04 August 2020

Gulf Marine Services PLC

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

Interim results for the six months ended 30 June 2020

Financial Overview

	H1 2020	H1 2019
	US $m	**US $m**
Revenue	49.8	55.0
Gross profit	14.4	9.7
General and administrative expenses	4.9	8.6
Adjusted EBITDA[1]	31.4	23.4
Asset impairment	0.0	(4.6)
Loss for the period after tax	(6.7)	(16.7)
Adjusted profit/(loss) for the period	1.8	(12.2)
Net cash flow before debt service[2]	15.2	14.1

Financial Highlights

- Adjusted EBITDA increased by 34% to US$ 31.4 million (H1 2019: US$ 23.4 million) with an adjusted EBITDA margin of 63% (H1 2019: 43%). This reflects the benefit of cost savings and improved utilisation, despite the impact of COVID-19 on the market environment and operations. Full year adjusted 2020 EBITDA guidance of US$ 57.0 – 62.0 million is reconfirmed and is now expected to be at the upper end of the range.
- Progress continues on the programme to reduce costs. The 2019/20 cost saving programme has secured US$ 16.5 million in savings, on an annualised basis, significantly exceeding the original target of US$ 6.0 million set in March 2019. As a result of the Framework Agreement with Zakher Marine International announced on 29 May 2020, further savings are expected to be delivered going forward. A new cost savings target of US$ 18.5 million has been set.
- Revenue reduced by 9% to US$ 49.8 million (H1 2019: US$ 55.0 million), mainly reflecting lower day rates for all vessel classes, partially offset by an improvement in utilisation.

[1] The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In 2020 the adjusting items reflect US$ 6.8 million as the cost of transporting 2 E-Class vessels from the North Sea to the Middle East, together with restructuring costs of US$ 0.3 million and Seafox bid defence costs of US$ 1.4 million. In 2019 they included a non-cash impairment charge on property, plant and equipment of US$ 4.6 million. For details and further information on Alternative Performance Measures, refer to the Glossary.

[2] Net cash flow before debt service is the sum of cash generated from operations and investing activities.

- Average fleet utilisation for H1 2020 has increased to 78%, a 9 percentage point increase, despite the impact of COVID-19 on tender activity and operations, together with the relocation of two E-Class vessels from the North Sea to the Middle East, which had those vessels off hire for a total of six months (with a 4% impact on total fleet utilisation).
- Charter day rates have remained low (reduced by on average 16% compared to H1 2019), reflecting the impact of COVID-19 on the rate environment and the expiry of prior contracts secured in 2017 before the oil price downturn.
- General and administrative expenses fell by 43% (US$ 3.7 million) reflecting the full impact of cost savings implemented in 2019 and early 2020.
- The reduced loss for the period of US$ 6.7 million (H1 2019: US$ 16.7 million) reflects increased EBITDA, reduced depreciation and lower finance costs, as well as the impairment of US$ 4.6 million in H1 2019.
- The restructuring of term debt facilities was executed with Lenders on 10 June 2020. This has re-established access to working capital facilities[3], and reprofiled debt repayments (including an extension of final maturity) and amended covenant tests to more sustainable levels.
- Net cash flow before debt service has increased reflecting the impact of cost savings which have more than offset a decline in revenue.

Operational Highlights

- Continued strong safety performance with zero lost time injuries incurred (H1 2019: zero).
- H1 2020 utilisation increased to 78% (H1 2019: 69%; FY 2019: 69%). This was mainly driven by a significant improvement in utilisation of K Class vessels to 86% (H1 2019: 65%). E Class vessel utilisation rose to 58% (H1 2019 54%), notwithstanding the fact that two of the four vessels were off hire for a total of 6 months, while being relocated from the North Sea to the Middle East. S-Class utilisation at 92% was stable (H1 2019: 96%)
- Secured FY utilisation (including options) currently stands at 83% for 2020 and 54% for 2021.
- COVID-19 cases were reported on two vessels which have since returned to work. The financial impact has been small (US$ 1.4 million in lost revenue). Careful management of crew has proven invaluable in minimising operational risks. Onshore staff have returned to substantially normal working practices.
- Secured backlog is US$ 225.1 million as at 1 August 2020, up 7% (US$ 14.6 million) compared to September 2019 (US$ 210.5 million).
- Four new contract awards announced in 2020 with a combined charter period of 8.5 years including contract extensions.
- GMS Evolution, which is fitted with the unique GMS cantilever has secured its first contract using this technology, working for a Middle Eastern based NOC.

[3] The US$ 50 million working capital facility is split between US$ 25 million cash and US$ 25 million for guarantees.

Tim Summers, Executive Chairman, GMS said:

"GMS has delivered a significant improvement in performance despite the difficulties brought by COVID-19, and the resultant oil price collapse. Vessel utilisation has been restored to 2016 levels, while adjusted EBITDA is up 34% on H1 2019. We have continued to secure new contracts throughout the pandemic, increasing the order book and profitability is up substantially compared to the previous year.

Operational risks brought about by COVID-19 were managed carefully, with minimal operational and financial disruption. Most importantly, we have protected the health and wellbeing of our employees. The delivery of a restructured loan deal with our Lenders is an important milestone. It will provide us with the stability going forward to continue to build on the progress that we have already made in turning around this business.

In fewer than twelve months, a new management team has fundamentally repositioned GMS for success. With 83% fleet utilisation already secured for 2020, and a lean cost base, we are already demonstrating the business's ability to drive profitable growth. In stabilising markets, the Board is determined to capture this considerable opportunity for the reward of all of our shareholders."

– Ends –

Analyst presentation:

The Company will be giving a presentation to analysts today, 04 August 2020, at 9.00AM BST. To register your interest please email etrapnell@brunswickgroup.com

The replay of the presentation to analysts will be available on demand later today at:
http://www.gmsuae.com/investor-relations/results-and-presentations

This announcement contains inside information and is provided in accordance with the requirements of Article 17 of the EU Market Abuse Regulation.

Steve Kersley
Chief Financial Officer (responsible for arranging the release of this announcement)
Gulf Marine Services PLC
04 August 2020

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Notes to Editors:

Gulf Marine Services PLC, a company listed on the London Stock Exchange, was founded in Abu Dhabi in 1977 and has become a world leading provider of advanced self-propelled self-elevating support vessels (SESVs). The fleet serves the oil, gas and renewable energy industries from its offices in the United Arab Emirates and Saudi Arabia. The Group's assets are capable of serving clients' requirements across the globe, including those in the Middle East, South East Asia, West Africa, North America, the Gulf of Mexico and Europe.

The GMS fleet of 13 SESVs is amongst the youngest in the industry, with an average age of nine years. The vessels support GMS's clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are opex-led activities), as well as offshore oil and gas platform installation and decommissioning and offshore wind turbine installation (which are capex-led activities).

The SESVs are categorised by size – K-Class (Small), S-Class (Mid) and E-Class (Large) – with these capable of operating in water depths of 45m to 80m depending on leg length. The vessels are four-legged and are self-propelled, which means they do not require tugs or similar support vessels for moves between locations in the field; this makes them significantly more cost-effective and time-efficient than conventional offshore support vessels without self-propulsion. They have a large deck space, crane capacity and accommodation facilities (for up to 300 people) that can be adapted to the requirements of the Group's clients.

Gulf Marine Services PLC's Legal Entity Identifier is 213800IGS2QE89SAJF77
www.gmsuae.com

Disclaimer
The content of the Gulf Marine Services PLC website should not be considered to form a part of or be incorporated into this announcement.

Chairman's Review

Building the business for the future

2020 has brought significant challenges for GMS, but the business has responded well and continued to move forward.

The advent of COVID-19 has placed fresh demands on the organisation. The Company was quick to respond, putting in place firm and robust mitigation measures to manage this risk. During this time, we have continued to deliver safe and reliable operations for our customers[4]. The overall financial impact to date on the business has been small.

The drive to further reduce costs is continuing successfully, while at the same time the Company has continued to deliver significant new business despite COVID-19. Current fleet utilisation is at levels not seen since 2016. An agreement has been secured with Lenders[5] to restructure our banking facilities. This has given the business a stable platform, on which to complete the business turnaround and deliver a recapitalisation.

Recent shareholder activity has, however, the potential to frustrate the progress made thus far. Proposed changes voted for at the most recent Annual General Meeting would have deprived the business of an effectively functioning Board. The Board will continue to work to promote the interests of all shareholders, so that the profitable growth trajectory for the business can be maintained.

Governance

On the 30 April 2020 GMS was the recipient of an unsolicited and non-binding approach by Seafox International Limited to purchase the Company, at a price of 7.3 pence per share (later raised to 10 pence).

After consulting widely with its stakeholders, the Board unanimously rejected the proposal as it fundamentally undervalued GMS; the timing was wholly opportunistic, coming at a time of significant macro-economic uncertainty caused by COVID-19, which had artificially depressed share prices.

After receiving the approach and subsequent to the Board's rejection, a majority of shareholders wrote to the Company indicating their unwillingness to accept an offer at this price. Seafox subsequently withdrew from proceeding to make a firm offer to all shareholders, instead purchasing further shares in GMS at an average cost of 21.22p per share, taking its total shareholding to 29.99% as at 10 June 2020 (from 13.73% before the possible offer), a price over 3 times their original possible offer.

At the Annual General Meeting, held on 30 June 2020, three large shareholders voted together against the Remuneration Policy, the Directors' Remuneration Report, and various related proposals concerning

[4] Client staff on only two of our vessels have tested positive for COVID-19 during 2020.
[5] The group of six banks with whom the facilities are held.

remuneration (amendments to the LTIP scheme, deferred bonus plan, executive share awards etc). They also voted to remove three Directors: Mr. Steve Kersley (Chief Financial Officer), Mr. Mike Turner (Senior Independent Non-Executive Director and Chair of the RemCo) and Mr. David Blewden (Independent Non-Executive Director and Chair of the Audit and Risk Committee).

Other than nine shares held by a single shareholder, the only shareholdings that voted against every resolution that failed to pass were beneficially owned by Seafox International Limited, Mazrui Investments LLC and Horizon Energy LLC, and shares held in two Swiss nominee accounts, which in aggregate represent 1.3% of the Company's issued share capital. The Company has informed the relevant authorities.

The removal of these Directors resulted in the Board being reduced to only three Directors. The Company was left without a lawfully constituted and functioning Audit Committee due to the lack of an independent director with relevant financial experience to serve as its Chair in line with UK Governance Guidelines[6]. The Board also believed that it would be inappropriate to issue its half year financial report without it having been reviewed and approved by an Audit and Risk Committee with the requisite experience and competence, which it would not have had with only a single independent director.

In light of these limitations and to ensure that the continued management of the business be subject to oversight by a balanced board of suitably qualified, independent directors, the Board reluctantly exercised its power under the Company's Articles of Association to reappoint Mr. Turner and Mr. Blewden as directors of the Company with immediate effect.

Total legal and advisory fees relating to the various Seafox approaches currently amount to US$ 2.8 million.

Group performance

Adjusted EBITDA at US$ 31.4 million was 34% above that achieved in the comparative period last year[7]. That represents a remarkable achievement, given the headwinds that the business has faced – the COVID-19 pandemic and its impact on operations, the supply chain, oil demand and charter rates; the need to manage a very tight liquidity position while banking arrangements were placed on a stable footing; the inevitable disruption caused by a potential takeover offer; and attempts to substantially change the Board composition.

We have now secured savings of US$ 16.5 million since the cost savings programme began in March 2019 and will now extend the target to US$ 18.5 million of savings, on an annualised basis.

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[6] UK Disclosure and Transparency Rule 7.1 ("DTR 7.1").
[7] H1 2019 adjusted EBITDA of US$ 23.4 million. See note 4 of the condensed consolidated financial statements for details.

Delivery of cost savings has focused on creating a lean organisation. Onshore headcount now stands at 59 compared to 113 at the end of 2018. Vessel crew size has also been streamlined, and the overall crew pool optimised. We have also focused on the asset footprint and the cost effectiveness of the supply chain. The Musaffah office and yard relocation is the latest step in this journey, building on the work already carried out closing offices and port facilities in North-West Europe and the Middle East. We have also delivered significant savings by retendering material supply contracts. The Framework Agreement with Zakher Marine International will deliver further opportunities. We have already completed three tenders to leverage fleet scale since the Agreement was signed in May 2020, with cost savings of around 25% on average.

Continuing to deliver new business through the height of the pandemic highlights the trust that clients place in GMS as a preferred supplier. Utilisation already secured for 2020 stands at 83% (compared to 69% delivered in the whole of the previous year). All vessels are currently on hire, with 5 out of the fleet of 13 currently on long term contracts (of 3 – 5 years).

This has also underpinned the turnaround in profitability in what has been a very difficult commercial environment. In August 2019, at the time of leadership change, EBITDA guidance for 2019 was set at US$ 45-48 million. We are pleased to be able to reconfirm our 2020 guidance at January of US$ 57-62 million and furthermore are now expecting to be at the top end of this range.

Capital structure and liquidity

On 10 June 2020, GMS closed the deal to restructure its debt facilities. This was a very important milestone for the business.

This has removed the material uncertainties[8] regarding the business's ability to continue as a Going Concern, allowing Management to focus on growing profitability, while recapitalising the business.

Commercial and Operations

The operational and commercial challenges of COVID-19 have been significant for almost every business around the globe. GMS was decisive in putting in place mitigation measures. Further cost savings were delivered to improve financial resilience. Crew changes were restricted offshore, and onshore staff moved swiftly to virtual working. Testing, cleaning and quarantine procedures have been rigorously enforced.

The results have been positive. Only two vessels have reported COVID-19 cases and the impact on revenues has been marginal (only 1% of anticipated revenue lost during 2020). Virtual working procedures have worked smoothly onshore with minimal operational disruption. Through a carefully managed transition process, 75% of onshore staff are now office based again. Supply chain disruption has been minimal.

[8] Material uncertainties that existed at the time of the issuance of the Group 2019 Annual Report.

From a commercial perspective, the decision to move the two cold stacked E-Class vessels from North-West Europe to the Middle East has positioned the business well. Significant tender activity for multi-barge, multi-year contracts remains. Both E-Class vessels were under contract, within weeks of arriving, including work for GMS Evolution, which has used the new technology of the cantilever system, saving our customer time and improving safety during coiled tubing well-work operations. The business will deliver utilisation levels in 2020 not seen since 2016.

During the first half of 2020 4 contracts have been delivered, totalling 8.5 years in secured revenues. The Backlog position is robust, notwithstanding the disruption caused by COVID-19, which has pushed back some tender activity in the short term. Secured backlog now stands at US$ 225.1 million[9]. This is up by US$ 14.6 million (7%) compared to the same period last year.[10]

Outlook

The current rate environment is challenging, but the business has been able to deliver profitable growth through delivering a step change reduction in the cost base. Consequently, we can reconfirm our forward 2020 EBITDA guidance of US$ 57-62 million, announced in January and are now confident of delivering at the upper end of this range.

GMS is now moving forward into a growth phase. Delivery of significant new business with clients in current market conditions is a powerful indicator that the business can deliver consistently high levels of utilisation. We are building on the quality of our assets, our reputation for high operating standards, and our reinvigorated relationships with customers.

While there has been a deferral of some tender activity, demand in our core Middle Eastern market remains active, underpinning the high utilisation levels delivered for the current year. The decision to relocate our two E-Class vessels has positioned us well.

The delivery of the bank restructuring represents an important milestone for the business, bringing much needed stability to our financial position. Building on this foundation, the business is well positioned to deliver an equity recapitalisation providing we can secure shareholder support. The delivery of a constructive outcome to the current disagreements over governance issues will be critical to bringing this about.

[9] As at 1 August 2020, comprising US$ 140.6 million firm and US$ 84.5 million of options.
[10] At the time of the issuance of the Half Year 2019 results (29 September 2019).

Financial Review

	H1 2020	H1 2019
	US$m	US$m
Revenue	49.8	55.0
Gross profit	14.4	9.7
General and administrative expenses	4.9	8.6
Adjusted EBITDA[11]	31.4	23.4
Asset impairment	0.0	(4.6)
Loss for the period after tax	(6.7)	(16.7)
Adjusted profit/(loss) for the period	1.8	(12.2)
Net cash flow before debt service[12]	15.2	14.1

Summary

Adjusted EBITDA increased 34% to US$ 31.4 million (H1 2019: US$ 23.4 million) with an adjusted EBITDA margin of 63% (H1 2019: 43%). This reflects the benefit of cost savings and improved utilisation, despite the impact of COVID-19 on the market environment and operations. Full year 2020 EBITDA guidance of US$ 57.0 – 62.0 million is reconfirmed and is expected to be at the upper end of the range

Revenue reduced by 9% to US$ 49.8 million (H1 2019: US$ 55.0 million), mainly reflecting lower day rates, which have more than offset the improvement in utilisation. Overall average day rates deteriorated by 16% compared to H1 2019 mainly reflecting a decline in E-Class rates, in part due to the expiry of legacy contracts taken out before 2018.

The reduction in rates was more than offset by a significant reduction in costs and improvement in utilisation. Utilisation has increased to 78% (up 9 percentage points) reflecting a significant increase in the utilisation of K-Class vessels, where 3 of the 6 vessels are now on long-term contracts. S-Class vessel utilisation stayed broadly stable at almost 100%. E-Class utilisation has increased (to 58% from 54% in the prior period) which is a strong performance, given the time needed to relocate two of the four vessels to the Middle East.

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[11] The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In 2020 the adjusting items reflect US$ 6.8 million as the cost of transporting 2 E-Class vessels from the North Sea to the Middle East, together with restructuring costs of US$ 0.3 million and Seafox bid defence costs of US$ 1.4 million. In 2019 they included a non-cash impairment charge on property, plant and equipment of US$ 4.6 million. For details and further information on Alternative Performance Measures, refer to the Glossary.

[12] Net cash flow before debt service is the sum of cash generated from operations and investing activities.

Cost of Sales has decreased by US$ 5.2 million to US$ 35.4 million reflecting the full year impact of the cost savings programme, commenced in the previous year. Secured savings from that programme since it began in March 2019 currently stand at US$ 16.5 million. Included in 2020 cost of sales is an amount of US$ 6.8 million which relates to the relocation of two E-Class vessels to the MENA region. This has been treated as an exceptional item and therefore excluded for the purposes of calculating adjusted EBITDA and adjusted net profit. EBITDA before adjustment was US$ 22.9 million (H1 2019: US$ 18.8 million). General and Administration expenses have also been reduced substantially from US$ 8.6 million to US$ 4.9 million (43%) as a result of the cost savings programme.

The reduced loss for the period after tax of US$ 6.7 million (H1 2019: US$ 16.7 million) reflects increased EBITDA, reduced depreciation and lower finance costs, as well as the impairment of US$ 4.6 million in H1 2019 (H1 2020: nil).

Total capital expenditure for H1 2020 reduced to US$ 1.7 million (H1 2019: US$ 4.2 million) reflecting the phasing of maintenance and client specific capex on existing vessels. Net cash flow before debt service[13] is slightly higher at US$ 15.2 million (H1 2019: US$ 14.1 million) reflecting the impact of cost savings which have more than offset a decline in revenue.

An amendment to the Company's common terms agreement and related loan documentation, to restructure debt facilities, was executed with Lenders on 10 June 2020. This has re-established the Group's access to its working capital facilities, and reprofiled debt repayments and covenant tests to more sustainable levels. With lower LIBOR rates, interest in the second half of the year is expected to be approximately 5.3% (H2 2019 7.2%). This will provide the business with the necessary financial stability for management to focus on continuing to drive further improvements to operational and financial performance. The Group has agreed that if by 31 December 2020, it has not successfully completed a capital increase of at least US$ 75.0 million (net) and made a prepayment in respect of the debt outstanding, it will be required to issue warrants to the Banks and pay additional 5% interest on a PIK basis. The warrant issue is subject to shareholder approval. The total cost of restructuring was US$ 15.2 million, comprising bank fees, advisor fees paid on behalf of the banks and professional fees. These transaction costs have been recorded as a deduction against borrowings.

Revenue and segmental profit

The table below shows the contribution to revenue and segment gross profit or loss made by each vessel class during the period.

[13] Net cash flow before debt service is the sum of cash generated from operations and investing activities.

(US$'000) Vessel Class	Revenue H1 2020	Revenue H1 2019	Segmented gross profit/(loss) H1 2020	Segmented gross profit/(loss) H1 2019
E-Class vessels	13,186	18,951	(3,308)	259
S-Class vessels	16,200	18,201	8,160	5,847
K-Class vessels	20,407	17,815	9,627	5,703
Sundry rental income	1	2	(123)	(2,071)
Total	49,794	54,969	14,356	9,738

Revenue in H1 2020 was US$ 49.8 million (H1 2019: US$ 55.0 million). This mainly reflects the impact of lower vessel day rates, particularly for our E-Class vessels. Vessel day rates remained under pressure during the current year, with the average for the fleet decreasing to US$ 26k (H1 2019: US$ 31k). The average day rates for E-Class vessels decreased to US$ 30k (H1 2019: US$ 43k), for S-Class vessels to US$ 32k (H1 2019: US$ 34k) and for K-Class vessels increased to US$ 22k (H1 2019: US$ 21k).

The reduction in E-Class rates arises due to completion of two legacy contracts in North West Europe, which were secured pre-2018 and one contract which was secured at a higher rate due to the short-term notice on the vessel requirement. For much of the second half of 2019, two of the three vessels stationed in North West Europe were cold stacked, reflecting the significant drop in oil and gas activity.

A decision was therefore made to relocate two E-Class vessels from North West Europe to the Middle East, given the higher levels of activity in the region. These vessels arrived safely in February on time and on budget.

The revenue impact of lower rates has been partially offset by a significant improvement in total fleet utilisation to 78% (H1 2019: 69%). This has been driven by a material increase in the utilisation of K-Class vessels to 86% (compared to 65% in H1 2019). Three of the six K-Class vessels have now secured long-term contracts of 3-5 years.

S-Class and E-Class utilisation has remained broadly stable (92% compared to 96% H1 2019 for S-Class and rising to 58% from 54% for E-Class). The stable high level of S-Class utilisation reflects the strong marketability of these vessels, even in difficult market conditions. Two of the three vessels are on long-term contracts[14].

[14] Contracted till Q4 2023 and Q3 2024 respectively.

Cost of sales and general and administrative expenses

Cost of Sales has decreased by US$ 5.2 million to US$ 35.4 million reflecting the full year impact of the cost savings programme which commenced in the previous year. These costs include the cost of relocating two E-Class vessels to the Middle East from North West Europe (US$ 6.8 million), which have been included as an adjusting item.

The Group announced the delivery of annualised cost savings of US$ 13.0 million at the end of 2019, with further savings expected to be delivered in the current year. Cumulative savings secured since the programme began in March 2019 now stand at US$ 16.5 million, following further headcount reductions, continued retendering of supplier contracts and the decision to relocate to lower cost Head Office and yard facilities. Further savings are currently being sought. A revised target for annualised savings of US$ 18.5 million has now been set. Delivery of further savings will focus in particular on economies of scale and other synergies to be derived from the Framework Agreement recently signed with Zakher Marine International.

Depreciation and amortisation included in cost of sales decreased to US$ 14.8 million (H1 2019: US$ 16.5 million), reflecting lower asset carrying values following impairments in H1 2019 of US$ 4.6 million.

General and administrative expenses fell by 43% from US$ 8.6 million to US$ 4.9 million reflecting the full impact of cost savings implemented in 2019. General and administrative expenses excluding depreciation, amortisation and adjusting items[15] reduced by 39% to US$ 4.5 million (H1 2019: US$ 7.5 million), reflecting the full year impact of the cost savings delivered in 2019, in conjunction with further headcount reductions in 2020.

Finance related costs

Finance costs in the period to 30 June 2020 were lower by 15% at US$ 14.1 million versus H1 2019: US$ 16.5 million, reflecting lower Libor rates and also lower interest payments following repayment of principal sums. The average borrowing rate in the period was 6.7% compared to 7.7% in H1 2019.

In H1 2020, there was a net foreign exchange gain of US$ 0.2 million (H1 2019: loss of US$ 0.5 million) arising from movements in exchange rates of the Pound Sterling and Euro against the US Dollar. Both the Pound Sterling and Euro strengthened against the US dollar. The taxation expense remained flat at US$ 0.9 million (H1 2019: US$ 1.0 million). There are no currency hedges in place.

[15] The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In 2020 the adjusting items reflect US$ 6.8 million as the cost of transporting 2 E Class vessels from the North Sea to the Middle East, together with restructuring costs of US$ 0.3 million and Seafox bid defence costs of US$ 1.4 million. In 2019 they included a non-cash impairment charge on property, plant and equipment of US$ 4.6 million. For details and further information on Alternative Performance Measures, refer to the Glossary.

Cash flow and liquidity

The Group's net cash generated from operating activities remained flat at US$ 18.4 million (H1 2019: net inflow of US$ 20.0 million). The net cash outflow from investing activities for H1 2020 reduced to US$ 3.1 million (H1 2019: US$ 6.0 million) as a result of lower levels of capital expenditure. The Group's net cash flow from financing activities during the period was an outflow of US$ 17.0 million (H1 2019: US$ 22.2 million) relating to US$ 27.3 million of amortisation and US$ 16.9 million of interest payments on the term loan, US$ 10.3 million on bank and adviser fees relating to the debt restructuring, offset by a combined drawdown of US$ 38.3 million on the new loan and working capital facility.

Balance sheet

Total current assets at 30 June 2020 were US$ 39.3 million (31 December 2019: US$ 47.9 million). This mainly reflects a reduction in trade and other receivables which fell to US$ 32.7 million (31 December 2019: US$ 39.2 million), reflecting lower revenue together with more disciplined working capital management. Total current liabilities decreased to US$ 41.8 million at 30 June 2019 (31 December 2019: US$ 437.1 million), primarily as a result of US$ 385.9 million of bank borrowings being reclassified to due after more than one year, following the completion of the agreement on debt restructuring.

Total non-current assets at 30 June 2020 were US$ 713.3 million (31 December 2019: US$ 722.3 million). This decrease is primarily attributable to the decrease in the net book value of property, plant and equipment arising from the non-cash impairment of US$ 4.6 million booked in 2019 and depreciation of US$ 12.9 million during the period offset by capital expenditure of US$ 1.7 million. Total non-current liabilities increased to US$ 389.5 million (31 December 2019: US$ 3.5 million) as a result of the reclassification of bank borrowings discussed above.

Total net borrowings as at 30 June 2020 reduced to US$ 394.4 million (31 December 2019: US$ 398.5 million) mainly arising from a net payment of US$ 4.5 million to the Group's working capital facility. This reflects the reduction in the term facility due to the repayment of amortisation payments, offset by a drawdown on the newly granted working capital facility required mainly to settle bank and adviser fees required to complete the debt restructuring.

Total equity decreased from US$ 329.7 million at 31 December 2019 to US$ 321.3 million at 30 June 2020. The movement is mainly attributed to the loss incurred during the period of US$ 6.7 million.

Going concern

The Financial Statements for the year ended 31 December 2019 contained a material uncertainty statement relating to Going Concern. Similar statements have been required in each set of Financial Statements issued over the past 18 months, following the potential covenant breaches disclosed by the Company at the end of 2018, which required the renegotiation of the Company's debt facilities.

By the time of issuance of the 2019 Financial Statements the commercial negotiations with Lenders had been completed and were documented in the form of a non-legally binding Term Sheet. Negotiations were well advanced to finalise full legal documentation.

The most recent material uncertainty therefore focused on two issues:
The uncertainties relating to the delivery of a legally binding loan documentation with Lenders.
The short-term liquidity issues arising from the lack of adequate working capital facilities, while final loan documentation was being put in place.

Following the finalisation of the negotiations with Lenders on 10 June 2020, Management have concluded that the Going Concern assumption for the Group's 30 June 2020 condensed consolidated financial statements is now appropriate, without any accompanying statements on material uncertainty.

This is on the following basis:

1. Material Uncertainties regarding potential future covenant breaches have been removed through agreement of the revised debt package with Lenders. The first covenant testing date for one of the covenants is 31 December 2020 and is forecast to be compliant.
2. Renewed access to working capital facilities have enabled the business to pay down suppliers and remove short term liquidity concerns. USD$ 25.0 million of the working capital facility is allocated to performance bonds and guarantees and US$ 25.0 million is allocated to cash, of which US$ 19.0 million was drawn as at 30 June 2020 with a further US$ 2.5 million drawn in July 2020, leaving US$ 3.5 million undrawn, available for cash.
3. Continued delivery of new business through the downturn has underpinned revenue forecasts over the next twelve months[16]. Risks of discounts to existing customers have diminished and are quantifiable. COVID-19 operational disruption has not had a major financial impact on the business. While all of these risks still exist, forecast cash flows still support the Company's ability to service debt obligations and meet covenant tests over the next twelve months.

Related party transactions

During the period there were related party transactions with our partner in Saudi for leases of breathing equipment for some of our vessels and office space totalling US$ 0.3 million (H1 2019: US$ 0.6 million). These transactions were at usual commercial terms.

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. In H1 2020 the adjusting items relate to the relocation of two vessels from the North Sea to the Middle East (US$ 6.8 million), restructuring costs (US$ 0.3 million) and costs incurred of US$ 1.4 million in relation to Seafox bid defence. In H1 2019 the

[16] Secured utilisation to end 2020 of 83% and for 2021 is 54%

adjusting items related to a non-cash impairment charge on non-core property, plant and equipment of US$ 4.6 million.

A reconciliation between the adjusted non-GAAP and statutory results is provided in note 4.

Risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of 2020. The financial risks have been updated to reflect the successful completion of the amendment and extension to the Group's debt structure. A new risk to delivery of our strategy arising from lack of shareholder alignment has also been identified. Other than these, the Directors do not consider that the principal risks and uncertainties have materially changed since the last publication of the Annual Report for the year ended 31 December 2019. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 21 to 25 of the 2019 annual report which is available at www.gmsuae.com.

- Financial – A continuing low share price may prevent GMS from raising sufficient levels of equity to recapitalise the business.
- Strategic - The Group is subject to threats from competitor actions or the entrance of new competitors in the market. Lack of shareholder alignment may threaten delivery of our strategy by causing increased costs and diversion of organisational resources.
- People - Losing skills or failing to attract new talent to our business has the potential to undermine performance.
- Commercial - The Group relies on a limited number of blue-chip clients that may expose it to losses if these relationships breakdown. MENA NOCs have introduced local content requirements as part of their tender processes designed to giving preference to suppliers that commit to improving their local content and levels of spend which may prevent GMS from winning contracts. There is a risk that the Group's fleet capabilities no longer match with changing client requirements. Failure to deliver the specifications and expected performance could lead to reputational damage and impact our ability to win work.
- Compliance and Regulation - The Group has to appropriately identify and comply with laws and regulations and other regulatory statutes.
- Health, Safety, Security, Environment and Quality - The Group's operations have an inherent safety risk due to our offshore operations.
- Brexit - Continuing uncertainty surrounding the UK's exit from the European Union and future legislation in the UK could impact the Group's UK operations.
- Operational - Changes in political landscapes could adversely affect operations. The Group is at risk of loss through financial cybercrime.
- COVID-19 - There is a health and safety risk to staff, both onshore and offshore, who come in contact with confirmed cases. Offshore staff may be unable to board or leave Group vessels,

given restrictions on movement placed by the countries in which we operate. Onshore staff may be unable to work as normal due to mandatory health and safety restrictions, placed by Government, including quarantine and travel restrictions. Disruption might be caused to the supply chain, caused by the impact of COVID-19 on our suppliers' operations. The impact of COVID-19 and the resultant adverse impact on oil prices, on our client's financial position might lead to loss of new business development opportunities, the re-negotiation of existing contracts, or failure of clients to pay on time.

RESPONSIBILITY STATEMENT

Financial information for the period ended 30 June 2020.

We confirm that to the best of our knowledge:

(a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) the interim management report includes a fair view of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair view of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Tim Summers	**Stephen Kersley**
Executive Chairman	Chief Financial Officer
04 August 2020	04 August 2020

INDEPENDENT REVIEW REPORT TO GULF MARINE SERVICES PLC

We have been engaged by Gulf Marine Services plc (the “Company” together with its subsidiaries, the “Group”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
4 August 2020

GULF MARINE SERVICES PLC
Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 June 2020

	Notes	Six months period ended 30 June 2020 US$'000 (Unaudited)	Six months period ended 30 June *Restated** 2019 US$'000 (Unaudited)	Year ended 31 December 2019 US$'000 (Audited)
Revenue	3	**49,794**	54,969	108,721
Cost of sales		**(35,438)**	(40,670)	(74,570)
Impairment charge	10	**-**	(4,561)	(59,125)
Gross profit/(loss)		**14,356**	9,738	(24,974)
General and administrative expenses		**(4,944)**	(8,596)	(17,788)
Restructuring costs	7	**(330)**	-	(6,322)
Seafox bid defence costs	8	**(1,375)**	-	-
Operating profit/(loss)		**7,707**	1,142	(49,084)
Finance income		**7**	8	16
Finance expense	9	**(14,072)**	(16,530)	(32,063)
Loss/(gain) on disposal of property, plant and equipment		**(7)**	3	14
Gain on disposal of assets held for sale		**328**	-	-
Other income		**29**	75	529
Foreign exchange gain/(loss), net		**183**	(474)	(1,181)
Loss for the period/year before taxation		**(5,825)**	(15,776)	(81,769)
Taxation charge for the period/year	5	**(858)**	(959)	(3,696)
Loss for the period/year		**(6,683)**	(16,735)	(85,465)
Other comprehensive income/(loss) – items that may be reclassified to profit or loss:				
Net loss on cash flow hedges		**(3,499)**	(449)	(165)
Net change in cost of hedging		**2,260**	(781)	(1,337)
Exchange differences on translating foreign operations		**(392)**	96	164
Total comprehensive loss for the period/year		**(8,314)**	(17,869)	(86,803)
(Loss)/profit attributable to:				
Owners of the Company		**(6,671)**	(16,955)	(85,778)
Non-controlling interests		**(12)**	220	313
		(6,683)	(16,735)	(85,465)
Total comprehensive (loss)/income attributable to:				
Owners of the Company		**(8,302)**	(18,089)	(87,116)
Non-controlling interests		**(12)**	220	313
		(8,314)	(17,869)	(86,803)
Loss per share				
Basic (cents per share)	6	**(1.90)**	(4.84)	(24.48)
Diluted (cents per share)	6	**(1.90)**	(4.84)	(24.48)

Results in each period/year are derived from continuing operations.

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Details of the restatement relating to IFRS 16 'Leases' adjustment can be found in note 2*

GULF MARINE SERVICES PLC
Condensed Consolidated Balance Sheet
as at 30 June 2020

	Notes	**30 June 2020 US$'000**	31 December 2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**702,857**	714,234
Right-of-use assets		**2,878**	2,644
Dry docking expenditure		**7,606**	5,454
		713,341	722,332
Total non-current assets			
Current assets			
Trade and other receivables	11	**32,669**	39,185
Cash and cash equivalents		**6,630**	8,404
Vessel held for sale		**-**	300
Total current assets		**39,299**	47,889
Total assets		**752,640**	770,221
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**58,057**	58,057
Share premium account		**93,080**	93,080
Restricted reserve		**272**	272
Group restructuring reserve		**(49,710)**	(49,710)
Share option reserve	12	**3,561**	3,572
Capital contribution		**9,177**	9,177
Cash flow hedge reserve		**(2,979)**	520
Cost of hedging reserve		**-**	(2,260)
Translation reserve		**(2,812)**	(2,420)
Retained earnings		**211,053**	217,724
Attributable to the Owners of the Company		**319,699**	328,012
Non-controlling interests		**1,647**	1,659
Total equity		**321,346**	329,671
Non-current liabilities			
Bank borrowings	13	**385,904**	-
Lease liabilities		**1,296**	1,204
Provision for employees' end of service benefits		**2,322**	2,280
Total non-current liabilities		**389,522**	3,484
Current liabilities			
Trade and other payables		**24,593**	31,785
Current tax liability		**4,487**	4,289
Lease liabilities		**1,220**	750
Bank borrowings – scheduled repayments within one year	13	**8,493**	89,284
Bank borrowings – scheduled repayments more than one year	13	**-**	309,218
Derivative financial instruments		**2,979**	1,740
Total current liabilities		**41,772**	437,066
Total liabilities		**431,294**	440,550
Total equity and liabilities		**752,640**	770,221

The accompanying notes form an integral part of these condensed consolidated financial statements.

GULF MARINE SERVICES PLC
Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2020

	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
As at 1 January 2020	58,057	93,080	272	(49,710)	3,572	9,177	520	(2,260)	(2,420)	217,724	328,012	1,659	329,671
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(3,499)	2,260	(392)	(6,671)	(8,302)	(12)	(8,314)
Share options rights charge (note 12)	-	-	-	-	(11)	-	-	-	-	-	(11)	-	(11)
As at 30 June 2020	**58,057**	**93,080**	**272**	**(49,710)**	**3,561**	**9,177**	**(2,979)**	**-**	**(2,812)**	**211,053**	**319,699**	**1,647**	**321,346**
As at 1 January 2019	57,992	93,080	272	(49,710)	3,410	9,177	685	(923)	(2,584)	303,319	414,718	1,346	416,064
Adjustment on adoption of IFRS 16	-	-	-	-	-	-	-	-	-	183	183	-	183
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(165)	(1,337)	164	(85,778)	(87,116)	313	(86,803)
Share options rights charge (note 12)	-	-	-	-	227	-	-	-	-	-	227	-	227
Shares issued under LTIP schemes	65	-	-	-	(65)	-	-	-	-	-	-	-	-
As at 31 December 2019	**58,057**	**93,080**	**272**	**(49,710)**	**3,572**	**9,177**	**520**	**(2,260)**	**(2,420)**	**217,724**	**328,012**	**1,659**	**329,671**

The accompanying notes form an integral part of these condensed consolidated financial statements.

GULF MARINE SERVICES PLC
Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2020

	Six month period ended 30 June		Year ended 31 December
	2020	*Restated** 2019	2019
	US$'000	US$'000	US$'000
Net cash generated from operating activities (note 14)	**18,376**	20,043	51,344
Investing activities			
Payments for property, plant and equipment	**(1,273)**	(3,954)	(4,641)
Proceeds from disposal of property, plant and equipment	**173**	3	14
Proceeds from disposal of assets held for sale	**628**	-	-
Dry docking expenditure incurred	**(2,663)**	(2,013)	(4,813)
Interest received	**7**	8	16
Net cash used in investing activities	**(3,128)**	(5,956)	(9,424)
Financing activities			
Bank borrowings received	**38,250**	5,000	5,000
Repayment of bank borrowings	**(27,326)**	(10,327)	(18,329)
Payment of issue costs on borrowings	**(10,274)**	(92)	(92)
Interest paid	**(16,890)**	(15,607)	(27,708)
Principal element of lease payments	**(782)**	(1,183)	(3,433)
Net cash used in financing activities	**(17,022)**	(22,209)	(44,562)
Net decrease in cash and cash equivalents	**(1,774)**	(8,122)	(2,642)
Cash and cash equivalents at the beginning of the period/year	**8,404**	11,046	11,046
Cash and cash equivalents at the end of the period/year	**6,630**	2,924	8,404
Non-cash transactions			
Shares issued under LTIP schemes	**-**	65	65

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Details of the restatement relating to IFRS 16 'Leases' adjustment can be found in note 2*

1 Corporate information

Gulf Marine Services PLC ("GMS" or the "Company") is a Company which was registered and was incorporated in England and Wales on 24 January 2014. The Company is a public limited liability company with operations mainly in the Middle East, North Africa and Europe. The address of the registered office of the Company 107 Hammersmith Road, London, W14 0QH. The registered number of the Company is 08860816.

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

The Group is engaged in providing self-propelled, self-elevating support vessels (SESVs) that present a stable platform for delivery of a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities, and which are capable of operations in the Middle East, South East Asia, West Africa, North America, the Gulf of Mexico and Europe.

The condensed consolidated financial statements of the Group for the six month period ended 30 June 2020 were authorised for issue on 04 August 2020. The condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated financial statements have been reviewed, not audited.

The Company issued statutory financial statements for the year ended 31 December 2019 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Those financial statements were approved by the Board of Directors on 30 April 2020. The report of the auditor on those accounts was unqualified but referred to the Company's disclosures in respect of a material uncertainty relating to going concern. The report of the auditor on those accounts did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006. The information for the year to 31 December 2019 contained in these condensed consolidated accounts have been extracted from the latest published audited financial statements. A copy of the statutory accounts for year ended 31 December 2019 has been delivered to the Registrar of Companies.

2 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019 as disclosed in the Annual Report, except for the adoption of new standards and interpretations effective as of 1 January 2020.

Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim set of condensed consolidated financial statements included in this half-yearly financial report has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union.

2 Significant accounting policies (continued)

Basis of preparation (continued)

The condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. The condensed consolidated statement of comprehensive income for the six month period ended 30 June 2020 is not affected significantly by seasonality of results.

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 interim results. The Group has committed credit facilities in place at 30 June 2020 (see note 13), comprising an amended term loan facility with a balance of US$ 390.6 million of which US$ 9.0 million is payable within 12 months, and a working capital facility of US$ 50.0 million. USD$ 25.0 million of the working capital facility is allocated to performance bonds and guarantees and US$ 25.0 million is allocated to cash, of which US$ 19.0 million was drawn as at 30 June 2020 with a further US$ 2.5 million drawn in July 2020, leaving US$ 3.5 million undrawn, available for cash. The facility is subject to certain financial covenants, none of which are to be tested at the 30 June 2020 reporting date. The next testing date for one of the covenants is 31 December 2020 (see note 13 for further details), with the remaining covenants subject to testing at 30 June 2021.

The assessment has been made on the following assumptions:

- The Group has a high level of committed contracts for its vessels that underpins current revenue forecasts in the period under review. These contracts provide the Group with relatively high EBITDA margins from a core base of customers that typically have a strong credit profile and a reliable payment track record, which has continued during the COVID-19 pandemic and commodity price drops in 2020. Whilst uncertainty exists over the Group's ability to secure further contracts with customers for the unsecured period in the coming 12 months, and despite the continued downward pressure on charter rates, the Group has proven its ability to win contract awards throughout a challenging 2020 period.
- The Group has secured US$ 16.5 million in annualised savings via cost reduction measures which have reduced the Group's cost basis over the foreseeable future.
- Liquidity and covenant compliance have been tested against hypothetical downside scenarios, mainly driven by the potential market risks to rates and the delivery of additional business.

Although the Directors cannot predict the extent and duration of the COVID-19 pandemic and the impact that this will have, particularly on commodity prices and associated market demand, as above the Directors have undertaken a rigorous assessment of the potential impacts for 12 months from the date of approval of these interim statements. In conclusion, the stress testing and sensitivity analysis on both the Group's liquidity and covenant positions has indicated that the Group would still have sufficient cash flow to meets its obligations as they fall due based on available cash and the undrawn working capital facility available to them.

2 Significant accounting policies (continued)

Going concern (continued)

On the basis of their assessment of the Group's financial position for a period of not less than 12 months from the date of approval of the half year results, the Group's Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing the condensed consolidated financial statements.

New and amended standards adopted by the Group

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019 as disclosed in the Annual Report, except for the adoption of new standards and interpretations effective as of 1 January 2020.

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Annual Improvements 2018-2020 Cycle

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods and did not require any retrospective adjustments but may affect the accounting for future transactions or arrangements. The full revised accounting policies applicable from 1 January 2020 will be provided in the Group's annual financial statements for the year ending 31 December 2020.

IFRS 16 'Leases' adjustment

During the second half of 2019, the Group identified certain leases which met the criteria for recognition in accordance with IFRS 16. As a result, the Group recognised additional right of use assets and lease labilities for these leases. As required by IFRS Standards, prior period comparatives have been restated to ensure the comparatives reflect the updated values. The impact of this adjustment is shown below.

2 Significant accounting policies (continued)

IFRS 16 'Leases' adjustment (continued)

Impact to the Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2019 US$'000 As reported	US$'000 Adjustments	6 months ended 30 June 2019 US$'000 Restated
Revenue	54,969	-	54,969
Cost of sales	(40,903)	233	(40,670)
Impairment charge	(4,561)	-	(4,561)
Gross profit	9,505	233	9,738
General and administrative expenses	(8,596)	-	(8,596)
Restructuring costs	-	-	-
Operating profit	909	233	1,142
Finance income	8	-	8
Finance expense	(16,437)	(93)	(16,530)
Loss/(gain) on disposal of property, plant and equipment	3	-	3
Gain on disposal of assets held for sale	-	-	-
Other income	75	-	75
Foreign exchange gain/(loss), net	(474)	-	(474)
Loss for the period before taxation	(15,916)	140	(15,776)
Taxation charge for the period	(959)	-	(959)
Loss for the period	(16,875)	140	(16,735)

2 Significant accounting policies (continued)

IFRS 16 'Leases' adjustment (continued)

Impact to the Condensed Consolidated Statement of Cashflows

	6 months ended 30 June 2019 US$'000 As reported	US$'000 Adjustments	6 months ended 30 June 2019 US$'000 Restated
Net cash generated from operating activities	18,939	1,104	20,043
Investing activities			
Payments for property, plant and equipment	(3,954)	-	(3,954)
Proceeds from disposal of property, plant and equipment	3	-	3
Proceeds from disposal of assets held for sale	-	-	-
Dry docking expenditure incurred	(2,013)	-	(2,013)
Interest received	8	-	8
Net cash used in investing activities	(5,956)	-	(5,956)
Financing activities			
Bank borrowings received	5,000	-	5,000
Repayment of bank borrowings	(10,327)	-	(10,327)
Payment of issue costs on borrowings	(92)	-	(92)
Interest paid	(15,607)	-	(15,607)
Principal element of lease payments	(79)	(1,104)	(1,183)
Net cash used in financing activities	(21,105)	(1,104)	(22,209)
Net decrease in cash and cash equivalents	(8,122)	-	(8,122)
Cash and cash equivalents at the beginning of the period	11,046	-	11,046
Cash and cash equivalents at the end of the period	2,924	-	2,924

Notes to the condensed consolidated financial statements (continued)
for the period ended 30 June 2020

3 Segment reporting

The segment information provided to the chief operating decision makers for the operating and reportable segments for the period include the following:

	Revenue			Segment adjusted gross profit/(loss)*		
	6 months ended 30 June		31 December	6 months ended 30 June		31 December
		Restated			*Restated*	
	2020	2019	2019	**2020**	2019	2019
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
E-Class vessels	**13,186**	18,951	35,984	**2,935**	8,354	18,779
S-Class vessels	**16,200**	18,201	35,422	**11,498**	11,881	23,578
K-Class vessels	**20,407**	17,815	37,313	**14,738**	10,639	23,200
Other	**1**	2	2	**(9)**	(26)	(87)
Total	**49,794**	54,969	108,721	**29,162**	30,848	65,470
Less:						
Depreciation charged to cost of sales				**(12,761)**	(14,681)	(29,045)
Amortisation charged to cost of sales				**(2,045)**	(1,868)	(2,274)
Impairment charge				**-**	(4,561)	(59,125)
Gross profit/(loss)				**14,356**	9,738	(24,974)
General and administrative expenses				**(4,944)**	(8,596)	(17,788)
Restructuring costs				**(330)**	-	(6,322)
Seafox bid defence costs				**(1,375)**	-	-
Finance income				**7**	8	16
Finance expense				**(14,072)**	(16,530)	(32,063)
(Loss)/Gain on disposal of property plant and equipment				**(7)**	3	14
Gain on disposal of assets held for sale				**328**	-	-
Other income				**29**	75	529
Foreign exchange gain/(loss), net				**183**	(474)	(1,181)
Loss before taxation				**(5,825)**	(15,776)	(81,769)

**See Glossary.*

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

4 Presentation of adjusted non-GAAP results

The following table provides a reconciliation between the statutory and non-statutory financial results:

	Six months ended 30 June 2020			Restated Six months ended 30 June 2019		
	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	49,794	-	49,794	54,969	-	54,969
Cost of sales						
-Operating expenses*	(13,837)	(6,794)	(20,631)	(24,121)	-	(24,121)
Segmented Gross profit	35,957	(6,794)	29,163	30,848	-	30,848
-Depreciation and amortisation	(14,807)	-	(14,807)	(16,549)	-	(16,549)
-Impairment charge**	-	-	-	-	(4,561)	(4,561)
Gross profit	21,150	(6,794)	14,356	14,299	(4,561)	9,738
General and administrative						
-Depreciation and amortisation	(404)	-	(404)	(1,131)	-	(1,131)
-Other administrative costs	(4,540)	-	(4,540)	(7,465)	-	(7,465)
Restructuring costs***	-	(330)	(330)	-	-	-
Seafox bid defence costs****	-	(1,375)	(1,375)	-	-	-
Operating profit	16,206	(8,499)	7,707	5,703	(4,561)	1,142
Finance income	7	-	7	8	-	8
Finance expense	(14,072)	-	(14,072)	(16,530)	-	(16,530)
(Loss)/Gain on disposal of asset	(7)	-	(7)	3	-	3
Gain on disposal of assets held for sale	328	-	328	-	-	-
Other income	29	-	29	75	-	75
Foreign exchange gain/(loss), net	183	-	183	(474)	-	(474)
Profit/(Loss) before taxation	2,674	(8,499)	(5,825)	(11,215)	(4,561)	(15,776)
Taxation charge	(858)	-	(858)	(959)	-	(959)
Net profit/(loss) after tax	1,816	(8,499)	(6,683)	(12,174)	(4,561)	(16,735)
Profit/(loss) attributable to						
Owners of the Company	1,828	(8,499)	(6,671)	(12,394)	(4,561)	(16,955)
Non-controlling interests	(12)	-	(12)	220	-	220
Profit/(Loss) per share	0.52	(2.42)	(1.90)	(3.54)	(1.30)	(4.84)
Supplementary non-statutory information						
Operating profit	16,206	(8,499)	7,707	5,703	(4,561)	1,142
Add: Depreciation and amortisation charges	15,211	-	15,211	17,680	-	17,680
Non-GAAP EBITDA	31,417	(8,499)	22,918	23,383	(4,561)	18,822

**Costs to transfer vessels to geographical locations are not considered part of the regular underlying performance of the business and so have been added back to arrive at adjusted gross profit for the period ended 30 June 2020.*
***The impairment charge on property, plant and equipment had been added back to operating profit to arrive at the adjusted loss for the prior period.*
****Restructuring costs incurred are not considered part of the regular underlying performance of the business and so have been added back to arrive at adjusted operating profit for the period ended 30 June 2020.*
***** Seafox bid defence costs incurred are non-routine and so have been added back to arrive at adjusted operating profit for the period ended 30 June 2020.*

5 Taxation

The effective tax rate was 14.7% for the year ended June 2020 (Six months ended June 2019: 6.0%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the Group's pre-tax loss of the six month period. The increase in the effective tax rate is the result of an increase in Group revenue earned in taxable jurisdictions leading to an increase in withholding tax and corporation tax.

The withholding tax included in the current tax charge amounted to US$ 0.8 million (six month period ended June 2019: US$ 1.0 million).

6 Loss per share

	6 months ended 30 June 2020	*Restated* 6 months ended 30 June 2019	Year ended 31 December 2019
Loss for the purpose of basic and diluted loss per share being loss for the period attributable to Owners of the Company (US$'000)	**(6,671)**	(16,955)	(85,778)
Loss for the purpose of adjusted basic and diluted loss per share (US$'000) (note 4)	**1,828**	(12,394)	(20,331)
Weighted average number of shares ('000)	**350,488**	350,195	350,357
Weighted average diluted number of shares ('000)	**350,488**	350,195	350,357
Basic loss per share (cents)	**(1.90)**	(4.84)	(24.48)
Diluted loss per share (cents)	**(1.90)**	(4.84)	(24.48)
Adjusted earnings/(loss) per share (cents)	**0.52**	(3.54)	(5.8)
Adjusted diluted earnings/(loss) per share (cents)	**0.52**	(3.54)	(5.8)

6 Loss per share (continued)

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

Adjusted loss per share is calculated on the same basis but uses the loss for the purpose of basic earnings per share (shown above) adjusted by adding back one off costs to transfer vessels to new geographical locations (US$ 6.8 million), non-operational restructuring costs (US$ 0.3 million) and Seafox bid defence costs (US$ 1.4 million) which have been charged to the income statement (see note 4). The adjusted 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 owners of the Company for the period by the weighted average number of ordinary shares in issue during the period. As the Group incurred a loss for the periods ended 30 June 2020 and 30 June 2019 and for the year ended 31 December 2019, the diluted loss per share is the same as loss per share, as the effect of any share options is anti-dilutive.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 4) attributable to the equity shareholders of the Company.

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

	30 June 2020 000's	*Restated* 30 June 2019 000's	31 December 2019 000's
Weighted average basic number of shares in issue	**350,488**	350,195	350,357
Weighted average diluted number of shares in issue	**350,488**	350,195	350,357

7 Restructuring costs

During 2019, the organisational structure was simplified with a number of management posts removed and not replaced. In addition, the operational footprint was reviewed and certain operations in the UK and MENA were closed. Consultancy costs incurred mainly relate to legal advice on restructuring and Board changes. In 2020, further restructuring occurred, with additional staff costs of US$ 0.3 million (Six months ended June 2019: US$ nil).

The total estimated restructuring costs is expected to be US$ 6.6 million, of which US$ 6.3 million was incurred in 2019 and US$ 0.3 million was incurred in 2020 (Six months ended June 2019: US$ nil). At 30 June 2020 the remaining provision was US$ 0.9 million (31 December 2019: US$ 1.9 million), which is expected to be fully utilised over the next 6 months.

8 Seafox bid defence costs

During the current period, as a result of the non-binding proposed offer to buy the share capital of the Company from our largest shareholder, additional fees have been incurred totaling US$ 1.4 million (Six months ended June 2019: US$ nil).

9 Finance expenses

	30 June 2020 US$'000	*Restated* 30 June 2019 US$'000
Interest on bank borrowings	**13,806**	16,141
Interest on finance leases*	**92**	173
Amortisation of issue costs and commitment fees	**174**	216
	14,072	16,530

**Details of the prior period restatement relating to IFRS 16 'Leases' adjustment can be found in note 2.*

GULF MARINE SERVICES PLC
Notes to the condensed consolidated financial statements (continued)
for the period ended 30 June 2020

10 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						
Balance as at 1 January 2020	**884,497**	**4,857**	**10,488**	**60,743**	**3,670**	**964,255**
Additions	-	1,710	-	-	-	1,710
Transfers	2,260	(3,373)	-	1,113	-	-
Eliminated on disposal	(180)	-	-	-	(100)	(280)
Balance as at 30 June 2020	**886,577**	**3,194**	**10,488**	**61,856**	**3,570**	**965,685**
Accumulated Depreciation						
Balance at 1 January 2020	**221,805**	**2,845**	**8,014**	**13,823**	**3,534**	**250,021**
Eliminated on disposal	-	-	-	-	(100)	(100)
Depreciation expense	11,320	-	198	1,359	30	12,907
Balance as at 30 June 2020	**233,125**	**2,845**	**8,212**	**15,182**	**3,464**	**262,828**
Net Book Value as at 30 June 2020	**653,452**	**349**	**2,276**	**46,674**	**106**	**702,857**

10 Property, plant and equipment (continued)

	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						
Balance as at 1 January 2019	**908,851**	**12,765**	**10,469**	**60,774**	**3,700**	**996,559**
Additions	-	4,913	-	-	-	4,913
Transfers	12,438	(12,821)	19	285	79	-
Eliminated on disposal	-	-	-	(37)	(49)	(86)
Write off	(1,597)	-	-	(279)	(60)	(1,936)
Reclassification to vessel held for sale	(35,195)	-	-	-	-	(35,195)
Balance as at 31 December 2019	**884,497**	**4,857**	**10,488**	**60,743**	**3,670**	**964,255**
Accumulated Depreciation						
Balance at 1 January 2019	**176,274**	**-**	**7,167**	**11,002**	**3,521**	**197,964**
Eliminated on disposal	-	-	-	(37)	(49)	(86)
Depreciation expense	25,743	-	847	3,137	122	29,849
Impairment charge	56,280	2,845	-	-	-	59,125
Write off	(1,597)	-	-	(279)	(60)	(1,936)
Reclassification to vessel held for sale	(34,895)	-	-	-	-	(34,895)
Balance as at 31 December 2019	**221,805**	**2,845**	**8,014**	**13,823**	**3,534**	**250,021**
Net Book Value as at 31 December 2019	**662,692**	**2,012**	**2,474**	**46,920**	**136**	**714,234**

11 Trade and other receivables

	30 June 2020 US$'000	31 December 2019 US$'000
Trade receivables	**23,139**	25,107
Less: Allowances for trade receivables	**(77)**	(128)
Trade receivables, net	**23,062**	24,979
Accrued revenue, net	**1,585**	48
Prepayments and deposits	**6,865**	12,465
Other receivables	**1,157**	1,693
	32,669	39,185

12 Share option reserve

Share based expenses for the period of US$ 0.0 million (Six month period ended June 2019: US$ 0.7 million) relate to awards granted to employees under the Group's LTIP. The charge is included in cost of sales and general and administrative expenses in the condensed consolidated statement of comprehensive income.

13 Bank borrowings

Bank borrowings relate to the bank facility provided by a group of six banks, which comprises of term loans and amounts available under revolving working capital facilities.

Secured borrowings at amortised cost are as follows:

	30 June 2020 US$'000	31 December 2019 US$'000
Term loans	**390,558**	373,502
Working capital facility	**19,000**	25,000
Less unamortised issue costs	**(15,161)**	-
	394,397	398,502

13 Bank Borrowings (continued)

Bank borrowings are presented in the condensed consolidated balance sheet as follows:

	30 June 2020 US$'000	31 December 2019 US$'000
Non-current		
Bank borrowings – scheduled repayments more than one year	**385,904**	-
Current		
Bank borrowings – scheduled repayments within one year	**8,493**	89,284
Bank borrowings – scheduled repayments more than one year	**-**	309,218
	394,397	398,502

The Group has undrawn loan facilities at the period/year end as shown below:

	30 June 2020 US$'000	31 December 2019 US$'000
Working capital facility available for cash	**25,000**	50,000
Less: Drawdown	**(19,000)**	(25,000)
Undrawn working capital facility available for cash	**6,000**	25,000
Working capital facility available for performance bonds and guarantees	**25,000**	-
Less: Existing bonds in place	**(17,853)**	-
Undrawn working capital facility available for performance bonds and guarantees	**7,147**	-
Available working capital facility	**13,147**	25,000

13 Bank Borrowings (continued)

Net debt as at the end of the period/year was as follows:

	30 June 2020 US$'000	31 December 2019 US$'000
Bank borrowings net of issue costs	**394,397**	398,502
Less: Cash and cash equivalents	**(6,630)**	(8,404)
Total	**387,767**	390,098

The table below details changes in bank borrowings arising from financing activities, including both cash and non-cash changes.

	Bank borrowings US$'000
At 1 January 2019	411,515
<u>Financing cash flows</u>	
Proceeds from bank borrowings	5,000
Repayment of bank borrowings	(18,329)
<u>Non-cash changes:</u>	
Amortisation of discount on financial liabilities	316
At 31 December 2019	398,502
<u>Financing cash flows</u>	
Proceeds from bank borrowings	**38,250**
Net repayment in bank borrowings	**(27,326)**
Payment of issue costs on bank borrowings	**(10,274)**
<u>Non-cash changes:</u>	
Movement in prepaid/accrued issue costs	**(4,887)**
Amortisation of discount on financial liabilities	**132**
At 30 June 2020	**394,397**

13 Bank Borrowings (continued)

On 10 June 2020, the Group executed certain amendments to its loan agreements to restructure its debt facilities. This restructuring comprises renewed existing term loan facilities totalling US$ 390.6 million with an extended maturity to 30 June 2025 and a rephased repayment profile. The cash interest margin is consistent with the prior facilities and is indexed to the net leverage of the Company. There is a new US $50 million working capital facility that replaced the existing working capital facilities. The term of this facility has also been extended to 30 June 2025.

If the Company meets certain conditions subsequent, including raising at least US$ 75 million of net proceeds from an equity capital raise by 31 December 2020, then no additional interest will be payable by the Company and no equity linked instruments will be issued to the lenders. If these conditions are not met, then PIK interest and contingent warrants will become payable. PIK interest accrues daily and capitalises quarterly based on a margin ratchet starting at 5%, which reduces dependent on net leverage levels.

The facility is subject to certain financial covenants including: Debt Service Cover; Interest Cover; Net Leverage Ratio; and Security Cover (loan to value). There was also an additional covenant relating to SG&A spend. None of the covenants are required to be tested at the 30 June 2020 reporting date. The next testing date for SG&A spend only is 31 December 2020. Please refer to the going concern section in note 2 for further details.

Vessels with a total net book value of US$ 653.5 million (2019: US$ 662.7 million) have been mortgaged as security for the loans extended by the Group's banking syndicate. Additionally, gross trade receivables, amounting to US$ 23.1 million (2019: US$ 25.1 million) have been assigned as security against the loans extended by the Group's banking syndicate.

Following the restructuring of the Group's debt facilities, the Group has also provided security against gross cash balances, being cash balances before restricted amounts included in trade and other receivables, amounting to US$ 6.8 million, which have been assigned as security against the loans extended by the Group's banking syndicate.

The Company has assessed the changes to the Group's loan facilities and concluded that it does not constitute a substantial modification as defined in IFRS 9.

14 Notes to the condensed consolidated statement of cash flows

	Six month period ended 30 June		Year ended 31 December
	2020	*Restated** 2019	2019
	US$'000	US$'000	US$'000
Loss for the period/year	**(6,683)**	(16,735)	(85,465)
Adjustments for:			
Depreciation of property, plant and equipment	**12,907**	15,197	29,849
Amortisation of dry docking expenditure	**1,181**	997	2,275
Amortisation of right-of-use asset	**1,123**	1,486	2,891
Impairment charge	**-**	4,561	59,125
Income tax expense	**858**	959	3,696
End of service benefits charge	**289**	236	537
End of service benefits paid	**(247)**	(615)	(979)
Movement in ECL provision during the period/year	**13**	-	(30)
Allowance for provision for doubtful trade receivables	**-**	644	14
Allowance for provision for doubtful accrued revenue	**-**	-	(530)
Recovery of doubtful debts on accrued revenue	**-**	(530)	-
Recovery of doubtful debts of trade receivables	**(64)**	(378)	-
Loss/(Gain) on disposal of property, plant and equipment	**7**	(3)	(14)
Gain on disposal of assets held for sale	**(328)**	-	-
Share options rights charge	**(11)**	710	227
Interest income	**(7)**	(8)	(16)
Interest expense	**13,806**	16,141	31,366
Interest of finance leases	**92**	260	284
Unrealised forex loss	**-**	-	77
Other income	**(29)**	(75)	(513)
Amortisation of issue costs	**174**	216	413
Cash flow from operating activities before movement in working capital	**23,081**	23,063	43,207
Decrease in trade and other receivables	**(592)**	1,305	2,875
(Decrease)/increase in trade and other payables	**(3,453)**	(2,492)	8,320
Cash generated from operations	**19,036**	21,876	54,402
Taxation paid	**(660)**	(1,833)	(3,058)
Net cash generated from operating activities	**18,376**	20,043	51,344

**Details of the restatement relating to IFRS 16 'Leases' adjustment can be found in note 2.*

15 Contingent liabilities

At 30 June 2020, the banks acting for Gulf Marine Services FZE, one of the subsidiaries of the Group, had issued performance bonds amounting to US$ 17.9 million (31 December 2019: US$ 16.7 million). See note 12 for further details.

16 Fair value measurement of financial instruments

The Group entered into an Interest Rate Swap (IRS) on 30 June 2018 to hedge a notional amount of US$ 50.0 million. The remaining notional amount hedged from the IRS as at 30 June 2020 was US$ 42.3 million (31 December 2019: US$ 46.2 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 30 June 2020 was a liability value of US$ 3.0 million (31 December 2019: US$ 1.7 million).

The Group entered into a Cross Currency Interest Rate Swap (CCIRS) on 5 July 2018 to hedge a notional amount of US$ 36.7 million. As at 30 June 2020, the amount of notional hedged from the CCIRS was US$ nil (31 December 2019: US$ 2.5 million) and the fair value of the CCIRS was US$ nil (2019: US$ 0.0 million) as the CCIRS expired during the period.

For the purpose of applying hedge accounting, cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.

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

The Group designates IRS and CCIRS as cash flow 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.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. 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.

16 Fair value measurement of financial instruments (continued)

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.

The fair value measurement of the derivative financial instrument has been determined by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. They represent Level 2 fair value measurements under the IFRS hierarchy.

The Group had no financial instruments in the current or previous year with fair values that are determined by reference to significant unobservable inputs i.e., those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

17 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.

17 Glossary (continued)

Adjusted diluted earnings/(loss) per share - represents the adjusted profit/(loss) attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period. The adjusted profit/(loss) attributable to equity shareholders of the Company is earnings used for the purpose of basic earnings/(loss) per share adjusted by adding back non-operational items and impairment charges. 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 4.

Adjusted EBITDA – represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in note 4.

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. A reconciliation of this measure is provided in note 4.

Adjusted gross profit – represents gross profit after adding back non-operational items and impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in note 4.

Adjusted net profit/(loss) - represents net profit/(loss) after adding back non-operational items and impairment charges. 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 4 of these results.

Cost of sales excluding depreciation, amortisation and non-operational items – represents cost of sales excluding depreciation and amortisation. This measure provides additional information of the Group's cost for operating the vessels. A reconciliation is shown below;

	30 June 2020 US$'000	30 June 2019 US$'000
Statutory cost of sales	**35,438**	40,670
Less depreciation and amortisation	**(14,807)**	(16,549)
Less non-operational transfer costs	**(6,794)**	
	13,837	24,121

17 Glossary (continued)

EBITDA – represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in note 4.

General and administrative expenses excluding depreciation and amortisation - represents general and administrative expenses excluding depreciation and amortisation. This measure provides additional information of the Group's real general and administrative expenses excluding accounting entries for depreciation and amortisation. A reconciliation is shown below:

	30 June 2020 US$'000	31 December 2019 US$'000
Statutory general and administrative expenses	**4,944**	8,596
Less depreciation and amortisation	**(404)**	(1,131)
	4,540	7,465

Segment adjusted gross profit/loss – represents gross profit/loss after adding back depreciation, amortisation and impairment charges. This measure provides additional information on the core profitability of the Group attributable to each reporting segment. A reconciliation of this measure is provided in note 4.

Total net borrowings - represents the total bank borrowings less issue costs and cash. This measure provides additional information of the Group's financial position. A reconciliation is shown below:

	30 June 2020 US$'000	31 December 2019 US$'000
Statutory bank borrowings	**409,558**	398,502
Less issue costs	**(15,161)**	-
Less cash and cash equivalents	**(6,630)**	(8,404)
	387,767	390,098

17 Glossary (continued)

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.

E&P - exploration and production

EPC - engineering, procurement and construction.

Finance service – the aggregate of

a) Net finance charges for that period; and
b) All schedules payments of principal and any other schedule payments in the nature of principal payable by the Group in that period in respect of financing:
    i) Excluding any amounts falling due in that period under any overdraft, working capital or revolving facility which were available for simultaneous redrawing under the terms of that facility;
    ii) Excluding any amount of PIK that accretes in that period;
    iii) Including the amount of the capital element of any amounts payable under any Finance Lease in respect of that period; and
    iv) Adjusted as a result of any voluntary or mandatory prepayment

Finance service cover - represents the ratio of Adjusted EBITDA to finance service

Interest Cover - represents the ratio of Adjusted EBITDA to Net finance charges.

17 Glossary (continued)

GMS core fleet - consists of 13 SESVs, with an average age of nine years.

IOC - International 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.

NOC - national oil company.

On hire daily vessel operating expenses - costs incurred to ensure a vessel is operationally ready and capable of carrying out work required to fulfil contract requirements. This excludes mobilisation costs and bad debt provisions

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).

Secured backlog - represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate)) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.

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.

SESV – Self-Elevating Support Vessels

SG&A spend - means that the selling, general and administrative expenses calculated on an accruals basis should be no more than the SG&A maximum spend for any relevant period.

Total Recordable Injury Rate (TRIR) - calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.

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.

Cautionary Statement

This announcement includes statements that are forward-looking in nature. All statements other than statements of historical fact are capable of interpretation as forward-looking statements. These statements may generally, but not always, be identified by the use of words such as ‘will’, ‘should’, ‘could’, ‘estimate’, ‘goals’, ‘outlook’, ‘probably’, ‘project’, ‘risks’, ‘schedule’, ‘seek’, ‘target’, ‘expects’, ‘is expected to’, ‘aims’, ‘may’, ‘objective’, ‘is likely to’, ‘intends’, ‘believes’, ‘anticipates’, ‘plans’, ‘we see’ or similar expressions. By their nature these forward-looking statements involve numerous assumptions, risks and uncertainties, both general and specific, as they relate to events and depend on circumstances that might occur in the future.

Accordingly, the actual results, operations, performance or achievements of the Company and its subsidiaries may be materially different from any future results, operations, performance or achievements expressed or implied by such forward-looking statements, due to known and unknown risks, uncertainties and other factors. Neither Gulf Marine Services PLC nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest the Company or any other entity and must not be relied upon in any way in connection with any investment decision. All written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above.