusted cash flows have been discounted using a real pre-tax discount rate of 11.5% (2017: 11.5%), which reflects the current market assessment of the time value of money and is based on the Group's weighted average cost of capital.

As part of the process of assessing fair values less costs to sell of the vessel, management obtain vessel valuations from leading, independent and internationally recognised ship brokers periodically.

9 Intangible assets

Intangible assets comprise of customer relationships which were acquired with a cost of US$ 7.3 million, as part of the acquisition of Gulf Marine Services WLL and Offshore Holding Investment Group (OHI) in 2007. As at 31 December 2018 customer relationships had net book value of nil (2017: nil).

10 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2018 US$ '000	2017 US$ '000
At 1 January	**2,711**	4,327
Expenditure incurred during the year	**1,890**	2,049
Disposals	**–**	(88)
Amortised during the year (Note 27)	**(2,200)**	(3,513)
Impairment charge	**–**	(64)
At 31 December	**2,401**	2,711

Amortisation for the year has been charged to cost of sales.

11 Trade and other receivables

	2018 US$ '000	2017 US$ '000
Trade receivables	**33,009**	13,177
Less: Allowance for expected credit losses (ECL)	**(94)**	–
Less: Allowance for doubtful receivables	**(50)**	(920)
Trade receivables, net*	**32,865**	12,257
Accrued revenue, net	**2,924**	1,469
Prepayments and deposits**	**4,308**	2,343
Insurance and receivable (Note 8)	**–**	1,792
Advances to suppliers	**441**	123
VAT receivables	**103**	186
Other receivables	**278**	253
Due from related parties (Note 28)	**–**	70
At 31 December	**40,919**	18,493

* Accrued revenue includes a provision for doubtful debts of US$ 0.5 million (2017: nil).

** Prepayments and deposits include guarantee deposits and pledged deposits of US$ 0.61 million (2017: US$ 0.61 million). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws. These deposits become refundable to the Group upon the cancellation of an employee's work visa. Work visas are not granted indefinitely in the UAE and as such these deposits which are currently held by the government in the UAE are refundable to the Group. These work visa deposits amounted to US$ 0.57 million (2017: US$ 0.57 million). Pledged deposits represent an amount set aside as a guarantee for a loan repayment amounting to US$ 0.04 million (2017: US$ 0.04 million). The Group has no rights to access or utilise the proceeds set-aside as pledged deposits, other than for repayment of the underlying loan.

Gross trade receivables, amounting to US$ 32.6 million (2017: US$ 9.8 million), have been assigned as security against the loans extended by the Group's banking syndicate (Note 20).

Trade receivables and other receivables disclosed above are classified as loans and receivables and are measured at amortised cost. Trade and other receivables are all current and the Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value due to the very short time between inception and maturity (based on level 2 fair value measurements as defined by the fair value hierarchy according to IFRS 13).

The standard credit period granted to customers is typically 30 – 60 days (2017: 30 – 45 days). Before accepting any new customer, the Group assesses the potential credit quality of the customer. The Group has policies in place to ensure that credit sales are rendered to customers with an appropriate credit history.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. For details of the calculation of expected credit losses, please refer to Note 3.

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

	2018 US$ '000	2017 US$ '000
At 1 January	**920**	2,287
Provision for ECL on 31 December 2017 balances (Note 27)	**31**	–
Movement in ECL provision during the year (Note 27)	**63**	–
Provision for doubtful debts (Note 27)	**50**	–
Recovery (Note 27)	**(563)**	(1,367)
Write-off	**(357)**	–
At 31 December	**144**	920

During the year the Group had written-off receivables for US$ 0.4 million (2017: nil). As at 31 December 2018, the contractual amount of outstanding trade receivables that were written off during the reporting period and are still subject to enforcement amounted to US$ 2.7 million.

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

Included in the Group's trade receivables balance are receivables with a gross amount of US$ 6.42 million (2017: US$ 2.32 million) which are past due for 30 days or more at the reporting date. The average age of these past due receivables is 233 days (2017: 190 days).

At 31 December, the analysis of trade receivables is as follows:

		Number of days past due					
	Current US$ '000	< 30 days US$ '000	31-60 days US$ '000	61-90 days US$ '000	91-120 days US$ '000	> 120 days US$ '000	Total US$ '000
Trade receivables	19,296	7,296	1,993	1,380	1,274	1,770	33,009
Less: Allowance for expected credit losses	(48)	(20)	(5)	(7)	(3)	(11)	(94)
Less: Allowance for doubtful receivables	(3)	(11)	–	–	–	(36)	(50)
Net trade receivables 2018	**19,245**	**7,265**	**1,988**	**1,373**	**1,271**	**1,723**	**32,865**
Trade receivables	8,911	1,945	144	109	119	1,949	13,177
Less: Allowance for doubtful receivables under IAS 39	–	–	(32)	–	(7)	(881)	(920)
Net trade receivables 2017	8,911	1,945	112	109	112	1,068	12,257

Several customers account for a significant portion of the total trade receivables balance (see revenue by segment information in Note 5); however, credit risk is considered to be limited due to historical performance and ongoing assessments of customer credit and liquidity positions.

12 Cash and cash equivalents

	2018 US$ '000	2017 US$ '000
Interest bearing		
Held in UAE banks	**26**	7,691
Non-interest bearing		
Held in UAE banks	**9,177**	8,354
Held in banks outside UAE	**2,448**	23,515
Total cash at bank and in hand	**11,651**	39,560
Presented as:		
Restricted cash included in trade and other receivables (Note 11)	**605**	606
Cash and cash equivalents	**11,046**	38,954
Total	**11,651**	39,560

The carrying value of these cash assets is approximately equal to their fair value due to the liquid nature of the asset. These represent level 1 fair value measurements as defined by the fair value hierarchy according to IFRS 13.

13 Share capital

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

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

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

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

13 Share capital continued

The movement in issued share capital and share premium is provided below.

The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$ '000	Total US$ '000
At 31 December 2018			
Authorised share capital	**349,968**	**57,992**	**57,992**
Issued and fully paid	**349,968**	**57,992**	**57,992**
At 31 December 2017			
Authorised share capital	349,704	57,957	57,957
Issued and fully paid	349,704	57,957	57,957

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

	Number of ordinary shares (thousands)	Ordinary shares US$ '000	Share premium account US$ '000	Total US$ '000
At 1 January 2017	349,528	57,929	93,075	151,004
Shares issued under LTIP schemes	176	28	–	28
At 31 December 2017	349,704	57,957	93,075	151,032
Shares issued under LTIP schemes	264	35	5	40
At 31 December 2018	**349,968**	**57,992**	**93,080**	**151,072**

14 Group restructuring reserve

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

15 Share option reserve

Share option reserve of US$ 3.4 million (2017: US$ 2.5 million) relates to awards granted to employees under the long-term incentive plans (Note 35). The charge of US$ 1.0 million (2017: US$ 0.8 million in the year is included in cost of sales and, general and administrative expenses in the statement of comprehensive income.

16 Capital contribution

The capital contribution reserve is as follows:

	2018 US$ '000	2017 US$ '000
At 31 December	**9,177**	9,177

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

17 Restricted reserve

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

18 Hedging reserve and cost of hedging reserve

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

	Cash flow hedge reserve US$ '000	Cost of hedging reserve US$ '000	Total US$ '000
Cross currency interest rate swap	1,466	(923)	543
Interest rate swap	(781)	–	(781)
	685	**(923)**	**(238)**

The Group had not entered in any hedging arrangements during the year ended 31 December 2017.

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

19 Reserves

The Group's consolidated statement of changes in equity is disclosed as a part of primary statements on page 80. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued (Note 13).
- Share premium account includes the amounts paid over nominal value in respect of share issued, net of related costs (Note 13).
- Restricted reserve includes reserves maintained by certain subsidiaries in compliance with the relevant UAE Companies Law applicable (Note 17).
- Capital contribution represents certain contributions made by shareholders for nil consideration (Note 16).
- Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for group restructuring (Note 14).
- The Company's Share option reserve represents the cumulative share-based payment charged to reserves (Note 15).
- Foreign currency translation reserve represents differences on foreign currency net investments arising from the re-translation of the net investments in overseas subsidiaries.
- Retained profits include the accumulated realised and certain unrealised gains and losses made by the Group.
- Cash flow hedge reserve represents the cumulative gain or loss on the hedging instruments (Note 18).
- Cost of hedging reserve represents the cumulative gain or loss of the fair value of certain hedging instruments (Note 18).

20 Bank borrowings

Secured borrowings at amortised cost are as follows:

	2018 US$ '000	2017 US$ '000
Term loans	**391,515**	411,783
Working capital facility	**20,000**	–
	411,515	411,783

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

	2018 US$ '000	2017 US$ '000
Non-current portion		
Bank borrowings	**–**	391,514
Current portion		
Bank borrowings – scheduled repayments within one year	**20,338**	20,269
Bank borrowings – scheduled repayments more than one year	**391,177**	–
	411,515	411,783

The principal terms of the outstanding bank loan facility are as follows:

- The facility is repayable with final maturity in December 2023 (2017: December 2023).
- The revolving working capital facility amounts to US$ 50.0 million. US$ 30.0 million remained undrawn at 31 December 2018 and is available for drawdown until December 2023 (2017: US$ 50.0 million available for drawdown until December 2023).
- The facility remains secured by mortgages over certain Group vessels, with a net book value at 31 December 2018 of US$ 679.5 million (2017: US$ 748.1 million).
- The facility is subject to certain financial covenants including; Finance Service Cover, Interest Cover, Net Leverage Ratio, and Security Cover (loan to value).

20 Bank borrowings continued

The Group's loan covenants include an Interest Cover ratio which is calculated as the ratio of Adjusted EBITDA to net finance charges for the previous 12 months. At 31 December 2018, this Interest Cover ratio was calculated as 2.90 times when the covenant at that time was set at not less than 3.00 times. Subsequent to 31 December 2018 (see Note 37), and prior to the approval of the 2018 Annual Report, the Group agreed with its banking syndicate to reduce the Interest Cover ratio covenant to not less than 2.5 times for the 31 December 2018 test date so that the Group will be compliant for that reporting period. As the Group was in a technical breach of one of its covenants as at 31 December 2018, all bank debt was required to be reclassified as a current liability.

In 2017, the Group had recognised a fair value gain of US$ 1.3 million in relation to the extinguishment of the old facility and recognition of the new bank facility at its initial fair value. The fair values of the bank borrowings were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, using appropriate market interest rates. Bank borrowings represent level 3 value measurements as defined by the fair value hierarchy according to IFRS 13.

	Outstanding amount					
	Current US$ '000	Non-current US$ '000	Total US$ '000	Unused facility US$ '000	Security	Maturity
31 December 2018:						
Term loan – scheduled repayments within one year	**20,338**	**–**	**20,338**	**–**	**Secured**	**December 2023**
Term loan – scheduled repayments more than one year	**371,177**	**–**	**371,177**	**–**	**Secured**	**December 2023**
Working capital facility – scheduled repayment more than one year	**20,000**	**–**	**20,000**	**30,000**	**Secured**	**December 2023**
	411,515	**–**	**411,515**	**30,000**		
31 December 2017:						
Term loan	20,269	391,514	411,783	–	Secured	December 2023
Working capital facility	–	–	–	50,000	Secured	December 2023
	20,269	391,514	411,783	50,000		

21 Taxation charge/(credit) 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).

	2018 US$ '000	2017 US$ '000
Loss from continuing operations before tax	**(2,405)**	(18,320)
Tax at the UK corporation tax rate of 19% (2017: 20%)	**(457)**	(3,527)
Effect of higher tax rates in overseas jurisdictions	**3,155**	3,360
Total tax charge/(credit)	**2,698**	(167)
Split between:		
Current tax	**3,388**	2,922
Tax refund	**–**	(2,368)
Deferred tax credit	**(690)**	(721)
Tax charge/(credit)	**2,698**	(167)

During the year tax on profits were 10% in Qatar (2017: 10%), 19% in the United Kingdom (2017: 19.25%) and 20% in Saudi Arabia (2017: 20%) applicable to the portion of profits generated outside of Saudi Arabia. The Group also incurred 2.5% Zakat tax on the portion of profits generated in Saudi Arabia (2017: 2.5%).

The Group incurred 5% withholding taxes on revenue in Qatar (2017: 5%) and 5% on revenue in Saudi Arabia (2017: 5%). The withholding tax included in the current tax charge amounted to US$ 2.5 million (2017: US$ 1.7 million).

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

At the balance sheet date, the Group has unused tax losses of US$ 11.0 million (2017: US$ 6.9 million) available for offset against future profits with an indefinite expiry period. As at 31 December 2018 and 2017, a deferred tax asset has been recognised in full in respect of such losses as below:

	2018 US$ '000	2017 US$ '000
At 1 January	**1,176**	455
Credit arising during the year	**690**	721
At 31 December	**1,866**	1,176

22 Provision for employees' end of service benefits

In accordance with UAE Labour Law the Group is required to provide for end of service benefits for certain employees. The movement in the provision for employees' end of service benefits during the year was as follows:

	2018 US$ '000	2017 US$ '000
At 1 January	**3,188**	3,181
Provided during the year	**592**	648
Paid during the year	**(1,058)**	(641)
At 31 December	**2,722**	3,188

During the year US$ 0.3 million (2017: nil) was pre-paid in relation to accrued end of service benefits to certain employees.

23 Trade and other payables

	2018 US$ '000	2017 US$ '000
Trade payables	**8,985**	6,232
Accrued expenses	**8,783**	18,174
Deferred revenue	**224**	20
Dividend payable	**658**	374
Other payables	**183**	107
	18,833	24,907

The average credit period on purchases is 90 days (2017: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

Trade and other payables are all current liabilities and the Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value due to the short time between inception and maturity. These represent level 2 fair value measurements as defined by the fair value hierarchy according to IFRS 13.

24 Revenue

The following is an analysis of the Group's revenue for the year.

	2018 US$ '000	2017 US$ '000
Charter hire	**108,877**	98,332
Mobilisation and demobilisation	**777**	2,428
Messing and accommodation	**11,871**	11,905
Maintenance	**199**	–
Sundry income	**1,611**	216
	123,335	112,881

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

25 Finance expenses

	2018 US$ '000	2017 US$ '000
Interest on bank borrowings	**30,601**	22,174
Interest on finance leases	**–**	3,001
Write-off of unamortised loan facility fees*	**–**	11,021
Cost to acquire new bank facility**	**–**	5,891
Fair value gain on financial liabilities held at amortised cost***	**–**	(1,279)
Amortisation of issue costs and commitment fees	**700**	1,474
Finance expense	**31,301**	42,282
Less: Amounts included in the cost of qualifying assets (Note 8)	**–**	(3,322)
	31,301	38,960

* Triggered by the extinguishment of debt in December 2017 and cancellation of the capex loan facility in June 2017 (Note 20).
** Costs incurred in 2017 to acquire new loan facility including arrangement, advisory and legal fees.
*** Fair value gain on recognition of new financial liability in 2017 (Note 20).

26 Finance income

	2018 US$ '000	2017 US$ '000
Bank and other income	**22**	47

27 Loss for the year

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

	2018 US$ '000	2017 US$ '000
Total staff costs (see below)	**33,207**	32,639
Depreciation of property, plant and equipment (Note 8)	**27,312**	28,378
Amortisation of dry docking expenditure (Note 10)	**2,200**	3,513
Provision for ECL on 31 December 2017 balance (Note 11)	**31**	–
Movement in ECL provision during the year (Note 11)	**63**	–
Provision for doubtful debts on trade receivables (Note 11)	**50**	–
Provision for doubtful debts on accrued revenue (Note 11)	**530**	–
Recovery of doubtful debts (Note 11)	**(563)**	(1,367)
Foreign exchange gain, net	**(266)**	(1,856)
(Gain)/Loss on disposal of asset	**(6)**	575
Operating leases rentals	**2,080**	1,981
Auditor's remuneration (see below)	**419**	349

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

	2018 Number	2017 Number
Middle East and Northern Africa	**391**	409
Rest of the world	**107**	81
	498	490

The total number of full time equivalent employees (including executive directors) as at 31 December 2018 was 536 (31 December 2017: 444).

Their aggregate remuneration comprised:

	2018 US$ '000	2017 US$ '000
Wages and salaries	**31,490**	31,088
Employment taxes	**140**	112
End of service benefit (Note 22)	**592**	648
Share based payment charge (Note 35)	**985**	791
	33,207	32,639

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

	2018 US$ '000	2017 US$ '000
Group audit fees	**248**	210
Subsidiary audit fees	**68**	39
Total audit fees	**316**	249
Audit-related assurance services – interim review	**103**	80
Other services	**–**	20
Total fees	**419**	349

For further information on the Group's policy in respect of auditor's remuneration see page 48 of the Report of the Audit and Risk Committee.

28 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.

Trading transactions

The following balances were outstanding at the end of the reporting period:

	2018 US$ '000	2017 US$ '000
Amounts owed by related parties (Note 11)**:**		
Shareholders	**–**	70

Key management personnel:

As at 31 December 2018, there were 2,697,062 ordinary shares held by Directors (31 December 2017: 2,575,482 ordinary shares).

Related parties

The Group's principal subsidiaries are outlined in Note 3. The related parties comprising of the Group's major shareholders are outlined in the Directors Report on page 66. Other related parties include the following:

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

During the year Green Investment Commercial Investments LLC sold its shareholding in the Group. Consequently, Gulf Capital PJSC and GC Equity Partners Fund II L.P., are no longer related parties.

Compensation of key management personnel

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

	2018 US$ '000	2017 US$ '000
Short-term benefits	**3,092**	3,118
End of service benefits	**106**	106
Share based payment charge (LTIPs)	**312**	196
Dividends paid	**–**	39
	3,510	3,459

Compensation of key management personnel represents the charge to the income statement in respect of the remuneration of the executive and non-executive Directors and certain members of the senior management team. In 2018 there were nine members of key management personnel (2017: nine members).

29 Notes to the consolidated statement of cash flows

	2018 US$ '000	2017 US$ '000
Operating activities		
Loss for the year before taxation	**(2,405)**	(18,320)
Adjustments for:		
Depreciation of property, plant and equipment (Note 8)	**27,312**	28,378
Amortisation of dry docking expenditure (Note 10)	**2,200**	3,513
Impairment charge *(Note 8, 10)*	**–**	7,327
End of service benefits charge (Note 22)	**592**	648
End of service benefits paid (Note 22)	**(1,058)**	(641)
Provision for ECL on 31 December 2017 balances (Note 11)	**31**	–
Movement in ECL provision during the year (Note 11)	**63**	–
Provision for doubtful debts on trade receivables (Note 11)	**50**	–
Provision for doubtful debts on accrued revenue (Note 11)	**530**	–
Recovery of doubtful debts (Note 11)	**(563)**	(1,367)
(Gain)/loss on disposal of asset	**(6)**	575
Share options rights charge (Note 15)	**985**	791
Interest income (Note 26)	**(22)**	(47)
Interest expense (Note 25)	**30,601**	22,068
Write-off of unamortised loan facility fees (Note 25)	**–**	11,021
Costs to acquire new bank facility (Note 25)	**–**	5,891
Fair value gain on financial liabilities held at amortised cost (Note 25)	**–**	(1,279)
Other income	**(140)**	(75)
Amortisation of issue costs	**700**	1,259
Cash flow from operating activities before movement in working capital	**58,870**	59,742
(Increase)/decrease in trade and other receivables	**(22,593)**	8,545
Decrease in trade and other payables	**(4,821)**	(13,261)
Cash generated from operations	**31,456**	55,026
Taxation (paid)/received	**(2,580)**	1,247
Net cash generated from operating activities	**28,876**	56,273

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.

	Obligations under finance leases US$ '000	Bank Borrowings (Note 20) US$ '000
At 1 January 2017	40,084	423,620
Financing cash flows*	(2,584)	(24,282)
Non-cash changes:		
Amortisation of issue cost**	–	1,474
Write-off of issue cost***	–	11,021
Accrued issue costs for new bank facility****	–	1,229
Fair value gain on financial liabilities*****	–	(1,279)
Return of finance leased vessel	(37,500)	–
At 31 December 2017	–	411,783
Financing cash flows*	**–**	**(653)**
Non-cash changes:		
Amortisation of discount on financial liabilities	**–**	**385**
At 31 December 2018	**–**	**411,515**

* The cash flows from bank borrowings and obligations under finance leases make up the net amount of repayment of bank borrowings, payment of issue costs and payment on finance leases in the statement of cash flows.
** The amortisation of issue cost includes the amount capitalised as borrowing costs of US$ 0.2 million.
*** The write-off of issue cost includes the expensing of unamortised commitment fees (US$ 1.4 million) for a capex loan facility that was cancelled in June 2017 and the expensing of unamortised loan arrangement fees (US$ 9.6 million) following the extinguishment of old facility in December 2017 (Note 20).
**** Costs to acquire new loan facility including arrangement, advisory and legal fees which were accrued as at 31 December 2017.
***** Fair value gain on recognition of new financial liability.

30 Contingent liabilities

At 31 December 2018, the bankers of Gulf Marine Services FZE, one of the subsidiaries of the Group, had issued bid bonds, performance bonds and labour guarantees amounting to US$ 0.61 million (2017: US$ 0.61 million) all of which were counter-indemnified by other subsidiaries of the Group.

31 Commitments

Capital commitments

	2018 US$ '000	2017 US$ '000
Contractual capital commitments	**1,397**	298

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

32 Obligations under operating leases

Operating lease rental payments represent rentals payable by the Group for certain properties.

	2018 US$ '000	2017 US$ '000
Lease payments under operating leases recognised as expense during the year	**2,080**	1,981

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 US$ '000	2017 US$ '000
Within one year	**1,204**	1,857
In the second to fifth year	**142**	167
	1,346	2,024

Operating leases are negotiated for an average term of one and five years for our UAE and UK offices, respectively and accordingly, rental costs are fixed for an average term of one and five years.

33 Non-controlling interests

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

	2018 US$ '000	2017 US$ '000
At 1 January	**598**	560
Share of profit for the year	**1,023**	412
Dividends declared during the year (Note 36)	**(275)**	(374)
At 31 December	**1,346**	598

34 Financial instruments

Categories of financial instruments

	2018 US$ '000	2017 US$ '000
Financial assets:		
Derivatives designated as hedging instruments:		
Cross currency interest rate swap (Note 18)	**543**	–
Current assets at amortised cost:		
Cash and cash equivalents (Note 12)	**11,046**	38,954
Trade receivables and other receivables (Note 11)	**36,671**	16,446
Total financial assets	**48,260**	55,400

34 Financial instruments continued

Categories of financial instruments continued

Derivatives designated as hedging instruments reflect the positive change in the fair value of cross currency interest rate swaps, designated as cash flow hedges to hedge highly probable volatility in exchange rates and in interest rates.

	2018 US$ '000	2017 US$ '000
Financial liabilities:		
Derivatives designated as hedging instruments:		
Interest rate swap (Note 18)	**781**	–
Financial liabilities recorded at amortised cost:		
Trade and other payables (Note 23)	**18,609**	24,887
Non-current bank borrowings (Note 20)	**–**	391,514
Current bank borrowings – scheduled repayments within one year (Note 20)	**20,338**	20,269
Current bank borrowings – scheduled repayments more than one year (Note 20)	**391,177**	–
Total financial liabilities	**430,905**	436,670

In accordance with IFRS, as a result of a technical breach of certain bank covenants described in Note 20, total loan amounts have been presented as a current liability as the Group did not have an unconditional right at that date to defer repayment of these loans beyond 12 months.

Derivatives designated as hedging instruments reflect the negative change in the fair value of interest rate swaps, designated as cash flow hedges to hedge highly probable volatility in exchange rates and in interest rates.

Capital risk management

The Group manages its capital to ensure 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 Group's overall strategy in this regard remains unchanged throughout the years ended 31 December 2018 and 2017. The capital structure of the Group consists of net bank debt and total equity.

Significant accounting policies

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

Financial risk management objectives

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

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties which have been determined based on credit checks and other financial analysis, such that significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be suitably low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Cash balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

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 four Middle East and nine international companies, including international oil companies and engineering, procurement and construction (EPC) contractors. At 31 December 2018, these 13 companies accounted for 92% (2017: ten companies accounting for 99%) of the outstanding trade receivables. The credit risk on liquid funds is limited because the counterparties are 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. Trade and other receivables and cash balances held with banks are not secured by any collateral.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 ensure adequate liquidity is maintained.

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

	Interest rate	**1 to 3 months US$ '000**	**4 to 12 months US$ '000**	**2 to 5 years US$ '000**	**After 5 years US$ '000**
31 December 2018					
Non-interest bearing financial assets		**47,085**	**606**	**–**	**–**
Interest bearing financial assets	**4-5%**	**26**	**543**	**–**	**–**
		47,111	**1,149**	**–**	**–**
Non-interest bearing financial liabilities		**18,609**	**–**	**–**	**–**
Interest bearing financial liabilities	**6.2-7.4%**	**411,515**	**781**	**–**	**–**
		430,124	**781**	**–**	**–**

	Interest rate	1 to 3 months US$ '000	4 to 12 months US$ '000	2 to 5 years US$ '000	After 5 years US$ '000
31 December 2017					
Non-interest bearing financial assets		47,104	606	–	–
Interest bearing financial assets	4-5%	7,690	–	–	–
		54,794	606	–	–
Non-interest bearing financial liabilities		24,887	–	–	–
Interest bearing financial liabilities	3.9-6.2%	5,061	15,208	205,679	185,835
		29,948	15,208	205,679	185,835

Management believe that the difference between fair value and carrying value is negligible.

Interest rate risk management

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

As well as the CCIRS discussed previously, the Group uses an Interest Rate Swap (IRS) to hedge a notional amount of US$ 50.0 million. The remaining amount of notional hedged from the IRS as at 31 December 2018 was US$ 46.7 million. The IRS hedges the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The fair value of the IRS as at 31 December 2018 was a liability value of US$ 0.8 million (see Note 18 for more details).

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2018 would decrease/increase by US$ 2.1 million (2017: decrease/increase US$: 2.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign currency risk management

The majority of the Group's transactions are denominated in UAE Dirhams, Euros, US Dollars and Pound Sterling. As the UAE Dirham and Saudi Riyal are pegged to the US Dollar, balances in UAE Dirham and Saudi Riyals are not considered to represent significant currency risk. Transactions in other foreign currencies entered into by the Group are short-term in nature and therefore management considers that the currency risk associated with these transactions is limited.

There is an uncertainty surrounding negotiations on the UK's exit from the European Union ('Brexit') resulting in increased uncertainty over future policy and legislation in the United Kingdom, which could impact Group operations. Management continue to monitor changes in legislation and future policies and will develop suitable mitigants as developments unfold.

During the year the Group entered into a CCIRS to hedge a notional amount of US$ 36.7 million. As at 31 December 2018, the amount of notional hedged from the CCIRS was US$ 22.4 million. The CCIRS hedges the volatility in GBP to US$ exchange rates as well as variability in interest rate payments by converting a US$ floating rate loan with US$ repayments to a GBP fixed rate loan wherein both the GBP notional and coupon payments are fixed and matched to actual GBP receivables of highly probable forecast sales. The fair value of the CCIRS as at 31 December 2018 was an asset value of US$ 0.5 million (see Note 18 for more details).

34 Financial instruments continued

Foreign currency risk management continued

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets 31 December		Liabilities 31 December	
	2018 US$ '000	2017 US$ '000	**2018 US$ '000**	2017 US$ '000
UAE Dirhams	**4,523**	6,060	**2,248**	1,507
Saudi Riyals	**5,196**	517	**585**	327
Pound Sterling	**10,626**	9,809	**1,491**	406
Euro	**5,029**	3,204	**1,039**	285
Singapore Dollar	**–**	–	**–**	30
Norwegian Krone	**–**	–	**6**	40
Others	**–**	–	**27**	18
	25,374	19,590	**5,396**	2,613

At 31 December 2018, if the exchange rate of the currencies other than the UAE Dirham and Saudi Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant, the Group's loss for the year would have been higher/lower by US$ 1.3 million (2017: higher/lower by US$ 1.2 million) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

35 Long term incentive plans

The Group has Long Term Incentive Plans (LTIPs), performance shares and share options which were granted to senior management, managers and senior offshore officers. The details of the senior management LTIPs are contained in the Directors' Remuneration Report on page 55. The release of these shares is conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards; performance against three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo simulations, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award is determined by taking into account the market performance condition, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, are 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 is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

To the extent that share options are granted to employees of the Group's subsidiaries without charge, the share option charge 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 together with their weighted average exercise price ('WAEP').

	2018		2017	
	No.	**WAEP**	No.	WAEP
At the beginning of the year	**5,897,948**	**–**	7,251,368	–
Granted in the year	**8,420,379**	**–**	–	–
Exercised during the year	**(263,905)**	**–**	(176,169)	–
Forfeited in the year	**(2,612,718)**	**–**	(378,454)	–
Lapsed	**(1,627,219)**	**–**	(798,797)	–
At end of the year	**9,814,485**	**–**	5,897,948	–
Exercisable at the end of the year	**–**	**–**	–	–

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 1.5 years (2017: 0.9 years). The weighted average fair value of options granted during the year was US$ 0.38 (2017: nil).

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

	LTIP	LTIP
Grant date	23 March 2018	23 March 2016
Share price	£0.37	£0.71
Exercise price	£0.00	£0.00
Expected volatility	52.89%	40%
Risk-free rate	1.04%	0.84%
Expected dividend yield	1.0%	3.3%
Vesting period	3 years	3 years
Award life	3 years	3 years
Market performance condition	33.13%	36.0%

The expected share price volatility of Gulf Marine Services PLC shares was determined taking into account the historical share price movements for a three year period up to the grant date (and of each of the companies in the comparator group).

The risk free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

The charge arising from share-based payments is disclosed in Note 15.

36 Dividends

	2018 US$ '000	2017 US$ '000
Dividends declared and paid during the year		
Final Dividend for 2016: 1.20 pence per share	–	5,249
	–	5,249

There was no interim dividend declared or paid in 2018. No final dividend in respect of the year ended 31 December 2018 is to be proposed at the 2019 AGM.

During the year, the Group declared a dividend of US$ 0.28 million (2017: US$ 0.37 million) to non-controlling interests. This dividend remained unpaid at 31 December 2018.

37 Events after the reporting period

On 23 January 2019, the Group negotiated additional headroom to the interest cover covenant for the 31 December 2018 test date. As a result, the Group was in full compliance with all its banking covenants for the 31 December 2018 test date (see Note 20 for further details).

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Investments in subsidiaries	5	**573,546**	573,546
Deferred tax asset	6	**575**	276
Total non-current assets		**574,121**	573,822
Current assets			
Other receivables		**21**	19
Cash and cash equivalents		**559**	541
Total current assets		**580**	560
Total assets		**574,701**	574,382
Current liabilities			
Other payables	7	**11,573**	9,797
Net assets		**563,128**	564,585
Equity			
Share capital	8	**57,992**	57,957
Share premium account	8	**93,080**	93,075
Share option reserve	8	**3,410**	2,465
Retained earnings	8	**408,646**	411,088
Total equity		**563,128**	564,585

The Company reported a loss for the financial year ended 31 December 2018 of US$ 2.4 million (2017: US$ 2.7 million).

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 25 March 2019.

Signed on behalf of the Board of Directors

Duncan Anderson
Chief Executive Officer

John Brown
Chief Financial Officer

The attached Notes 1 to 13 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$ '000	Share premium account US$ '000	Share option reserve US$ '000	Retained earnings US$ '000	Total equity US$ '000
At 1 January 2017	57,929	93,075	1,702	419,014	571,720
Loss for the year	–	–	–	(2,677)	(2,677)
Share options rights charge (Note 8)	–	–	791	–	791
Shares issued under LTIP schemes (Note 8)	28	–	(28)	–	–
Dividends paid (Note 4)	–	–	–	(5,249)	(5,249)
At 31 December 2017	57,957	93,075	2,465	411,088	564,585
Loss for the year	–	–	–	(2,442)	(2,442)
Share options rights charge (Note 8)	–	–	985	–	985
Shares issued under LTIP schemes (Note 8)	35	5	(40)	–	–
At 31 December 2018	**57,992**	**93,080**	**3,410**	**408,646**	**563,128**

The attached Notes 1 to 13 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Net cash used in operating activities	10	**(1,554)**	(2,195)
Financing activities			
Decrease in intercompany receivables		**–**	1,803
Increase in intercompany payables		**1,572**	5,629
Dividends paid	4	**–**	(5,249)
Net cash provided by financing activities		**1,572**	2,183
Net increase/(decrease) in cash and cash equivalents		**18**	(12)
Cash and cash equivalents at the beginning of the year		**541**	553
Cash and cash equivalents at the end of the year		**559**	541

The attached Notes 1 to 13 form an integral part of these financial statements.

1 Corporate information

Gulf Marine Services PLC ("the Company") is a private limited company incorporated in the United Kingdom under the Companies Act. On 7 February 2014, the Company re-registered as a public limited company. The address of the registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816.

The Company is the parent company of the Gulf Marine Services Group comprising of Gulf Marine Services PLC and its underlying subsidiaries (Group"). The consolidated group accounts are publicly available.

These separate financial statements were approved and authorised for issue by the Board of Directors of the Company on 25 March 2019.

2 Accounting policies

Currency

The functional and presentational currency of the Company is US Dollars ("US$").

Going concern

The Company's Directors have assessed its financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that it will be able to continue in operational existence for the foreseeable future. The Group has committed credit facilities in place at 31 December 2018, comprising an existing loan facility with a balance of US$ 392.0 million and a committed working capital facility of US$ 50.0 million of which US$ 30.0 million remains undrawn as at 31 December 2018. Whilst the Group expects to continue to service its interest and debt repayment obligations in 2019, the Group's anticipated operating performance is projected to breach financial covenants attached to its facilities at the 30 June and 31 December 2019 test dates. A breach of covenants could, possibly, result in the banks exercising their rights to recall all credit facilities (including the undrawn element of the working capital facility) and to demand immediate repayment. These conditions indicate a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern.

Having agreed an amendment to its financial covenant schedule for the 31 December 2018 test date, the Group continues to work closely with the banking syndicate to address this covenant pressure.

Notwithstanding the material uncertainty with regard to covenant compliance at 30 June and 31 December 2019, the Directors believe there is a reasonable prospect of a satisfactory outcome to covenant renegotiations for the 2019 test dates with which the Group will be able to comply and accordingly have adopted the going concern basis of accounting in preparing the Company financial statements.

The Board are also considering all options to reinforce the capital structure of the Group. In this context, discussions are also being had with the Group's banking syndicate to, amongst other things, reschedule the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business. This matter is further discussed in the Group's Long Term Viability Statement in the Report of the Audit and Risk Committee on page 46.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a loss of US$ 2.4 million (2017: loss of US$ 2.7 million).

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Investments

Investments in subsidiaries and associates are recognised at cost, which is the previous GAAP carrying value at the transition date, less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position, when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss ("FVTPL") or "other financial liabilities".

Other payables are classified as "other financial liabilities". Other financial liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method, with interest expense recognised on an effective yield basis, 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.

2 Accounting policies continued

Financial instruments continued

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Equity instruments

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

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL account, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVTPL, 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification of financial assets at initial recognition depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash at bank and in hand for the purpose of the statement of cash flows.

Loans and receivables

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Taxation

Current tax, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Deferred tax is measured on a non-discounted basis. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit or loss account.

Share-based payments

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

Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Company's share price at the date of grant.

The fair value measurement reflects all market based vesting conditions. Service and non-market performance conditions are taken into account in determining the number of rights that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 following is the key sources of estimations and judgements which management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Recoverability of investments

Investments in subsidiary undertakings are included in the statement of financial position of the Company at deemed cost less any provision for impairment. The Company performs impairment reviews in respect of investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount. The recoverability of investments is primarily impacted by the cash flows of the vessels owned by the Group's subsidiary undertakings. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation levels and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the vessels and hence the Company's investments in its subsidiaries. As at 31 December 2018 the Company had investments of US$ 573.5 million (2017: US$ 573.5 million).

The Company undertook a full impairment review of its investments during the year. The resulting recoverable amount for each investment exceeded its carrying value and therefore no impairment was recognised as at 31 December 2018.

Critical accounting judgements

Going concern

As disclosed in Note 2, the Company's Directors have assessed the Company's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Specifically, notwithstanding the material uncertainty in respect of going concern with regard to covenant compliance at 30 June and 31 December 2019, the Directors consider there to be a reasonable prospect of a satisfactory outcome to covenant renegotiations for the 2019 test dates with which the Group will be able to comply and accordingly have adopted the going concern basis of accounting in preparing the Company's financial statements. See Note 2 for further details of this key judgement.

4 Dividends

	2018 US$ '000	2017 US$ '000
Dividends declared and paid during the year		
Final Dividend for 2016: 1.20 pence per share	–	5,249
	–	5,249

There was no interim dividend declared or paid in 2018. No final dividend in respect of the year ended 31 December 2018 is to be proposed at the 2019 AGM.

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5 Investments in subsidiaries

	2018 US$ '000	2017 US$ '000
Investments in subsidiaries	**573,546**	573,546

The Company has investments in the following subsidiaries:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2018	2017	Type of Activity
Gulf Marine Services W.L.L.	United Arab Emirates	MN1 Mussafah Base, Mussafah Industrial Area Abu Dhabi, P.O. Box 46046 United Arab Emirates	**100%**	100%	Marine Contractors
Offshore Holding Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Holding Company
Offshore Logistics Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Holding Company
Offshore Jack-up Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of "Helios" – Dormant
Offshore Tugboat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of "Atlas" – Dormant
Offshore Boat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Endurance"

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2018	2017	Type of Activity
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	P.O. Box 257, Dammam 31411 Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	**100%**	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Shamal"
GMS Jersey Holdco. 1 Limited*	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	**100%**	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	**100%**	100%	General Investment
GMS Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	**100%**	100%	Operator of Offshore Barges
GMS Global Commercial Invt LLC	United Arab Emirates	Al Mariah Island, Al Sowwa Square, Abu Dhabi United Arab Emirates	**100%**	100%	General Investment
GMS Keloa Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Keloa"
GMS Pepper Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	**100%**	100%	Owner of Barge "Evolution"
Gulf Marine Services LLC**	Qatar	Qatar Financial Centre, Doha	**100%**	100%	Marine Contractor

* Held directly by Gulf Marine Services PLC.
** This entity was incorporated on 27 November 2017 with an extended year end to 31 December 2018.

6 Deferred tax asset

At the reporting date, the Company has unused tax losses of US$ 3.4 million available for offset against future profits (2017: US$ 1.6 million). A deferred tax asset of US$ 0.6 million (2017: US$ 0.3 million) has been recognised in respect of such losses. These UK tax losses may be carried forward indefinitely.

7 Other payables

	2018 US$ '000	2017 US$ '000
Amounts owed to Group undertakings	**10,593**	9,021
Other payables	**980**	776
	11,573	9,797

8 Share capital and reserves

The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$ '000	Total US$ '000
At 31 December 2018			
Authorised Share Capital	**349,968**	**57,992**	**57,992**
Issued and fully paid	**349,968**	**57,992**	**57,992**
At 31 December 2017			
Authorised Share Capital	349,704	57,957	57,957
Issued and fully paid	349,704	57,957	57,957

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

	Number of ordinary shares (thousands)	Ordinary shares US$ '000	Share premium account US$ '000	Total US$ '000
At 1 January 2017	349,528	57,929	93,075	151,004
Shares issued under LTIP schemes	176	28	–	28
At 31 December 2017	349,704	57,957	93,075	151,032

	Number of ordinary shares (thousands)	Ordinary shares US$ '000	Share premium account US$ '000	Total US$ '000
At 31 December 2017	349,704	57,957	93,075	151,032
Shares issued under LTIP schemes	264	35	5	40
At 31 December 2018	**349,968**	**57,992**	**93,080**	**151,072**

The Company has one class of ordinary shares, which carry no right to fixed income.

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

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

The share premium account contains the premium arising on issue of equity shares, net of related costs.

The Company's share option reserve of US$ 3.4 million (2017: US$ 2.5 million) relates to awards granted to employees of a subsidiary undertaking under a long-term incentive plan, details of which are provided in Note 11. The share option charge during the year was US$ 1.0 million (2017: US$ 0.8 million).

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

9 Related party transactions

The Company has taken advantage of the exemption from disclosing related party transactions with other wholly owned Group companies as provided by paragraph 33.1A of FRS 102. The Company and all companies with whom related party transactions took place in the year are wholly owned Group companies, the consolidated accounts of which are publicly available.

Remuneration of key management personnel during the year comprised short-term benefits of US$ 548,458 (2017: US$ 475,777).

10 Net cash used in operating activities

	2018 US$ '000	2017 US$ '000
Operating activities		
Loss for the year before taxation	**(2,741)**	(2,953)
Adjustment for:		
Share based payment expense	**985**	791
Cash outflow from operating activities before movement of working capital	**(1,756)**	(2,162)
(Increase)/Decrease in other receivables	**(2)**	4
Increase/(Decrease) in other payables	**204**	(37)
Net cash used in operating activities	**(1,554)**	(2,195)

11 Long term incentive plans

The Company has Long Term Incentive Plans (LTIPs), performance shares and share options which were granted to senior management, managers and senior offshore officers. The details of the senior management LTIPs are contained in the Directors' Remuneration Report on page 55. The release of these shares is conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards; performance against three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo simulations, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award is determined by taking into account the market performance condition, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions, which for the Company mainly relate to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

To the extent that share options are granted to employees of the Company's subsidiaries without charge, the share option charge is capitalised as part of the cost of investment in subsidiaries.

The number of share awards granted by the Company during the year is given in the table below together with their weighted average exercise price ('WAEP').

	2018		2017	
	No.	WAEP	No.	WAEP
At the beginning of the year	**5,897,948**	**–**	7,251,368	–
Granted in the year	**8,420,379**	**–**	–	–
Exercised during the year	**(263,905)**	**–**	(176,169)	–
Forfeited in the year	**(2,612,718)**	**–**	(378,454)	–
Lapsed	**(1,627,219)**	**–**	(798,797)	–
At end of the year	**9,814,485**	**–**	5,897,948	–
Exercisable at the end of the year	**–**	**–**	–	–

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 1.5 years (2017: 0.9 years). The weighted average fair value of options granted during the year was US$ 0.38 (2017: nil).

11 Long term incentive plans continued

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

	LTIP	LTIP
Grant date	23 March 2018	23 March 2016
Share price	£0.37	£0.71
Exercise price	£0.00	£0.00
Expected volatility	52.89%	40%
Risk-free rate	1.04%	0.84%
Expected dividend yield	1.0%	3.3%
Vesting period	3 years	3 years
Award life	3 years	3 years
Market performance condition	33.13%	36.0%

The expected share price volatility of Gulf Marine Services PLC shares was determined, taking into account the average of the volatility of two comparable companies at each of the grant dates.

The risk free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

The charge arising from share-based payments is disclosed in Note 8.

12 Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Company consists of cash and short-term deposits and equity attributable to equity holders of the Company, comprising issued capital, reserves and loss for the period as disclosed in Note 8.

The Company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements (see Note 2).

Categories of financial instruments

	2018 US$ '000	2017 US$ '000
Financial assets:		
Financial assets at amortised cost:		
Other receivables	**21**	19
Cash and cash equivalents	**559**	541
Total financial assets	**580**	560
Financial liabilities:		
Financial liabilities at amortised cost:		
Other payables (Note 7)	**11,573**	9,797
Total financial liabilities	**11,573**	9,797

All financial liabilities are repayable upon demand.

Financial risk management objectives and policies

The Company is exposed to the following risks related to financial instruments – credit risk, cash flow and liquidity risk, foreign currency risk and interest rate risk. The management actively monitors and manages these financial risks relating to the Company.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's other receivables. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counter-parties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties failing to perform their obligations generally approximates their carrying value. Other receivables are not secured by any collateral.

The Company's principal financial assets are bank balances, and intercompany and other receivables. The Company's main credit risk is primarily attributable to its key intercompany receivables. The Company has no other significant concentration of credit risk. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence for a reduction in the recoverability of the cash flows.

Cash flow and liquidity risk
The Company is not exposed to any significant cash flow or liquidity risk. The Company currently has sufficient cash to fund its activities. However, in the event that additional liquidity is required for ongoing operations and future developments, the Company has access to additional funding from other Group entities which it controls.

Foreign currency risk management
The majority of the Company's transactions are in either UAE Dirhams or US$. Transactions in other foreign currencies entered into by the Company are short term in nature and therefore management considers that the currency risk associated with these transactions is limited and consequently this risk is not hedged.

Interest rate risk management
The Company's financial assets and financial liabilities are interest-free; accordingly, the Company is not subject to any interest rate risk.

Fair value of financial assets and liabilities
The Company's management considers that the fair value of financial assets and financial liabilities approximates their carrying amounts.

13 Events after the reporting period
On 23 January 2019, the Group negotiated additional headroom to the interest cover covenant for the 31 December 2018 test date. As a result, the Group was in full compliance with all its banking covenants for the 31 December 2018 test date.

NOTICE OF AGM

Important information: This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser immediately. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

Subsequent to the auditor's approval of this 2018 Annual Report on 25 March 2019, the Board announced on 26 March 2019 the appointment of Tim Summers as Non-Executive Chairman with effect from 1 April 2019; the following Notice of AGM reflects this change. Details of the appointment of Tim Summers are included within the RNS announcement dated 26 March 2019. The biographical details of Tim Summers can be found on the company's website http://www.gmsuae.com/board-of-directors/.

GULF MARINE SERVICES PLC
(INCORPORATED AND REGISTERED IN ENGLAND AND WALES UNDER COMPANY NUMBER 08860816)

NOTICE OF AGM

Notice is hereby given that the Annual General Meeting (the "AGM") of Gulf Marine Services PLC (the "Company") will be held on Tuesday 28 May 2019 at 10.00 a.m. (UK time) at Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom to transact the business set out in the resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 12 to 14 (inclusive) will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Voting on all resolutions will be by way of a poll. The Company believes this will result in a more transparent and accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the meeting but who have appointed a proxy for the meeting. Shareholders have one vote for each ordinary share held when voting on a poll.

Ordinary Resolutions

Report and Accounts

1. To receive the Company's annual accounts for the financial year ended 31 December 2018 together with the Directors' reports and the auditor's report on those accounts (the "2018 Annual Report and Accounts").

Directors' Remuneration Report

2. To approve the Directors' Remuneration Report set out on pages 51 to 62 of the 2018 Annual Report and Accounts (excluding the Directors' Remuneration Policy).

Re-election and election of Directors

3. To elect Tim Summers as a Director.
4. To re-elect Duncan Anderson as a Director.
5. To re-elect Simon Batey as a Director.
6. To re-elect W. Richard Anderson as a Director.
7. To elect Dr Shona Grant as a Director.
8. To elect Mo Bississo as a Director.

Re-appointment of External Auditor

9. To re-appoint Deloitte LLP as external auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

Auditor's Remuneration

10. To authorise the Audit and Risk Committee to determine the remuneration of the auditor on behalf of the board of directors.

Authority to allot ordinary shares

11. To authorise the Directors generally and unconditionally, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares of the Company:

    (a) up to a maximum aggregate nominal amount of £11,665,596; and
    (b) comprising equity securities (as defined in section 560(1) of the Act) of the Company up to a further aggregate nominal amount of £11,665,596 in connection with an offer by way of a rights issue.

    These authorities shall apply in substitution for all previous authorities pursuant to section 551 of the Act and expire on the date of the next AGM or on 30 June 2020, whichever is the earlier, but in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities under any such offer or agreement as if the authority conferred by this resolution had not expired.

For the purposes of this resolution, "rights issue" means an offer to:

- holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
- holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject in both cases to such exclusions or other arrangements as the Directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange.

Special Resolutions

Authority to disapply pre-emption rights

12. That, subject to the passing of resolution 11, the Directors be empowered pursuant to section 570 and section 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 11 and/or to sell shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
    (a) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (b) of this resolution) to any person up to an aggregate nominal amount of £1,749,839;
    (b) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (b) of resolution 11, by way of a rights issue only):
        i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
        ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange; and

    The authorities conferred by this resolution shall expire on the date of the next AGM of the Company or on 30 June 2020, whichever is the earlier, save that the Company may, before such expiry make an offer or agreement that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

    For the purposes of this resolution:
    - "rights issue" has the same meaning as in resolution 11; and
    - the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for, or convert any securities into, shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Purchase of own shares

13. To authorise the Company generally and unconditionally for the purposes of section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company, provided that:
    (a) the maximum number of ordinary shares that may be purchased is 34,996,788;
    (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 10 pence; and
    (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is the higher of:
        i. 105% of the average mid-market price of an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days prior to the day the purchase is made; and
        ii. the value of an ordinary share calculated on the basis of the higher of the price quoted for:
            (a) the last independent trade of; and
            (b) the highest current independent bid for any number of the Company's ordinary shares.

    This authority shall expire on the date of the next AGM of the Company or on 30 June 2020, whichever is the earlier, save that the Company may, before such expiry, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

Notice of general meetings, other than AGMs

14. That a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

John Brown
Company Secretary
25 March 2019

Gulf Marine Services PLC
Registered Office: 6th Floor, 65 Gresham Street, London EC2V 7NQ

EXPLANATION OF RESOLUTIONS

Resolution 1 – To receive the Report and Accounts
The Directors are required to present the Company's audited accounts, Directors' Reports and auditor's report to the AGM. These are contained in the Company's annual accounts for the financial year ended 31 December 2018 (the "2018 Annual Report and Accounts").

Resolution 2 – To approve the Directors' Remuneration Report
This resolution deals with the remuneration paid to the Directors during the year under review. Shareholders are invited to vote on the Directors' Remuneration Report, which appears on pages 51 to 62 in the 2018 Annual Report and Accounts (excluding the Directors' remuneration policy). Resolution 2 is an advisory vote.

The Company does not intend at this AGM to move a resolution to approve the Directors' Remuneration Policy, which appears on pages 51 to 62 of the 2018 Annual Report and Accounts.The Directors' Remuneration Policy was approved by shareholders at the 2018 AGM of the Company held on 22 May 2018.

Resolutions 3 to 8 – Re-election and election of Directors
In accordance with the UK Corporate Governance Code and consistent with relevant institutional voting guidance, all current Directors of the Company will step down from the Board and seek election or re-election by shareholders at the AGM. The Directors retiring and seeking re-election are Duncan Anderson, Simon Batey, and W. Richard Anderson. Dr Shona Grant, Mo Bississo, and Tim Summers were appointed by the Board since the Company's 2018 AGM and shall therefore retire and seek election by the Company's shareholders at the meeting.

In considering the independence of the non-executive Directors, the Board has taken into account the UK Corporate Governance Code. The Board considers Simon Batey, W. Richard Anderson and Dr Shona Grant to be independent non-executive Directors in accordance with provision B.1.1 of the 2016 UK Corporate Governance Code.

Full biographies of all the Directors are set out in the 2018 Annual Report and Accounts and are also available for viewing on the Company's website (http://www.gmsuae.com). Following a formal Board evaluation process and recommendation from the Nomination Committee, the Board is satisfied that each Director seeking re-election and election at the AGM continues to be effective and demonstrates a commitment to the role and that each such Director continues to be able to dedicate sufficient time to their duties. The Board believes that its composition continues to include an appropriate balance of skills and provides effective leadership for the Company.

Resolution 9 – To re-appoint Deloitte LLP as external auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company
At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an external auditor to serve until the next such meeting. The Board, on the recommendation of its Audit and Risk Committee, recommends the re-appointment of Deloitte LLP as external auditor.

Resolution 10 – To authorise the directors to determine the remuneration of Deloitte LLP
This resolution gives authority to the Audit and Risk Committee to determine the external auditor's remuneration.

Resolution 11 – To authorise the directors to allot ordinary shares
The authority in paragraph (a) of this resolution, if passed, would provide the Directors with a general authority to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal amount of £11,665,596, which is equal to approximately 33% of the issued share capital of the Company as at 25 March 2019, being the latest practicable date before the publication of this Notice.

Paragraph (b) of resolution 11 will grant the Directors additional authority to allot a further aggregate nominal amount of £11,665,596 and grant rights to subscribe for, or convert other securities into, shares in connection with a rights issue up to a further nominal amount of, which is equal to approximately 33% of the issued share capital of the Company as at 25 March 2019, being the latest practicable date before publication of this Notice.

When taken together, the authorities proposed in paragraphs (a) and (b) of this resolution extend (before any reduction) to approximately two thirds of the current issued share capital of the Company as at 25 March 2019, being the latest practicable date before the publication of this Notice.

The resolution, if passed, would give the Board the maximum flexibility permitted by investor guidelines to respond to market developments. The Board has no current intention to allot shares, except in connection with the Company's employee share schemes, but the Board intends to keep the matter under review.

The authorities conferred by this resolution will expire on the earlier of 30 June 2020 and the conclusion of the Company's next AGM. It is the intention of the Directors to seek to renew these authorities every year.

Resolution 12 – To authorise the directors to disapply pre-emption rights
This resolution would, if passed, authorise the Directors to allot shares or sell treasury shares for cash (other than in connection with an employee share scheme), without having to offer such shares to existing shareholders in proportion to their own holdings (known as pre-emption rights):

(a) up to a maximum nominal amount of £1,749,839, which represents approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) as at 25 March 2019, being the latest practicable date before publication of this Notice; and

(b) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £11,665,596, which represents approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at as at 25 March 2019, being the latest practicable date before publication of this Notice, and, in relation to rights issues only, up to a maximum additional amount of £11,665,596, which represents approximately a further one third, of the Company's issued ordinary share capital (excluding treasury shares) as at 25 March 2019, being the latest practicable date prior to the publication of this Notice.

Resolution 12 is consistent with guidance issued by the Investment Association (as updated in July 2016) and the Pre-Emption Group's Statement of Principles (as updated in March 2015) (the "Statement of Principles"). The Directors confirm that, in accordance with the Statement of Principles, they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, unless shareholders have been notified and consulted in advance.

The authorities conferred by this resolution will expire on the earlier of 30 June 2020 and the conclusion of the Company's next AGM. It is the intention of the Directors to seek to renew these authorities every year.

Resolution 13 – To authorise the Company to make market purchases of its own shares
This resolution would, if passed, authorise the Company to make market purchases of up to 34,996,788 of its own ordinary shares, representing approximately 10% of the Company's issued share capital as at 25 March 2019, being the latest practicable date before publication of this Notice. The resolution specifies the minimum and maximum prices at which the ordinary shares may be bought under this authority.

This authority conferred by this resolution will expire on the earlier of 30 June 2020 and the conclusion of the Company's next AGM. It is the intention of the Directors to seek to renew this authority every year.

The Directors have no present intention of exercising the authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The Directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares purchased would be effected by a purchase in the market and may either be cancelled or held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share schemes. The Company currently has no shares held in treasury.

As at 25 March 2019, being the latest practicable date before publication of this Notice, the total number of outstanding options to subscribe for shares in the Company was 9,814,485 (approximately 2.8% of the Company's issued share capital and approximately 3.1% of the Company's issued share capital if the full authority proposed by resolution 13 was used and the shares purchased were cancelled).

Resolution 14 – Notice of general meetings, other than AGMs
Under the Act, the notice period required for all general meetings of the Company is 21 days. An AGM is required by law to be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings.

This resolution would, if passed, allow the Company flexibility to call general meetings, other than AGMs, on not less than 14 clear days' notice. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

A resolution in identical terms was passed at the previous AGM of the Company, held on 22 May 2018.

The Board confirms that, in its opinion, all of the resolutions are in the best interests of the shareholders of the Company as a whole and unanimously recommends that shareholders vote in favour of them.

IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at 6.30 p.m. (UK time) on 23 May 2019 (or, in the event of any adjournment, 6.30 p.m. (UK time) on the date which is two business days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM. There are no other procedures or requirements for entitled shareholders to comply with in order to attend and vote at the AGM. In alignment with best practice for UK listed companies, it is the current intention that each of the resolutions to be put to the AGM will be voted on by way of a poll and not by show of hands. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of ordinary shares held and all votes tendered are taken into account.

2. The doors will open at 9.00 a.m. (UK time) and you are recommended to arrive by 9.30 a.m. (UK time) to enable you to register and take your seat in good time. Light refreshments will be provided at the AGM. If you have any special needs or require wheelchair access to the offices of Linklaters LLP please contact Leanne Shergold by e-mail on lshergold@brunswickgroup.com or telephone +44 (0) 20 7396 7480 in advance of the AGM. Mobile phones may not be used in the meeting hall, and cameras and recording equipment are not allowed in the meeting hall.

3. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the Company's registrar Equiniti (the "Registrar"), on 0371 384 2030 (or from outside the UK: +44 121 415 7047). Lines are open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday, excluding public holidays in England and Wales.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3, 4 and 9 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. Members meeting the threshold requirements set out in the Act have the right, subject to certain conditions, to (a) require the Company to give notice of any resolution which can properly be, and is to be, moved at the AGM pursuant to section 338 of the Act; and/or (b) include a matter in the business to be dealt with at the AGM, pursuant to section 338A of the Act.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

9. To be valid, any form of proxy or other instrument appointing a proxy must be received by the Registrar by post or (during normal business hours only) by hand at the address shown on the form of proxy, by e-mail by sending a scanned copy of your completed proxy form to proxyvotes@equiniti.com or, in the case of shares held through CREST, via the CREST system (see note 12 below), For proxy appointments to be valid, they must be received by no later than 10.00 a.m. (UK time) on 23 May 2019 . If you return more than one proxy appointment, the proxy appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities for the receipt of any document or information on proxies are open to all shareholders and those who use them will not be disadvantaged.

10. The return of a completed form of proxy or any CREST Proxy Instruction (as described in Note 12 below) will not prevent a shareholder attending the AGM and voting in person if he or she wishes to do so.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers’ agent (ID RA19) by 10.00 a.m. (UK time) on 23 May 2019. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers relation to the same shares.

15. As at 25 March 2019 (being the latest practicable date prior to the publication of this Notice), the Company’s ordinary issued share capital consists of 349,967,878 ordinary shares, carrying one vote each. No shares are held in treasury. Therefore, the total voting rights in the Company as at 25 March 2019 are 349,967,878.

16. Under section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company’s accounts (including the external auditor’s report and the conduct of the external audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company’s external auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

17. Any shareholder attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from 25 March 2019 until the time of the AGM and may also be inspected at the AGM venue (Linklaters LLP, One Silk Street, London, EC2Y 8HQ), from 9.45 a.m. (UK time) on the day of the AGM until the conclusion of the meeting:
(a) copies of the Directors’ letters of appointment or service contracts;
(b) a copy of the articles of association of the Company; and
(c) a copy of the Directors’ deeds of indemnity.

19. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the Act, can be found on the Company’s website at http://www.gmsuae.com.

GLOSSARY

Alternative Performance Measure (APMs) – An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. Adjusted results are also an important measure providing useful information as they form the basis of calculations required for the Group's covenants. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group.

Adjusted diluted (loss)/earnings per share – represents the adjusted (loss)/profit attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period. The adjusted (loss)/profit attributable to equity shareholders of the Company is earnings used for the purpose of basic (loss)/earnings per share adjusted by adding back impairment charges, and finance costs relating to amendments to bank facilities in 2017. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in Note 6.

Adjusted EBITDA – represents operating profit/(loss) after adding back depreciation and amortisation and impairment charges in 2017. 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 6.

Adjusted EBITDA margin – represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

Adjusted gross profit/(loss) – represents gross profit after adding back impairment charges in 2017. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 6.

Adjusted gross profit margin – represents adjusted gross profit divided by revenue. This measure provides additional information on core profitability as a percentage of total revenue derived by the Group.

Adjusted net (loss)/profit – represents net (loss)/profit after adding back impairment charges, and finance costs relating to amendments to bank facilities in 2017. This measure provides additional information in assessing the Group's total performance that management is more directly able to influence and on a basis comparable from year to year. A reconciliation of this measure is provided in Note 6 of these results.

Cost of sales excluding non-operational items – represents cost of sales excluding a non-operational impairment charge in 2017. This measure provides additional information on the ongoing true direct costs and excludes any non-operational items. A reconciliation is shown below;

	2018 US$ '000	2017 US$ '000
Statutory cost of sales	**76,317**	76,923
Add back non-operational impairment charge	**–**	(7,327)
	76,317	69,596

EBITDA – represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortization in 2017. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in Note 6.

Finance expenses excluding non-operational items – represents finance expenses after adding back non-operational finance costs relating to amendments to bank facilities in 2017. This measure provides additional information on the true cost of financing the Group's debt obligation. A reconciliation is shown below;

	2018 US$ '000	2017 US$ '000
Statutory finance expenses	**31,301**	38,960
Add back write-off of unamortised loan facility fees	**–**	(11,021)
Add back cost to acquire new bank facility	**–**	(5,891)
Add back fair value gain on financial liabilities held at amortised cost	**–**	1,279
	31,301	23,327

Gross general and administrative costs – represents general and administrative expenses including the impact of costs which were capitalised. This provides for better comparison since it takes into account true general and administrative expenses incurred in operations. A reconciliation is shown below;

	2018 US$ '000	2017 US$ '000
Statutory general and administrative costs	18,556	16,721
Add back costs capitalised	483	5,004
	19,039	21,725

Group's net bank debt (total bank borrowings less cash) – represents the total bank borrowings less cash. This measure provides additional information of the Group's financial position. A reconciliation is shown below;

	2018 US$ '000	2017 US$ '000
Statutory bank borrowings	**411,515**	411,783
Less cash and cash equivalents	**(11,046)**	(38,954)
	400,469	372,829

Segment adjusted gross profit/loss – represents gross profit/loss after adding back depreciation, amortisation and impairment charges in 2017. This measure provides additional information on the core profitability of the Group attributable to each reporting segment. A reconciliation of this measure is provided in Note 5.

Total current liabilities on a like for like basis – represents total current liabilities adjusted for bank borrowings reclassified to current liabilities in the current year as a result of a technical breach of certain bank covenants. This measure provides additional information on the Group's true indebtedness due within one year. A reconciliation is shown below;

	2018 US$ '000	2017 US$ '000
Statutory current liabilities	**436,571**	49,809
Less bank borrowings – scheduled repayments after more than one year	**(391,177)**	–
	45,394	49,809

Other definitions

Adjusted utilisation based on calendar days	actual number of days a vessel is on hire divided by the number of calendar days in a year.
Available days	the number of days during which an SESV is available for hire. Periods during which the vessel is not available for hire due to planned upgrade work, transit time for long-term relocation to a new region or construction are excluded from the available days. In calculating available days for each SESV in a given year, we also subtract from a base of 365 days those days spent on mobilisation and demobilisation, planned refurbishment and, in the case of a newly constructed SESV, delivery time.
Backlog	represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
Borrowing rate	LIBOR plus margin.
Calendar days	takes base days at 365 and only excludes periods of time for construction and delivery time for newly constructed vessels.
Costs capitalised	represent qualifying costs that are capitalised as part of a cost of the vessel rather than being expensed as they meet the recognition criteria of IAS 16 Property, Plant and Equipment.
EPC	engineering, procurement and construction.
Finance Service Cover	represents the ratio of Adjusted EBITDA to Finance Service (being Net finance charges plus scheduled repayments plus capital payments for finance leases adjusted for voluntary or mandatory prepayments), in respect of that relevant period.
Interest Cover	represents the ratio of Adjusted EBITDA to Net finance charges.
IOC	Independent Oil Company.
LIBOR	London Interbank Offered Rate.
Net finance charges	represents finance charges for that period less interest income for that period.
Net leverage ratio	represents the ratio of net bank debt to Adjusted EBITDA.

GLOSSARY CONTINUED

NOC	National Oil Company.
OSW	Offshore Wind.
Proforma EBITDA	represents EBITDA for covenant testing purposes being EBITDA (see definition above) for the trailing 12 months plus EBITDA contribution from new contracts, of at least six months in duration that commence during a covenant testing period, with the EBITDA contribution from these contracts annualised (unless contract duration is less than 12 months when total contract EBITDA contribution is applied).
Security Cover (loan to value)	the ratio (expressed as a percentage) of Total Net Debt at that time to the Market Value of the Secured Vessels.
Stacked	a vessel taken out of service to reduce operating costs when uncontracted.
Total Recordable Injury Rate (TRIR)	calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.
Utilisation	the percentage of available days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV.

NOTES

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CORPORATE INFORMATION

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Independent Non-Executive Director

Mo Bississo
Non-Executive Director

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