GMS
OFFSHORE CONTRACTOR

WELL-POSITIONED FOR GROWTH

GULF MARINE SERVICES PLC
Annual Report 2014

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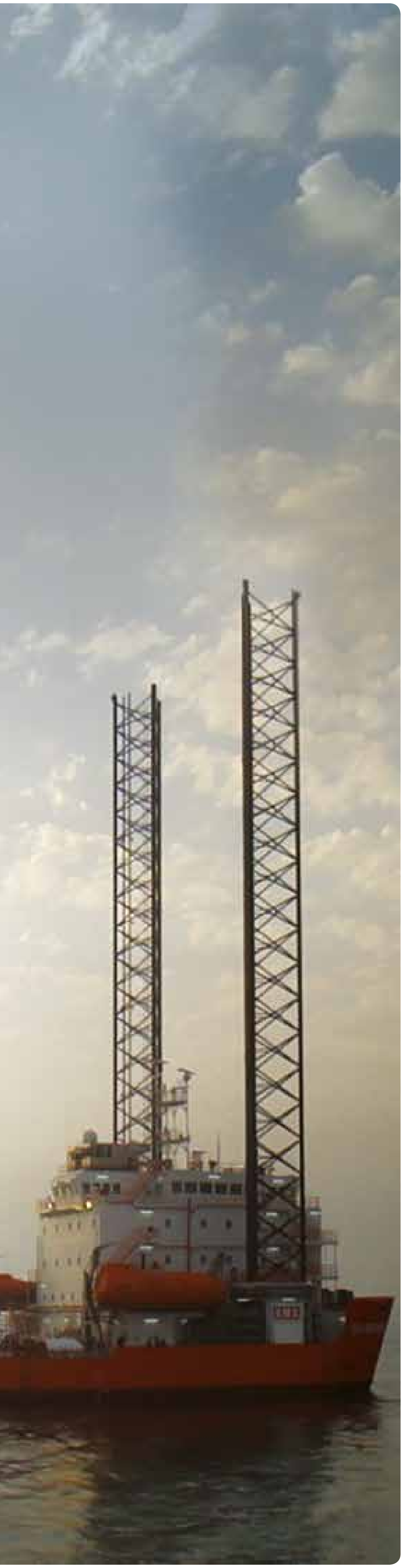
OFFSHORE CONTRACTOR

LEADING THE WAY IN OFFSHORE SUPPORT SOLUTIONS FOR THE OIL, GAS AND RENEWABLE ENERGY INDUSTRIES

Gulf Marine Services (GMS) is one of the largest operators of self-propelled, self-elevating support vessels (SESVs) in the world. The Group builds and maintains its vessels in Abu Dhabi and operates these from its offices in Abu Dhabi, Saudi Arabia and the United Kingdom.



2014 – HIGHLIGHTS

Operational Highlights

- The Group's focus on providing cost-effective and flexible solutions to its clients is reflected in a continued high SESV fleet utilisation of 97% for the year.
- Six new contract wins (with charter day rates in line with previous guidance) and three significant contract extensions during 2014, comprising:
  - Two new contracts for the existing SESV fleet: a Large Class vessel four-year charter in the North Sea (two years firm with two 12-month options) and a Small Class vessel 12-month charter in MENA (six months with up to six months option).
  - Four new contracts for the new build SESV fleet: one Large Class vessel initially contracted for four months directly followed by a long-term contract of four years (three years plus a one-year option, signed in January 2015), the first Mid-Size Class vessel contracted for five years (two years firm with three one-year options) and an enhanced Small Class vessel contracted for five years (three years firm plus a two-year option).
  - Three significant contract extensions from existing clients for SESV fleet: one Large Class vessel in the North Sea and two Small Class vessels in MENA.
- The new build programme, which will expand the SESV fleet from nine to 15 vessels during the period 2014 to 2016, is going well with, to date, two SESVs delivered as planned and on charter and the remaining four SESVs at various stages of construction as scheduled.

Financial Highlights

- Revenue increased by 7% to US$ 196.6 million (2013: US$ 184.3 million).
- Robust cash flows generated from operations, adjusted EBITDA of US$ 124.8 million (2013: US$ 124.7 million).
- Adjusted EBITDA margin 64% (2013: 68%).
- Adjusted net profit (excluding IPO costs) up by 13% to US$ 81.3 million for 2014 (2013: US$ 71.9 million).
- Adjusted diluted earnings per share increased in the year to 23.71 cents (2013: 23.56 cents).
- Final dividend for the year proposed of 1.06 pence (1.64 cents) per share taking total 2014 dividend payments to 1.47 pence (2.33 cents).
- Successful IPO in March 2014 raised primary gross proceeds of approximately US$ 111.0 million.

Outlook

- Demand for the Group's cost-effective support solutions in the Opex cycle remains strong with a healthy secured backlog of US$ 707 million as at 1 March 2015 comprising US$ 380 million firm and US$ 327 million extension options.
- Well-placed to continue progress with robust operating cash flows and net debt (including obligations under finance leases) of US$ 273.6 million (2013: US$ 307.2 million) and committed undrawn bank facilities of US$ 130.0 million at 31 December 2014.
- The 2014 to 2016 fleet expansion programme, which is fully-financed, will help drive significant growth in 2015 and 2016.

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 6 to the consolidated financial statements.

A WORLD LEADER IN SESVs

Gulf Marine Services was founded in Abu Dhabi in 1977 and is the operator of one of the world's largest fleets of advanced self-propelled Self-Elevating Support Vessels (SESVs). The Group listed on the London Stock Exchange in March 2014.

GMS' assets provide the stable platform for the delivery of a wide range of services performed by the Group's clients throughout the total lifecycle of offshore oil, gas and renewable energy activities. The vessels are capable of operations in the Middle East, South East Asia, West Africa and Europe.

The Group constructs and maintains its vessels at its yard in Abu Dhabi; its extensive new build programme makes the GMS fleet the most sophisticated in the industry. The current fleet of SESVs comprises 11 vessels; GMS will increase this to 15 vessels by 2016.

OUR OFFERING

The Group's SESV fleet is technically advanced and amongst the youngest in the industry, with an average age of eight years. The SESVs are four-legged vessels that move independently, with no requirement for anchor handling or tug support. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of the Group's clients. These vessels support GMS' 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) and offshore oil and gas platform installation and offshore wind turbine installation (which are Capex-led activities).

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

Further details on our Business Model and vessel flexibility can be found on pages 12 to 13.

Three classes of vessels serve a range of client needs

Small Class

- 8 units
- Average age: 11 yrs (7 yrs excl Naashi)
- Water depth: 45m
- Accommodation for up to 300 people

Mid-Size Class

- 3 units under construction
- Average age: N/A
- Water depth: 55m
- Accommodation for up to 300 people
- Harsh weather capable

Large Class

- 3 units + 1 to be constructed
- Average age: 2 yrs
- Water depth: 65–80m
- Accommodation for up to 300 people
- Harsh weather capable

WHERE WE CURRENTLY OPERATE

MENA

Market dominance in the MENA region.

NORTH WEST EUROPE

Continued successful operations in North West Europe.

HISTORY

GMS was established in Abu Dhabi, UAE in 1977. In 2007 the Group was acquired by a consortium of investors, led by private equity firm Gulf Capital, and a new senior management team was appointed, headed by the current CEO Duncan Anderson. At this time, the Group was operating three self-propelled SESVs (with a fourth undergoing refurbishment) and had another under construction. Within just seven years, GMS has successfully expanded its fleet and geographical coverage, from a local operation in Abu Dhabi to become the number one player in the Middle East, and now one of the largest operators of self-propelled SESVs in the world.

The Group's current SESV fleet stands at 11 vessels (as at March 2015); it also has an accommodation barge and two anchor-handling tug support (AHTS) vessels.

GMS Fleet of SESVs

Small Class Vessels	Year of Build
Naashi	1982
Kamikaze	1999
Kikuyu	2005
Kawawa	2006
Kudeta	2008
Keloa	2009
Kinoa	2012
Pepper	2015

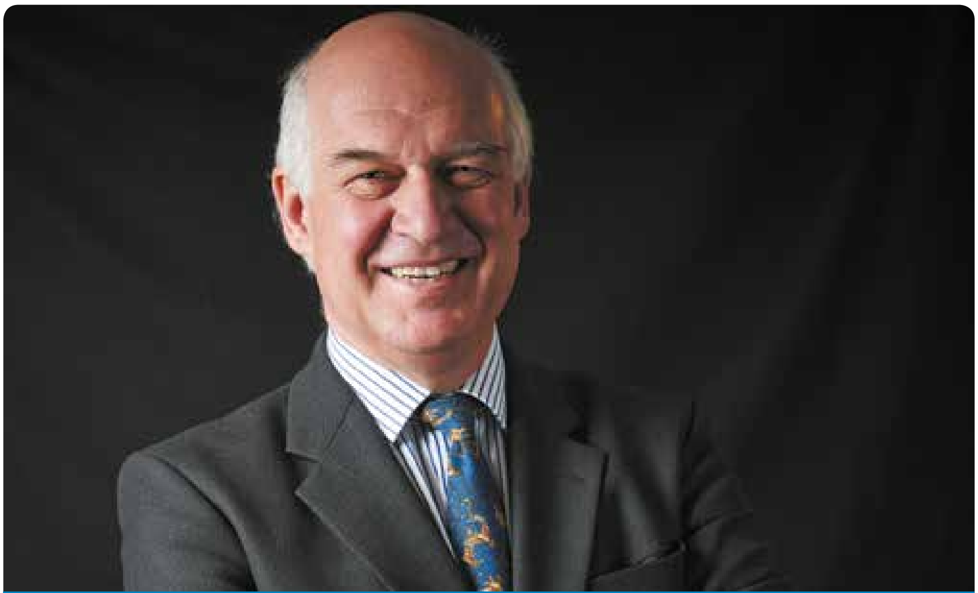
Large Class Vessels	Year of Build
GMS Endurance	2010
GMS Endeavour	2011
GMS Enterprise	2014

The Group's first Large Class vessel, which opened up a market sector where vessels can operate in harsh weather and deeper water environments, was constructed in 2010, with a second delivered in 2011. In 2010 when GMS Endurance was completed it was initially deployed in Saudi Arabia, whilst the second, GMS Endeavour, was mobilised to the North Sea; both markets were a first for GMS and allowed the Group to continue its growth strategy and to expand its geographic and client footprint beyond the UAE where it had predominantly been working up to that time.

GMS operated entirely in the oil and gas sector until 2011 when it entered the offshore wind power installation market in North West Europe with one of its Large Class vessels, GMS Endeavour.

In 2014 GMS embarked on a three-year new build programme to expand its fleet by a further six SESVs. The first of these, GMS Enterprise, was completed in 2014 and in the same year construction commenced on the first of three newly-designed Mid-Size Class vessels, with these due for delivery in 2015 and 2016.

CHAIRMAN'S STATEMENT



2014: A YEAR OF DELIVERY

It gives me great pleasure to introduce Gulf Marine Services' inaugural Annual Report. The Group's IPO in March and admission onto the main market of the London Stock Exchange, which raised primary gross proceeds of approximately US$ 111 million, was a major highlight of 2014. GMS has since gone from strength to strength. We are implementing our business strategy to expand our fleet and operations as planned, we have maintained a strong balance sheet and achieved good revenue visibility.

During the year, we secured five new contract awards, totaling an aggregate contracted period of approximately 15.5 years (including options), which equates to around US$ 272.6 million of additional backlog. Our order book continues to be very healthy, and as the year drew to a close we negotiated a new four-year contract, signed in January, for one of our Large Class vessels in the MENA region, culminating in a secured backlog of over US$ 700 million as at 1 March 2015. We delivered a strong set of results for 2014. Total revenue and adjusted EBITDA for the year were US$ 196.6 million and US$ 124.8 million respectively, with adjusted diluted earnings per share of 23.71 cents.

Central to our growth has been both the continued high utilisation of our existing fleet and the commencement of the delivery of additional SESVs under our fleet expansion programme. The Group's continued positive development is testament to its long track record of successful operations, its excellent reputation and robust financial performance under the leadership of its CEO Duncan Anderson and his executive team.

As GMS prepared for the IPO it appointed a new Board, which I am delighted to lead as Chairman. The Board is highly experienced and provides sound stewardship; it has also ensured that the appropriate Corporate Governance standards are in place.

The Group's dividend policy looks to maximise shareholder value and reflect GMS' strong earnings and cash flow characteristics, whilst allowing the retention of sufficient capital to invest in long-term growth for the Group. For 2014, we were pleased to declare a maiden interim dividend of 0.41 pence per share, which was paid in October. The final dividend for the year will be 1.06 pence per share subject to shareholders' approval at the AGM on 6 May 2015 and this will be paid on 12 May 2015.

GMS has maintained its excellent health and safety record and we remain committed to upholding the highest standards across all areas of our business. Focus on our employees has been important, as it is every year. We have supplemented our workforce at all levels and across all departments to support our expansion requirements. I would like to thank all employees, both onshore and offshore, for their energy and dedication to GMS during a very busy first year as a listed company.

We are, of course, keeping a watchful eye on current challenging macroeconomic conditions. While we are not immune to low oil prices, we are more cushioned from the effects than others in the energy sector due to the Opex nature of our business and to the fact that the majority of our fleet is working in the MENA region, which gives us a greater resilience to ride out the current industry fluctuations.

Looking to the future, the Group has a strong financial base from which to deliver the organic growth strategy we set out at IPO and this will be driven through the support services we provide to our core clients' Opex-related oil and gas operations.

We will continue to capitalise on strong demand for our assets in the MENA region, and will seek to increase our operations in Europe. Expansion into new geographies will be a longer-term goal aligned to the availability of our new tonnage.

With a clear strategy and a proven management team, we are well-positioned to deliver shareholder value. The Board views the coming years with confidence and enthusiasm and I look forward to reporting on our progress.

Simon Heale
Chairman
23 March 2015

STRATEGIC REPORT


GMS ENDURANCE
VULCAN
RD

2014: WELL-POSITIONED FOR GROWTH

The Group delivered a strong performance in 2014. GMS carried out the business strategy we set out at IPO, maintaining high utilisation levels of 97% for the SESV fleet and achieving charter rates in line with expectations. The new build programme, which will expand the fleet by two-thirds during the period 2014 to 2016, progressed as scheduled with a Large Class vessel delivered to its first contract in Q4 2014, and two further new vessels contracted well ahead of their Q2 2015 scheduled build completion. As our fleet continues to grow we believe 2015 will be a year of progress.

GMS delivered a solid performance in the year, successfully implementing the business strategy we set out at IPO as we expanded both our fleet and operations.

Group Financial Performance

Revenue improved by 7% compared to 2013 to US$ 196.6 million and adjusted net profit increased by 13% to US$ 81.3 million (net profit was US$ 75.6 million). EBITDA (adjusted for IPO costs) has remained stable year on year at a robust US$ 124.8 million, with a healthy EBITDA margin of 64%. The Group's IPO raised primary gross proceeds of approximately US$ 111.0 million. For 2014, we declared a maiden interim dividend of 0.41 pence per share, which was paid on 27 October. The final dividend for the year will be 1.06 pence (1.64 cents) per share subject to shareholders' approval at the AGM on 6 May 2015 and this will be paid on 12 May 2015.

High Fleet Utilisation

GMS has continued to focus on providing cost-effective offshore support solutions to its clients and this, combined with the Group's extensive operational expertise, is reflected in a high SESV utilisation rate of 97%.

Strong Order Book

Demand for our assets continues to be excellent in the MENA region and solid in Europe. The Group has entered 2015 with a very healthy secured backlog, comprising firm and extension options, of US$ 707 million as at 1 March 2015.

GMS had an encouraging total of six new contract wins since the beginning of 2014 to date. Two of these were for SESVs in our existing fleet, with a four-year charter for a Large Class vessel in the North Sea, and a 12-month charter for a Small Class vessel in MENA. A newly-built Large Class SESV was initially contracted for four months and directly followed by a long-term contract of four years in MENA. The remaining two new long-term contracts, each being five-year

charters, were secured for our new build SESVs well ahead of the vessels' scheduled delivery dates, for operations in the MENA region.

Operations

The Group's current SESV fleet is one of the youngest in the industry, with an average age of eight years. This is based on 11 years for the Small Class SESV fleet and two years for the Large Class SESV fleet. At the time of our IPO we set out our new build programme for the years 2014 to 2016. On its completion, which will see an increase in our SESV fleet to 15 vessels, the average age of the SESV fleet will reduce still further. The GMS fleet offers clients not only the cost-efficient deployment of our vessels, but also the prospect of substantial operational efficiencies in their own maintenance activities that would not be available from less modern vessels.

Utilisation of the SESV fleet for the year was 97%, with day rates in line with those previously indicated at IPO. The Group has built its reputation on the reliability of its fleet. Across our entire fleet, we only had 12 days of unpaid technical downtime (for repairs/maintenance) in 2014 and we would seek to maintain this level of performance in 2015.

Health, safety and environment (HSE) is a top priority for GMS, with the lives of our personnel, our contractors and others who are impacted by our activities dependent upon us upholding our high standards. The Group's strong HSE track record has been maintained throughout a period of considerable expansion, with zero lost time injuries both onshore and offshore throughout our global business and operations. I would like to commend all our personnel for their diligence and vigilance.

The recruitment and training of highly specialised crew to operate our vessels is always important.

With a relatively small pool of SESV-qualified senior officers worldwide, it is essential to ensure we have enough appropriately-skilled crew to meet not only the needs of our current fleet, but also that of our expanding fleet. During the year we substantially enhanced the training opportunities for our crew, forming a partnership with Abu Dhabi Ports Company to develop the world's first self-propelled SESV manoeuvring and jacking simulator course. This excellent facility allows us to repeat difficult and complex operations until the trainee is well-practised in any given scenario. A number of new training initiatives were introduced during the year for both land and sea-going personnel. The Group also continues to build a good pipeline of 'home-grown' qualified staff to ensure the continuity of efficient operations as we grow the business.

Markets

Middle East

2014 has been characterised by excellent demand and high levels of utilisation across the SESV fleet. We completed two charters on Small Class vessels in 2014 which were immediately re-chartered on new contracts. Two further Small Class units that had outstanding options with existing long-term contracts had these options exercised by their respective clients during the year. Our entire Small Class fleet and one Large Class vessel are operational in the Middle East. They will be joined by the Group's first new build Mid-Size Class SESV and a new enhanced Small Class vessel, which will commence contracts during the first half of 2015.

GMS has long-term confidence in the Saudi Arabian market and, as announced previously, subject to the normal regulatory approvals by the relevant government authorities, plans to increase its ownership in its KSA joint venture to 75% by purchasing a 15% interest from its existing partner, which will at the same time sell its remaining 25% stake to a well-regarded KSA conglomerate.

CEO'S REVIEW
Continued

Europe

Two Large Class SESV units have been operating in the Southern North Sea throughout 2014. One is chartered under a long-term oil and gas contract, and the second vessel that undertook a mixture of shorter-term contracts in both the oil and gas and renewables sectors during the year, will be directly chartered in Q2 2015 under a long-term contract for up to four years' work in the Dutch sector of the Southern North Sea. A number of other opportunities remain within the oil and gas sector in this region despite the current low oil price. While the renewables sector continues to provide short-term opportunities, demand in the wind farm segment is unpredictable. The flexibility of our SESVs will allow us to maximise opportunities should this sector pick up, subject to vessel availability.

Rest of World

During the year, the Group entered into cooperation agreements with local partners in Malaysia and Brunei, and these are providing greater levels of access and support within these new markets. While we believe the NOC client base in the South East Asian region is receptive to the SESV concept, development of this market has been restricted by a lack of available vessels within our current fleet. Going forward, we expect demand in South East Asia to be more sensitive to lower oil prices due to the higher production costs in that region compared to the Gulf. It is difficult to gauge what the impact is likely to be on demand over the next three to five years, but we believe that there will continue to be opportunities for GMS.

The level of tendering activity for new business in West Africa during 2014 has been significantly lower than in previous years, in part due to the uncertainty associated with elections in some countries, but we are continuing to track opportunities in this market.

Enhancing our Offering

During the year, we continued to build up our in-house expertise in well services in order to engage more effectively with our clients and their sub-contractors, with a view to providing SESVs with increased capabilities specifically suited to their needs. As a result, we are seeing significant new opportunities developing across all of our current markets for enhanced well intervention services that can be performed from our vessels where clients may previously have used more expensive drilling rigs. Our ability to provide innovative and cost-effective new options to clients will continue to drive demand for our services and contribute towards maintaining high levels of utilisation in future.

New Build Programme

The Group's new build programme, which will expand the fleet of SESVs from nine to 15 vessels during the period 2014 to 2016, progressed as planned throughout the year. GMS continues to benefit from the competitive advantage our well-established in-house quayside construction facility in Abu Dhabi provides, which allows us to build our vessels approximately 30% cheaper than our peers who rely on third party shipyards. This also allows us to control the quality of the entire construction process and manage the timely delivery of the completed vessel.

The first of the six new SESVs, GMS Enterprise, was completed ahead of schedule and under budget. The hull of the next new build, the Mid-Size Class vessel GMS Shamal, arrived at the yard in Q4 2014 and is scheduled for completion in Q2 2015. An Enhanced Small Class vessel, Pepper, will be completed in Q1 2015, and a second Mid-Size Class vessel, GMS Scirocco, will be completed in Q3 2015. A third Mid-Size Class vessel, GMS Sharqi, is scheduled for Q1 2016 and a further Large Class vessel, GMS Evolution, is planned for Q4 2016. Various enhancements are being incorporated into the design of GMS Evolution in order to expand the well service offering on board to clients. These include higher deck loads and increased free deck space, and a cantilever crane that will not only further enhance the efficiency and cost-effectiveness of existing interventions, but will also extend the range of possible well interventions to include ESP (electric submersible pump) systems replacement or Plug and Abandonment for example.

The estimated cost to complete the remainder of the new build programme for the period 2015 to 2016 is approximately US$ 175 million.

Our People

Our people are at the very core of our business and are the strength behind the Group. GMS employs personnel from more than 50 countries and this rich diversity ensures we look at ourselves, and the way we work, from many different viewpoints. I would like to take this opportunity to thank all our staff for their great dedication and support as we prepared for our IPO and throughout our first year as a listed company.

I would also like to extend my gratitude to the management team for its hard work in ensuring the Group has the correct strategy in place for our future growth, and to my colleagues on the Board of Directors, who provide us with the benefit of their extensive knowledge and experience.

THE 2014 TO 2016 FLEET EXPANSION PROGRAMME IS FULLY-FINANCED AND WILL HELP DRIVE GROWTH IN 2015 AND 2016.

Outlook

The Group is continuing to increase its SESV fleet throughout 2015 with the delivery of three new vessels; a further two vessels are scheduled for 2016. This 2014 to 2016 fleet expansion programme is fully-financed and will help drive earnings growth in 2015 and 2016. It is our intention to continue to expand the fleet beyond this at an appropriate rate to capitalise on the continuing strong demand we see for our vessels. Future growth will be paced responsibly, based on the Group's view of market demand and investment returns. Whilst we will always have regard to our earnings progress and the capital required for investment in our new build programme, we expect the increasing strength in our cash flows to be reflected in a step up in our dividend payments ratio.

The recent rapid decline in the oil price is clearly already having significant effects across the oil and gas sector. Whilst we cannot say with certainty how GMS will be affected by this, any effects to date have been limited and we believe that we are well-placed to continue to grow our business. The Group has a strong backlog (over $700m) of firm and option-based contracts, and all of the activity in the backlog is in Opex rather than Capex-based work meaning that none of our contracts are vulnerable to the major cutbacks to capital expenditure that are already taking place. In addition, over 70% of the Group's backlog will be derived from our work mainly for NOCs in the low cost production areas in the Middle East. The low oil price could well also lead to the acceleration of abandonment and decommissioning work by our clients which would provide further business opportunities for GMS.

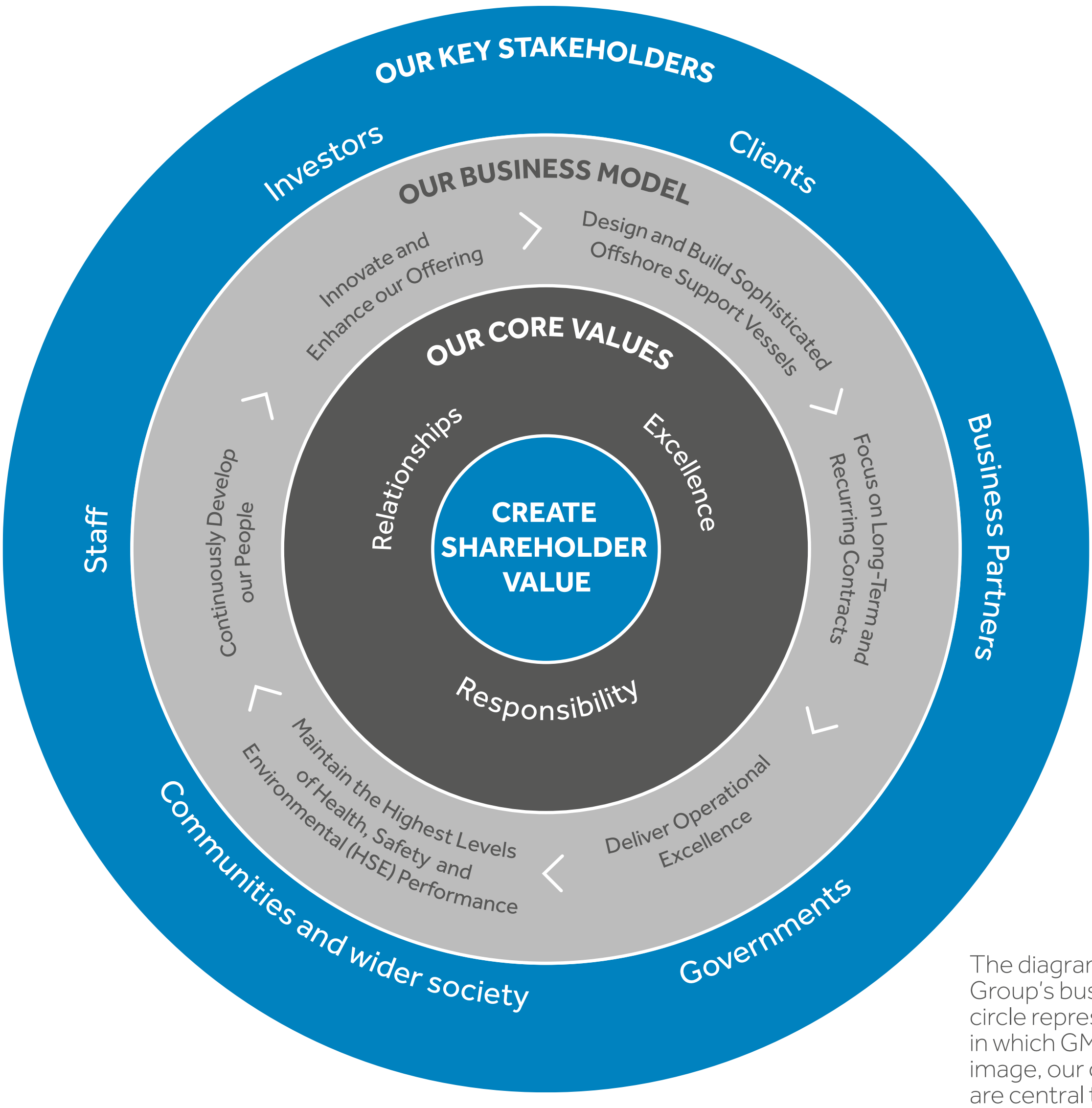
We will monitor carefully any emerging effects of the low oil price environment and, if necessary, adjust our strategy accordingly. However, the outlook, based on our current pipeline of contracts under negotiation and other tender opportunities, is for continued strong demand driven primarily by our core Opex-related brownfield oil and gas client base, and in particular in the Middle East.

We are well-positioned for continued growth and I look forward to 2015 and beyond with confidence.

Duncan Anderson
Chief Executive Officer
23 March 2015

CREATING VALUE FOR OUR SHAREHOLDERS

Our business model is centred on the provision of highly cost-effective sophisticated self-propelled jackup vessels to clients operating in the offshore energy sector. This service enables our clients primarily to carry out maintenance, modification and well services work on their offshore facilities, by providing a stable platform immediately adjacent to the facility. This allows the storage and application of materials and equipment necessary for the client's work, and for the accommodation of the workforce. We have developed an integrated approach focused around six key areas in order to deliver this business model.



The diagram represents the Group's business. The outer circle represents the environment in which GMS works. Within the image, our core values, which are central to everything we do, are captured along with the business model we apply to create shareholder value.

> Design and Build Sophisticated Offshore Support Vessels

GMS has in excess of 30 years' experience in the design and construction of SESVs solely for our own use. Our quayside construction facility in Abu Dhabi provides us with the in-house resource to speedily adapt or repair our vessels without relying on third parties; any client-requested changes can be made to the vessels at minimum cost and time to our clients.

This ability to build SESVs for ourselves is essential to our low-cost integrated build model that allows management to better control the quality, componentry and timelines of delivery whilst also enabling construction of the vessels at around 30% cheaper than at a traditional shipyard. We can also respond rapidly to clients' requests for bespoke specifications that can be efficiently incorporated at the build stage; this flexibility enables us to bid on a wide variety of tenders.

The construction of an SESV takes around 18 months with the four main processes being procurement of vessel components, hull construction that is outsourced to competitive yards, assembly at our yard in Abu Dhabi and commissioning. Since GMS is both builder and operator, we can closely manage our construction programme and are therefore well-placed to gear our fleet expansion programme according to our view of market demand.

> Focus on Long-Term and Recurring Contracts

The Group's revenue is principally generated by the charter day rates we charge for each vessel. We target long-term contracts in order to maintain industry-leading levels of vessel utilisation and more predictable cash flows.

GMS is active in the Opex phase of the oil and gas cycle, predominantly supporting long term oil production, traditionally in maintenance, refurbishment and repair, and more recently in well services. This means GMS is far less prone to the cyclical nature of the oil industry than many oil service companies exposed to the Capex-led exploration and development phases. A typical contract length for a Small Class vessel is three to five years, while for the Large Class vessels it ranges from six months to four years. Contracts normally include both a firm and extension period; the extension/option period is at the client's discretion and historically 90% of these periods have been exercised.

Nearly all of the Group's revenue is sourced from the Opex-led activities of our clients, who generally will have an ongoing requirement for a SESV once all available options have been exercised. As the incumbent operator, GMS is always well-placed to win recurring work when the renewal contract is tendered and we have been very successful in securing renewal contracts. This is demonstrated by three of our oldest Small Class vessels, which between them have amassed more than 45 years of back-to-back contracts with the same clients, carrying out the same service.

> Deliver Operational Excellence

We continually strive for excellence in all aspects of our operations. Within our market we have the largest pool of skilled employees that provide clients with safe and high quality services from a fleet of sophisticated SESVs. In addition, we are continually looking for ways to improve our offering through significant market knowledge and experience, technical expertise, client collaboration and by forming strategic business partnerships.

GMS offers a range of benefits to its clients, resulting in greater operational efficiency and significant time and cost savings for them, along with high utilisation and premium day rates for GMS. All of our SESVs have rapid jacking capability and have a four-leg design with better stability and jacking speed relative to three-leg SESVs. In addition, all of our SESVs are self-propelled (with full propulsive redundancy) and the Large Class and Mid-Size Class vessel designs include DP2, a dynamic positioning system that enhances the ability of SESVs to safely manoeuvre close to our clients' offshore installations. These features also allow the vessels to move faster in-field than conventional non-propelled vessels. We are focused on ensuring the efficient management of our fleet, with our in-house maintenance programme ensuring timely repairs and routine maintenance have minimal effect on operations.

> Maintain the Highest Levels of Health, Safety and Environmental (HSE) Performance

We place a high priority on managing the risks inherent to our operations and comply with national and international HSE standards.

We employ an integrated management system covering the quality, health, safety and environmental principles and objectives of our business, which is implemented throughout all offshore and onshore operations. This aims to provide innovative and sustainable solutions to monitor our HSE performance and continuously improve the necessary safeguards to protect our employees and minimise the impact on the environment. This system is fully ISO 9001, ISO 14001 and OHSAS 18001 compliant, is externally audited and accredited, and is continually reviewed to capture best practice changes issued by the International Association of Oil and Gas Producers. We have also developed successfully UK North Sea Safety Cases for the operation of our Large SESVs in that region.

Health and safety are considered by our clients when assessing bids for tenders and we regard our performance in this area as an advantage. We have consistently maintained low levels of lost time injuries (LTIs, meaning an injury that requires one or more days off work). In 2014 we had zero LTIs in our fleet and in our onshore operations. Further detail on our HSE performance can be found on page 19.

> Continuously Develop our People

GMS operates in an industry where staff mobility rates are relatively high and as such, we seek to attract and retain high-calibre staff and ensure they are empowered to carry out their duties safely and effectively. We value the diversity of our employees and provide an environment where everyone can perform to their full potential and be rewarded for delivering excellence.

Due to the niche nature of our sector, skilled and capable offshore crew members are in limited supply and we therefore pay attention to growing talent from within our organisation. We have a Competence Management System (CMS) in place based on recognised industry best practice. Its purpose is the integrated control of those activities within the company that will assure competency of personnel, particularly in safety critical activities. Annual assessments are carried out for offshore personnel to ensure appropriate certification and competence to undertake operational roles.

Competency gaps are closed via training supported by the GMS Academy. Much of the GMS Academy training is knowledge-based and delivered via computer-based training which employees are able to access at any time, irrespective of their location. However, all Academy training is supplemented with the coaching and mentoring of crew by their officers and complimented by the Group's Offshore Performance Coaches who are responsible for embedding the knowledge delivered via the GMS Academy through effective real-time coaching. We also have a wide range of development initiatives, such as an externally accredited management development programme, our newly developed simulator programme for our Masters, and Fleet Management programmes. Further detail can be found in our Performance section on page 32.

> Innovate and Enhance our Offering

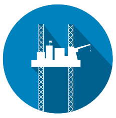
We have a long history of satisfying the needs of our national and international clients. Our experience, technical expertise and ability to modify and enhance our vessels means that we are ideally-placed to assess where best to place our existing fleet, and to ensure the design and construction of our new vessels meets clients' expectations in terms of operational efficiency, safety and cost. Through close collaboration with clients on a project-by-project basis, GMS offers a cost-effective model that provides optimum efficiency and minimum non-productive time during clients' mobilisations or operations, whilst maintaining the flexible multi-role design as part of the Group's core strategy for high utilisation. Examples of how the vessels can be modified may be found in the case studies on page 16.

STRATEGIC FOCUS

The Group's core business consists of well support services supplemented by pure accommodation oil and gas work, as well as wind farm installation, commissioning and maintenance. We continue to see the more stable demand going forward for our vessels in brownfield oil and gas Opex-related work and further growth potential in well intervention activities and enhanced oil recovery work. Going forward, we also see opportunities for decommissioning and plug and abandonment activities.

Our strategic focus is based on five elements:

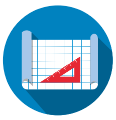
Fleet Expansion



We believe that the demand for our SESVs remains strong, particularly in our core market of brownfield Opex work, and will continue to seek to both consolidate and grow our market share. That growth is best and most cost-effectively achieved through expanding our fleet mainly by constructing vessels in our own yard.

The fleet expansion programme will increase the fleet of SESVs from 9 to 15 vessels during the period 2014 to 2016. We are continuing to focus on our new build programme in response to high client demand. This includes the introduction of a new design, the Mid-Size Class, to the GMS fleet in 2015.

Vessel Flexibility



Designing, building and maintaining a technologically advanced flexible fleet of modern SESVs operated by our skilled employees delivers economies and efficiencies to our clients that will be reflected in high utilisation and good charter rates.

The Group's assets provide the stable platform from which a diverse range of services are carried out by our clients throughout the total lifecycle of offshore oil, gas and renewable energy activities. Our flexibility and ability to adapt and tailor our assets to suit the requirements of our clients' operations, in short timescales, means we can often offer more cost-effective and time-efficient offshore solutions than a third party.

The fact that we can modify our vessels to suit different operational needs has proved advantageous when winning and executing contracts in different sectors of our market.

For example, when GMS Endeavour began operating in the North Sea in 2011 it was initially adapted for wind turbine installation work, with modifications including replacing the helideck with a blade rack and the large deck space filled with parts used to construct a windmill. On completion of that contract, the vessel then proceeded to another wind farm-related contract whereby it was supporting the commissioning of a substation; here the key demands of the client were for accommodation for its personnel and a large deck space to use as a working platform. The vessel will shortly be commencing a new contract in the oil and gas market where the large deck space will be filled with temporary living quarters, increasing the number of personnel it can accommodate from 142 to 300.

Growth in Existing and New Markets

The Group believes it is well-positioned in the MENA and North West Europe markets and continues to seek to grow in these regions. We expect that a larger fleet will allow GMS to take on additional contracts in existing areas of operation and will provide the opportunity to potentially enter new regions where we believe the demand for our vessels exists.

The primary demand for our SESVs in the MENA and North West Europe regions is in the brownfield market within the oil and gas sector. The brownfield market covers a broad range of repair and maintenance support services, including well and subsea maintenance services, for existing oil and gas fields. GMS is very well-placed to capitalise on the inherent maintenance and modification support requirement of ageing offshore structures, with our vessels providing the stable platform from which clients can carry out diverse operations.

The offshore renewable energy market is less mature than the oil and gas market and there is currently less demand for maintenance services as the infrastructure is, on the whole, relatively new. However, as a critical mass of installed capacity is reached, it is expected that the demand for maintenance work on these assets will increase and GMS will be well-placed, due to our experience working in this sector and the flexibility of our assets, to maximise opportunities in this maturing market as it develops.

Operational Expertise

Having a team of highly experienced and skilled employees enables us to provide safe and effective solutions to our clients' needs whilst developing and maintaining a reputation as a quality provider of an advanced adaptable fleet with superior jacking systems.

Our technical expertise and experience in the construction of the SESVs we operate enables us to adapt our vessels efficiently in order to meet client-specific requirements, which in turn results in greater operational efficiency.

The provision of highly sophisticated SESVs with comprehensive maintenance programmes, excellent client services and our in-depth knowledge of the markets in which we operate are the primary drivers for operational excellence. The Group also has a strong reputation born of our commitment to safety, quality and delivery. While we believe we offer the best offshore solution, we are also continually looking to innovate in terms of design and aim to exceed regulatory requirements and best practice.

We have recently partnered with Abu Dhabi Ports Company to introduce a SESV simulator to better assess and train our senior offshore personnel.

Financial Management

We are careful to manage the finances of the business in a prudent manner whilst allowing the responsible investment of capital to generate shareholder returns.

We are significantly growing our business through fleet expansion. We take a disciplined approach to making new investments and financing them. We target (and are currently exceeding) a minimum return on capital of over 20% on the construction of our SESVs. We seek to maximise returns through a prudent approach to borrowing by not exceeding a target net debt to EBITDA ratio of 3 times at the peak periods of our new build programmes.

Our integrated build model substantially reduces the cost of vessel construction and fleet maintenance compared to outsourcing it to third parties. It also provides us with far more flexibility to manage the new build timetable than would be possible by placing an order with a third party shipyard.

GMS targets blue chip companies as clients and the strong secured backlog with long-term contracts provide good revenue visibility on future earnings. We believe that the high degree of contracted future revenues and strong cash flow from operations combine to support the prudent capital structure within the Group.

The Group's dividend policy will look to maximise shareholder value and reflect GMS' strong earnings potential and cash flow characteristics, while allowing the retention of sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth.

CASE STUDY
GMS ENTERPRISE

We believe we successfully delivered on all five elements of our strategy, as detailed on pages 14 to 15, during the year with GMS Enterprise.

In September 2014, GMS announced the completion of its latest new build vessel GMS Enterprise, a Large Class vessel that was constructed ahead of schedule and under budget and which, following successful sea trials, proceeded directly to its first charter. It is the first of six new SESVs to be added to the Group's fleet during the period 2014 to 2016. The vessel is currently working for a national oil company in the MENA region.

The Group has two other Large Class vessels that it built in 2010 and 2011 which operate in water depths of up to 65 metres; GMS enhanced the design of GMS Enterprise to allow it to work in depths up to 80 metres. Other improvements made to the new vessel include a larger crane, bigger helideck, longer legs, improved HVAC, enhanced cabin layout with all having ensuite toilet/shower cubicles, blast-proof windows and an improved fire rating for the accommodation. The timeframe for the vessel was one year from steel cutting to delivery; this is approximately six months faster than traditional shipyards.

CASE STUDY
GMS SHAMAL

In December 2014, GMS announced its first contract award for its new Mid-Size Class vessel, GMS Shamal.

The vessel, which is the first of its kind in the world, is currently being built and is scheduled to be completed in Q2 2015 when it will proceed directly to its first charter for a national oil company in the MENA region. This SESV is not only a new design, it has also been adapted to suit the client's specific needs as a specialised well intervention unit. The bespoke modifications include the supply and installation of pumping equipment and gas lines, the enlargement of the onboard brine capacity and the optimisation of the crane configuration.

A key factor in the client's decision to charter GMS Shamal was GMS' ability, through its integrated engineering and construction process, to make modifications during the build process without these affecting the delivery schedule. Through collaboration with the client, GMS developed an SESV that will ensure optimum efficiency and minimum non-productive time during the client's operations.

FLEXIBILITY OF GMS VESSELS ENSURES HIGH UTILISATION

The Group's SESVs are chartered to a high-quality worldwide client base and are used as customised work platforms for offshore oil, gas and renewable energy sectors.

These vessels are operated by skilled employees and support our clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are Opex-led activities) and offshore oil and gas platform installation and offshore wind turbine installation (which are Capex-led activities).

Our fleet of young and technically advanced SESVs has a niche and non-commoditised nature that allows competition against a diverse range of marine assets, including drilling rigs, accommodation service barges (non-propelled) and floating construction vessels. The SESVs are four-legged vessels that move independently and have a large deck space, crane capacity and accommodation facilities that can be readily adapted to the requirements of the Group's clients.

The four-legged design represents a significant competitive advantage over the more traditional non-propelled, three-legged barges available in the market in terms of both speed in jacking and safety. The SESVs are all self-propelled (with full propulsive redundancy). The Large Class and Mid-Size Class vessel designs include DP2, a dynamic positioning system that enhances the ability of the SESVs to safely manoeuvre close to clients' offshore installations. These features all enable an increase in the speed of movement around a client's field of assets and remove the need for costly support vessels. Some of the specific benefits of our fleet are:

- Well intervention activities which require frequent changes in location are ideally suited to our self-propelled units.
- The ability to relocate quickly within small weather windows allows our clients to work more efficiently. This in turn provides them with an immediate benefit through increased production as a result of the intervention performed.
- High-capacity accommodation can be installed, for 150 to 300 persons, along with multiple access routes to the client facility. This allows clients to simultaneously open up multiple work fronts and achieve high levels of productivity.
- The high-capacity cranes are able to support construction and commissioning activities offshore where specialist crane barges would have previously been required, in addition to the accommodation barge.

GMS provides the stable platform to support a variety of clients' needs. This flexibility and our technological capabilities are reflected in our high utilisation and premium charter rates.

TOPSIDE MAINTENANCE

WELL INTERVENTION

COMMISSIONING AND ACCOMMODATION

WIND TURBINE INSTALLATION AND MAINTENANCE

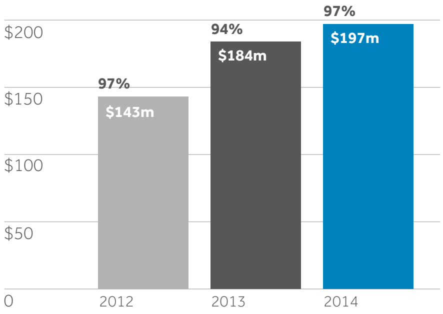
GMS PROVIDES THE STABLE PLATFORM TO SUPPORT A VARIETY OF CLIENTS' NEEDS.

KEY PERFORMANCE INDICATORS

The Group uses a number of Key Performance Indicators (KPIs) to measure its performance and review the impact of its business strategy. The financial and operational KPIs adopted are kept under review to ensure that we focus on achieving our strategic objectives and are aligned to address the principal risks facing the Group.

KPI | **Description** | **Progress in 2014**

Revenue and Utilisation



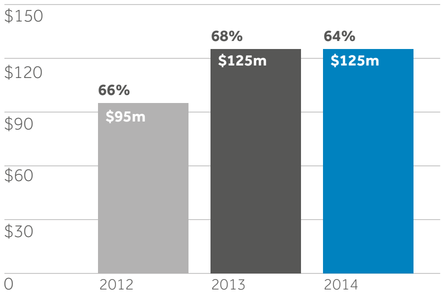
% = SESV utilisation   Bars = Revenue

Description: Revenue reflects the value of operating activity and is derived primarily from the day rates and utilisation levels achieved.

SESV utilisation is the percentage of days SESVs are chartered on a day rate out of total available days.

Progress in 2014: The 7% growth in revenue reflects the increase in fleet size combined with improved utilisation rates of SESVs.

Adjusted EBITDA and EBITDA margin



% = Adjusted EBITDA Margin   Bars = Adjusted EBITDA

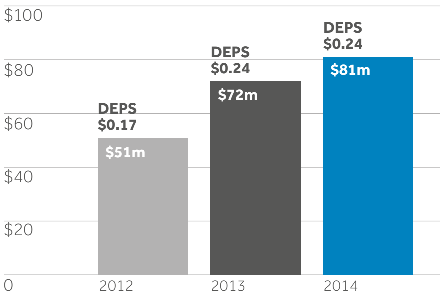
Description: Adjusted EBITDA is a key profit measure and means earnings before interest, tax, depreciation and amortisation, excluding exceptional items.

Adjusted EBITDA margin demonstrates our ability to convert revenue into profit.

Progress in 2014: Strong level of adjusted EBITDA continued.

The Group's adjusted EBITDA margin decreased from 68% in 2013 to 64% in 2014, primarily as general and administrative costs rose as we invested in and expanded our workforce to better position the business for a period of major organic growth.

Adjusted Net Income and DEPS



DEPS = Adjusted DEPS   Bars = Adjusted Net Income

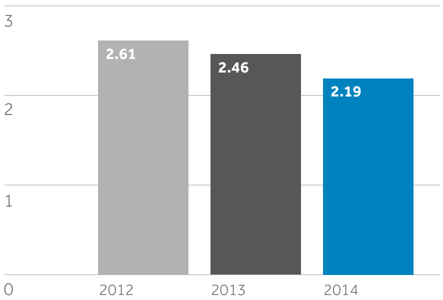
Description: Adjusted net income measures the net profitability of the business excluding exceptional items.

Adjusted DEPS means fully diluted earnings per share, which measures the level of net profit excluding exceptional items per ordinary share outstanding.

Progress in 2014: Adjusted net income rose by 13% in 2014 contributing to a small increase in adjusted DEPS for the year.

The increase in adjusted net income primarily occurs from a reduction in finance costs following a restructuring of Group financing arrangements in 2014.

Net Debt to Adjusted EBITDA



Description: Net debt to adjusted EBITDA is the ratio of net debt (including finance lease obligations) at year end to earnings before interest, tax, depreciation and amortisation, excluding exceptional items.

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

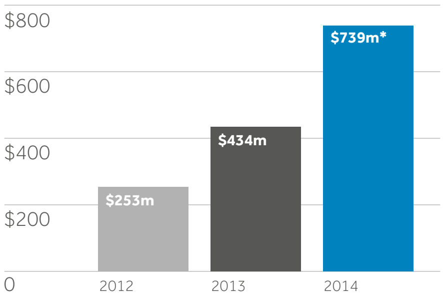
Progress in 2014: Net debt to adjusted EBITDA ratio has declined during a period of significant capex, reflecting the use of IPO proceeds to help fund the capex programme.

The level of debt has steadily declined as scheduled debt repayments were made during the year.

The details of the adjustment derived in the above are contained in note 6 to the consolidated financial statements.

KPI	Description	Progress in 2014

Backlog



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

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

Strong growth in backlog provides good visibility on future revenues and utilisation of vessels.

Increase in backlog reflects the increase in the Group's fleet capacity and the continued strong demand for our vessels.

*This backlog figure includes backlog for the Large Class vessel contract award announced on 28 January 2015.

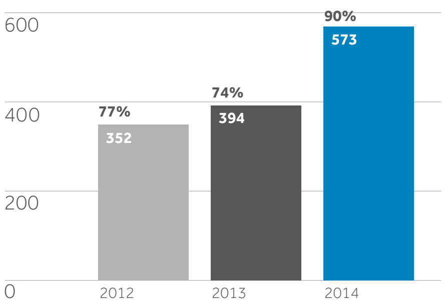
New Build Programme Delivery

New build programme delivery KPIs measure how successful the Group has been in managing vessel construction projects in terms of cost control and delivery schedule.

Delivery of our Large Class vessel on schedule and on budget in 2014 demonstrates effective project delivery and cost control.

Year	New vessels completed	On Schedule	On Budget
2014	Enterprise	✓	✓
2013	None	–	–
2012	None	–	–

Employees



DEPS = Offshore staff retention   Bars = Average FTE Employees

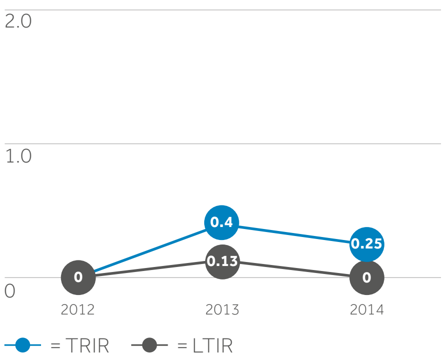
Offshore staff retention shows percentage of senior officers (masters and chief engineers) who continued to be employees in the period.

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

The increase in offshore staff retention is a result of increased investment in retention policies for key personnel.

Average FTE employees increased by 45% due to the increase in construction staff headcount for the new build programme along with other recruitments to position the business for anticipated growth.

TRIR & LTIR



TRIR is the total recordable Injury rate per 200,000 man hours, which provides a measure of the frequency of recordable injuries requiring first aid treatment in the year.

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

The combined strong KPI delivery illustrates the Group's commitment to delivering high standards of health and safety.

RISK MANAGEMENT

The effective identification and management of business risks and opportunities across the Group are a key priority of the business and integral to the delivery of the Group's strategic objectives. The Group has a robust risk management system in place to support risk identification, analysis, evaluation, treatment and ongoing monitoring of risks across the Group as shown in the risk management framework below.

Business risks across the Group are addressed in a systematic and consistent way through the risk management framework, which has clear lines of reporting and communication to deal with risk management and internal control issues.

The Board has overall responsibility for ensuring that risks are effectively managed. However, the Audit and Risk Committee has been delegated responsibility for reviewing the effectiveness of the Group's system of internal control and procedures for the identification, assessment, management, mitigation and reporting of risk.

The internal control process starts with identifying risks, compliance matters and other issues through routine reviews carried out by process owners and facilitated by regular Group-wide risk assessments. The Group's system for identifying and managing risks is embedded in its organisational structure, operations and management systems and accords with the risk management guidelines and principles. The risks associated with the delivery of the strategy, business plan, annual work programme and the associated mitigation measures and action plans are maintained in a series of departmental risk registers which are consolidated and reviewed by the senior management team to formulate the Group risk management process.

For risks that are recorded in the Group risk register, the Group then assesses the implications and consequences and determines the likelihood of occurrence. The outcomes of risk identification and control assessments are formally reported to the senior management team and escalated to the Audit and Risk Committee and Board, as appropriate. The Board regularly reviews all key risks facing the Group as part of the Group risk management process.

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

Principal Risks and Uncertainties

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

Key: ▲ Risk has increased since 2013 ↔ No change in risk since 2013 ▼ Risk has reduced since 2013

Risk	Risk Profile	Assessment of Change in Risk	Mitigation, Monitoring and Assurance
Strategic	The macroeconomic environment influences the demand for our services. A sustained period of low oil prices could affect the demand for the Group's oil extraction support services. This could lead to lower utilisation or lower charter day rates causing profit margins to fall. Significant changes in the market-place as a result of the actions of our competitors or the entrance of new competitors may jeopardise our market share or adversely affect utilisation levels or charter day rate levels achieved. Over-exposure to any one geographic market or loss of a significant business partner could impact our performance.	▲	**Opex v Capex** The Group provides cost-effective services almost entirely in the Opex phase of oil companies' budgets, supporting long-term oil production which tends to be much less cyclical than Capex phase work. This helps to insulate the Group from falls in demand for our services due to low oil prices. Additionally, our clients are mainly NOCs who tend to be less sensitive to varying outputs of oil as they generally act to address macroeconomic concerns in their country. **Focus on low cost of production areas such as MENA** A larger share of the Group's client base and revenues are generated in the MENA region, where the cost of oil production is significantly lower than in other parts of the world such that the effects of a sustained low oil price have less impact than in other regions. The well services we provide from our SESVs are more cost-effective than those provided by other solutions such as drilling rigs. This helps ensure our offering remains attractive even during times when our clients may be suffering from lower margins when energy prices are lower. **Backlog visibility** We focus on long-term and recurring client contracts with a stable cost base such that operating margins can generally be forecast with reasonable accuracy, providing visibility of future earnings. **Market and operational familiarity** We believe that the Group continues to have a competitive edge over most other market participants through operational experience and remains a leading operator of SESVs in the MENA region and one of the largest operators in the world. **Construction and modification flexibility tailored to client needs** Our vessels are built to be as flexible as possible thus allowing us to compete for a wider share of the market than some of our competitors. This helps to maintain high utilisation levels and charter day rates across the fleet.
People	The Group's success depends on our ability to attract and retain sufficiently qualified and experienced personnel, particularly at senior management levels. The staffing requirements have been increasing for the Group as we continue to deliver and operate new build vessels as part of our fleet expansion programme. The Group therefore needs to recruit more suitably qualified personnel to operate the expanding fleet. Failure to attract, develop and retain sufficient competent crew to support our clients' needs could result in vessels being off hire.	↔	The Group maintains detailed management succession plans for shore-based personnel which are monitored by the Group HR team. Resource gaps are filled via internal development programmes and/or external recruitment. Succession planning for general promotion within the fleet is carried out for key positions. We offer appropriate training and development programmes which include GMS bespoke training for our safety critical roles. Through regular monitoring and reviewing of our staffing needs, we strive to identify and nurture the best talent. The Group has a competitive remuneration structure that aims to attract, motivate and retain suitably qualified personnel through performance-based reward practices.

RISK MANAGEMENT
Continued

Risk	Risk Profile	Assessment of Change in Risk	Mitigation, Monitoring and Assurance
Safety and Assurance	The Group may suffer commercial and reputational damage as a result of an environmental or safety incident involving our employees, visitors or contractors. Our operations have an inherent safety risk due to operating off shore. We have a fundamental obligation to protect our people and recognise the implications of poor safety procedures.		Safety and assurance continues to be a top priority and is underpinned by our HSSEQ management system and strong safety-focused culture within the Group. Our employees undergo continuous training and sensitisation on operational best practice. As such we are an ISO 9001, ISO 14001 and OHSAS 18001 certified company. The Group undergoes regular independent audits confirming our adherence to these standards. Management reviews safety practices and procedures, disaster recovery plans and the insurance coverage of all commercial contracts prior to acceptance. The Group follows regular maintenance schedules on its vessels and the condition of the vessels is consistently monitored.
Financial	Macro and micro economic events, such as a low oil price, may impact our ability to raise finance, achieve forecast, effectively manage our working capital, or may hamper management's ability to make effective decisions or report on our financial position. The Group utilises external funding in financing major projects, and inability to obtain the required funding may hamper the successful undertaking of capital-intensive projects. Failure of the Group to service the debts and comply with debt covenants could result in negative repercussions for the Group.		We adhere to Group-wide financial and accounting policies which underpin our approach to risk management. This includes regular preparation of budgets and forecasts allowing constant monitoring of changes in the macro and micro economic environment and the impact these changes may have on the Group. An extensive review and approval process is carried out for significant capital commitments, acquisitions and disposals. The Management and the Board regularly monitor the Group's debt obligations and funding requirements and seek to ensure that sufficient funding is always in place to meet the needs of the business as well as maintaining significant headroom over debt covenants thus minimising the risk of breach.
Commercial	There is a risk that the Group may not be able to win new or retain existing contracts, resulting in lower vessel utilisation. Customers may opt not to exercise the contractual option periods resulting in gaps between long-term contracts. The Group provides services to a limited number of clients including IOCs and NOCs. The reliance of the Group on a limited number of blue chip customers may expose us to losses in the event of disruptions in client relationships.		The Group has a clear record of established relationships in the MENA region, some going back over thirty years, which has resulted in an excellent understanding of our clients' requirements and standards. Our vessels are then designed to maximise as many of these requirements as the limits of the design will permit. We seek to continually improve our offering through innovation including new vessel designs and specification improvements by responding directly to client feedback and modifying designs as appropriate. In order to offer a degree of protection from clients not exercising options the Company will compete in tenders for all vessels nearing the end of their firm contracts, ensuring that, if a client chooses not to exercise their option, no other opportunities would be missed. We seek to continually improve our offering through innovation including new vessel designs and specification improvements by responding directly to client feedback and modifying designs as appropriate. The Group's vessels will be contracted for the greater part of the forthcoming financial year as evidenced by the Group's strong order book of contracts and options. The Group views expanding its geographical footprint as one of its strategic aims and seeks to diversify into other markets. We recently entered into a strategic business partnership in South East Asia.

Risk	Risk Profile	Assessment of Change in Risk	Mitigation, Monitoring and Assurance
Fleet Expansion	The Group may fail to appropriately identify laws and regulations and other regulatory statute in new jurisdictions where it intends to expand its business. Non-compliance with anti-bribery and corruption regulations could damage stakeholder relations and lead to reputational and financial loss.	↔	The Group closely monitors all capital projects which are undertaken by a team of experienced marine industry engineers and project managers. We execute regular budgeting, forecasting and monitoring processes over capital projects. In order to mitigate the risk of project delays and price fluctuations the Group procures significant components well in advance of lead times or locks option prices with suppliers for future orders. The Group has significant experience in the construction of SESVs and, as a result of building them in our own yard facility, have the flexibility to modify the specification to ensure the vessels meet client needs in a cost effective and time efficient manner.
Compliance	The Group may fail to appropriately identify laws and regulations and other regulatory statute in new jurisdictions where it intends to expand its business. Non-compliance with anti-bribery-and-corruption regulations could damage stakeholder relations and lead to reputational and financial loss.	↔	Prior to venturing into new markets, the Group performs substantial due diligence work and obtains an understanding of the governing laws and regulations. The Group engages third parties to help assist in performing the respective due diligence work. The Group has a Code of Conduct which employees are required to comply with when conducting business on behalf of the Group; this includes anti-bribery and corruption policies. Assessment of anti-bribery and corruption risks form an integral part of the decision-making process when entering new countries or negotiating with potential partners and major suppliers. If significant concerns arise, further research and assessment will be performed and may involve appropriate third parties, to establish whether potential issues are such that GMS must decline the opportunity under UK law. The Group operates an anonymous whistleblowing hotline which offers a confidential platform for reporting suspected ethical breaches or concerns. All suspected breaches are investigated and the Board is informed of any significant issues.
Operational	There is a risk that the Group's assets may not be fit for purpose or may fail to operate in the manner intended by the management. Failure to deliver the expected operational performance could result in reputational damage, litigation or loss of clients. Changes in the political regimes, civil and political unrest or sanctions in the jurisdictions in which we operate could adversely affect our operations.	↔	The Group constantly monitors the condition of the vessels and other equipment which undergo mandatory dry docking within the specified timeframes. The Group has policies and procedures in place such as the Planned Maintenance System to ensure that the vessels undergo regular maintenance. The vessels are subject to periodic audits from third parties and the structural integrity of the vessels is certified. For all our major assets, the Group maintains emergency preparedness plans. We regularly review the insurance coverage over the Group's assets, ensuring these are comprehensively covered. The Board constantly monitors the ever-changing political landscape in the regions that are considered volatile or unpredictable. The Group remains vigilant to potential changes and risks and as such the Group considers it a priority to engage with governments and continued legal counsel to ensure a comprehensive view of our stakeholders is presented.

Information contained within the Introduction on pages 1 to 5 and the Performance section on pages 26 to 37 of this document forms part of the Strategic Report by reference.

Duncan Anderson
Chief Executive Officer
On behalf of the Board of Directors
23 March 2015

PERFORMANCE


VULCAN

Operations

Our fleet currently comprises 12 vessels. Of these, eight SESVs are operational in the Middle East (seven Small Class and one Large Class) along with two AHTS vessels, and two SESVs (both Large Class) are working in North West Europe. The SESVs have been primarily engaged in well services and accommodation support, with equal utilisation between the two segments. The two AHTS vessels have primarily been engaged in platform supply activities.

A Young Sophisticated Fleet

The Group's current SESV fleet is one of the youngest in the industry, with an average age of eight years. This is based on 11 years for the Small Class SESV fleet and two years for the Large Class SESV fleet. At the time of our IPO we set out our new build programme for the years 2014 to 2016. On its completion, which will see an increase in our SESV fleet to 15 vessels, the average age of the SESV fleet will reduce still further. The GMS fleet offers clients not only the cost-efficient deployment of our vessels, but also the prospect of substantial operational efficiencies in their own maintenance activities that would not be available from less modern vessels.

SESVs' Charter Rates, Utilisation and Operating Costs

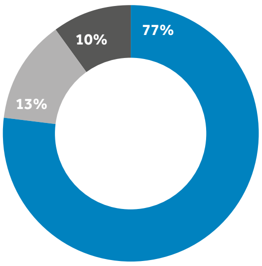
The fleet performed very well during the year, with continued high utilisation levels for the SESVs of 97% in 2014. Operating costs have remained stable and charter rates achieved in 2014 are in line with expectations.

The table below provides a summary of our key performance metrics.

We continually seek to improve all areas of operations. The Group has built its reputation on the reliability of its fleet. Across an entire fleet, we had only 12 days of unpaid technical downtime (for repairs/maintenance) in 2014 and we would seek to maintain this level of performance in 2015.

2014 revenue by type of work

GMS' business is heavily weighted towards clients' Opex-based activities as shown below.



- Oil and Gas Opex led Activities
- Offshore Renewable Energy Capex led Activities
- Oil and Gas Capex led Activities

Crewing

The fleet is manned with 343 crew members (as at 31 December 2014). This figure comprises 57 senior ratings, 81 officers and 205 ratings, whom are all marine-qualified. We also have 94 sub-contracted catering staff across the fleet.

The average crew on board our vessels (excluding AHTS vessels) at any time varies between 15 and 21 persons, of which approximately 17% are senior officers.

With a relatively small pool of SESV-qualified senior officers worldwide, it is important we focus our efforts on ensuring we have the appropriate crew to meet not only the needs of our current fleet, but also that of our expanding fleet. We place Captains under training annually and during the year developed the world's first onshore SESV simulator, discussed on page 37, to increase the training opportunities and our ability to fast-track our senior officers.

Retaining our senior officers is also crucial to the successful continuity of our operations. Our retention rate for senior officers has been just under 90% during the period. Seeking to build on this success rate, we have incorporated our senior crew into our retention schemes.

2014 also saw a number of new training initiatives to further develop our people and their operational expertise as we move forward. Examples include the introduction of the GMS Academy and a Fleet Management programme. Information on these is included in our performance section on page 32.

The fleet operations department had a very busy year, with our Operational Readiness Teams (ORTs) ensuring all necessary work, such as modifications and refurbishments, were carried out on our current fleet so the vessels could move as quickly as possible from one contract to the next. Since we both build and operate the SESVs, we are ideally placed to efficiently carry out these adaptations to the fleet as described on page 16.

Our extensive SESV new build programme has also kept the ORTs occupied as they clear the way both administratively and technically, for the efficient delivery of our new SESVs to our clients for the commencement of operations worldwide. Large Class vessel GMS Enterprise was delivered in Q4 2014; Enhanced Small Class vessel Pepper and Mid-Size Class vessel GMS Shamal are the latest new builds to be prepared for their first contracts in Q1 and Q2 2015 respectively.

	Small Class		Large Class		Total SESVs	
	2014	2013	2014	2013	2014	2013
Average daily charter rate excluding hotel services (US$'000s)	**38**	38	**100**	112		
Utilisation	**99%**	95%	**88%**	88%	**97%**	94%
Average daily vessel operating costs (US$'000s)	**11**	12	**21**	19		

The way these, and other new vessels, are prepared for operations is absolutely key to the success of GMS and the ORT ensures that the experience and knowledge gained in delivering one vessel is transferred to the next; this good practice will help enable continuous improvement throughout the fleet expansion programme.

The Group's strong HSE track record has been maintained throughout a period of considerable expansion, with zero lost time injuries both onshore and offshore throughout our global business and operations in 2014. Further information on our HSE performance may be seen on page 19.

Markets

Demand for our assets continues to be excellent in the MENA region and strong in Europe. Our secured backlog is very healthy, being US$ 707 million as at 1 March 2015, comprising US$ 380 million firm and US$ 327 million options, and provides a good indication of future revenue and utilisation. The contract duration by vessel is shown in the chart below.

The Group's fleet is capable of supporting worldwide operations in the shallow water oil and gas and renewable energy industries and we tender for business across the globe.

Middle East

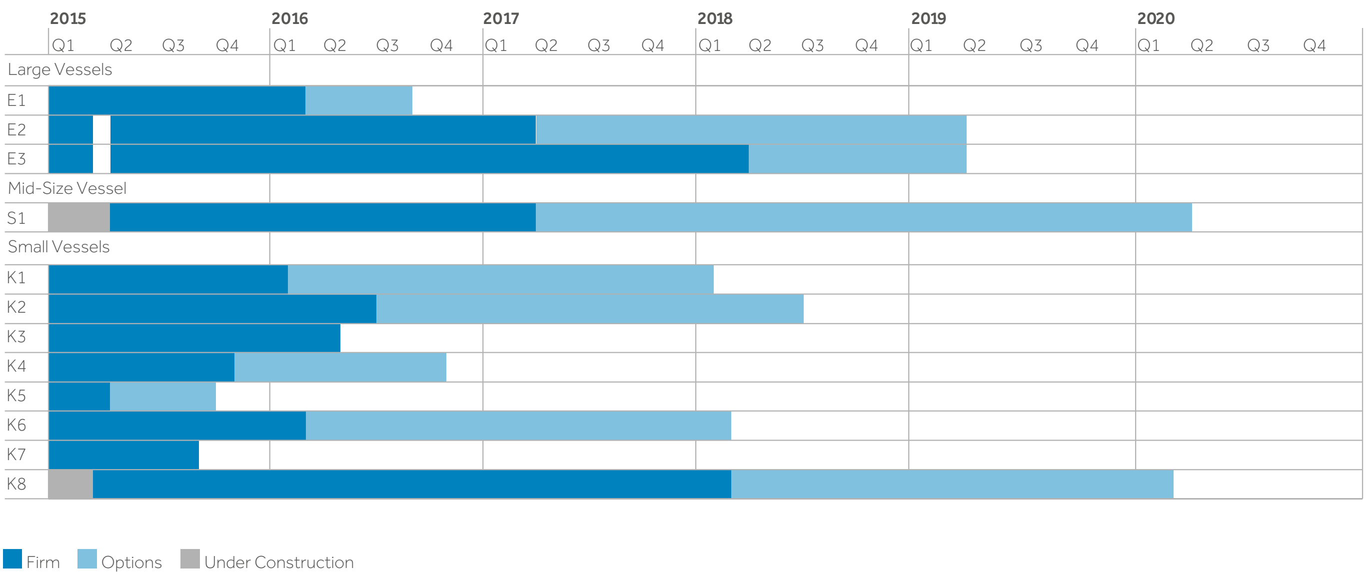
2014 has been characterised by excellent demand and high levels of utilisation across the operational fleet. We completed two charters on Small Class vessels in 2014, which were immediately re-chartered on new contracts. Two further Small Class units that had outstanding options with existing long-term contracts had these options exercised by their respective clients during the year. One new Large Class unit that was delivered during the year was immediately committed to a short-term EPC-related (Capex) requirement; the vessel has since been chartered under a further contract for the long-term support of maintenance-related (Opex) activities with a Middle East NOC and this new charter has followed on in direct continuation of the first contract and will be for a period of up to four years. During 2014 an enhanced Small Class unit was chartered by a local NOC to support its well intervention programme for a period of up to five years. The first Mid-Size Class unit, which is due to be delivered in Q2 2015, has been contracted in advance by a local NOC for up to five years in support of its well intervention activities.

GMS has long-term confidence in the Saudi Arabian market and, as announced previously, subject to the normal regulatory approvals by the relevant government authorities, plans to increase its ownership in its KSA joint venture to 75% by purchasing a 15% interest from its existing partner, which will at the same time sell its remaining 25% stake to a well-regarded KSA conglomerate.

Europe

Two Large Class SESV units have been operating in the Southern North Sea throughout 2014. One is chartered under a long-term oil and gas contract and during the period the client exercised its option under this contract to extend the charter for a further 12 months. The second vessel undertook a mixture of shorter-term contracts in both the oil and gas and renewables sectors. Sustained levels of enquiry for GMS assets have meant that utilisation levels on this vessel have remained high. Despite the delay in start up by one client and subsequent cancellation of an oil and gas contract in Q2, alternative work was successfully secured at short notice in order to maintain utilisation levels. Demand for our sophisticated assets in 2014 resulted in GMS securing a long-term contract for up to four years' work in the Dutch Sector of the Southern North Sea, commencing in Q2 2015. A number of other opportunities remain within the oil and gas sector in this region despite the current low oil price and we continue to evaluate these with the potential to bring additional vessels into the region in future. The renewables sector continues to provide short-term opportunities however, the demand for our assets in the wind farm segment remains unpredictable due to the industry's project execution track record on the construction (Capex) side and a lack of fully-developed long-term maintenance (Opex) strategies.

SESVs order book of contracts as at 1 March 2015



OPERATING REVIEW
Continued

Rest of World

GMS has entered into cooperation agreements with local partners in two of the three key markets which it has previously identified in South East Asia. These partners in Malaysia and Brunei will provide greater levels of access and support within the respective markets than had previously been achieved. The third market in that region, Indonesia, continues to be developed with local partners on a project-by-project basis. During 2014 there was a noticeable shift amongst the NOC client base in the South East Asian region, which has traditionally used less efficient floating assets, to being receptive to the SESV concept and the benefits that it brings. However, while we see South East Asia as a market opportunity, development has been restricted by lack of available SESV units within our current fleet. Going forward, we expect demand in South East Asia to be more sensitive to lower oil prices due to the higher production costs in that region compared to the Gulf. It is difficult to gauge what the impact is likely to be over the next three to five years, but we believe that there will continue to be opportunities for our flexible and innovative SESVs.

The level of tendering activity for new business in West Africa during 2014 has been significantly lower than in previous years in part due to the uncertainty associated with elections in some countries. We continue to track opportunities in this market particularly in Nigeria, Gabon and Northern Angola. In addition to the established regional targets, GMS has also participated in tenders for opportunities in Mexico, Venezuela, New Zealand and Australia during 2014.

During the year, we continued to build up our in-house expertise in well services. The primary reason for doing so is to be able to engage more effectively with our clients and their sub-contractors to further develop the capabilities of our SESV assets. As a result, we are seeing significant new opportunities developing across all of our current markets for enhanced intervention services that can be performed from our vessels where clients may previously have used drilling rigs. Providing innovative and cost-effective new options to clients will continue to drive demand for our services and contribute towards maintaining high levels of utilisation in future.

Outlook

The outlook, based on our current pipeline of contracts under negotiation and other tender opportunities, is for overall stronger demand driven primarily by our core Opex-related brownfield oil and gas client base, and in particular in the Middle East.

New Build Programme

2014 has been an exceptionally busy year and full credit goes to everyone involved in ensuring the successful progression of our SESV new build programme, which will expand the fleet of SESVs from nine to 15 vessels during the period 2014 to 2016.

We continue to benefit from the competitive advantage that our well-established in-house facility provides, which allows us to build our vessels, in the case of our Large Class vessels, for approximately 30% cheaper than our peers who rely on third party shipyards. This also enables us to manage the pace of our new build programme to ensure it is aligned to future demand and allows us to control the quality of the entire construction process and manage the timely delivery of the completed vessel.

The Group has a philosophy of ensuring a high degree of commonality of components between SESV classes ensuring lower training and spares costs. (Jacking systems, leg steel, HVAC, accommodation and switchboard components are common between Mid-Size and Large Class vessels.)

The first of the six new SESVs in the 2014 to 2016 new build programme that was communicated at the time of our IPO, GMS Enterprise, was completed ahead of schedule and under budget. The vessel progressed directly to its first charter in September 2014, a four-month contract for an EPC contractor working for a MENA-based NOC. GMS Enterprise has continued to its next contract for another NOC in MENA, with this charter period for up to four years.

The estimated cost to complete the remainder of the new build programme for the period 2015 to 2016 is approximately US$ 175 million.

Construction of Large Class GMS Enterprise

GMS Enterprise from steel cutting through to first charter in Q3 2014. Information on the design enhancements made to the vessel is contained on page 16.

Delivery of Fleet Expansion Schedule

Set out below is the new build delivery schedule for the fleet expansion programme from 2014 to 2016.

	2014		2015				2016			
New SESVs	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Enterprise (Large Class)										
Pepper (Enhanced Small Class)										
Shamal (Mid-Size Class)										
Scirocco (Mid-Size Class)										
Sharqi (Mid-Size Class)										
Evolution (Large Class)										

 Scheduled delivery date of vessel

FINANCIAL REVIEW

US$ million	2014	2013
Revenue	**196.6**	184.3
Gross profit	**126.5**	118.8
Adjusted EBITDA[1]	**124.8**	124.7
Net profit	**75.6**	69.4
Adjusted net profit[2]	**81.3**	71.9
Adjusted diluted earnings per share (US cents)[2]	**23.71**	23.56
Proposed final dividend per share (pence)	**1.06**	–

1. Adjusted EBITDA represents operating profit after adding back depreciation, amortisation and IPO Costs. Refer to note 6 to the consolidated financial statements.
2. Adjusted Net Profit represents net profit after adding back exceptional IPO related costs.

Introduction

The Group delivered a solid set of results in 2014 and produced a record year in terms of both revenue and profit.

Our operations during the year have resulted in adjusted EBITDA of US$ 124.8 million (2013: US$ 124.7 million). Adjusted net profit for 2014 improved by 13% to US$ 81.3 million (2013: US$ 71.9 million), while adjusted diluted EPS for year increased to 23.71 cents (2013: 23.56 cents).

GMS continues to have a healthy financial position with robust operating cash flows and a strong balance sheet. Capital expenditure for 2014 of US$ 140.7 million (2013: US$ 53.5 million) was primarily invested on construction of new vessels as part of the ongoing new build programme. The Group's net debt level (being borrowings and finance lease obligations less cash) reduced by 11% to US$ 273.6 million at the year end compared to US$ 307.2 million as at 31 December 2013. The Group's net debt (including obligations under finance leases) was 2.19 times adjusted EBITDA at year end (2013: 2.46 times), well below the maximum net leverage ratio permitted under the bank facility agreement of 4 times adjusted EBITDA. At the year end, the Group had undrawn committed bank facilities of US$ 130.0 million (2013: US$ 80.0 million).

Each of the following sections discusses the Group's adjusted results as the Directors consider that they provide a useful indication of performance. The adjusting items are discussed below in this review and reconciliation between the adjusted and statutory results is contained in note 6 to the consolidated financial statements.

Revenue and Segment Results

Revenue increased by 7% to US$ 196.6 million in 2014 (2013: US$ 184.3 million) due to the 97% utilisation rate of our SESVs (2013: 94%) combined with the maintenance of strong average charter day rates. There was growth in all three segments of the business; Large Class, Small Class, and Other vessels. The Small Class segment made the largest contribution to Group revenue with US$ 104.4 million (2013: US$ 94.4 million).

Revenue from Large Class and Others segments was US$ 79.4 million (2013: US$ 77.7 million) and US$ 12.8 million (2013: US$ 12.1 million), respectively. The segment profit, being gross profit excluding depreciation, was US$ 75.6 million (2013: US$ 65.5 million) for Small Class vessels, US$ 60.5 million (2013: US$ 63.5 million) for Large Class vessels, and US$ 7.6 million (2013: US$ 7.0 million) for Other vessels

The increase in Small Class revenue primarily reflects the increase in average utilisation of Small SESVs from 95% in 2013 to 99% in 2014. The increase in Large Class revenue was mainly due to the successful deployment of our latest Large Class vessel GMS Enterprise in September 2014 following which it subsequently continued on hire for the remainder of the year. The increase in revenue attributable to our Other, non-SESV, vessels is largely due to the increased utilisation of an accommodation barge in 2014.

Cost of Sales and General and Administrative Expenses

The Group has a relatively predictable operating cost base, which is kept under constant review to ensure that tight control is maintained as the Group grows. Cost of sales as proportion of revenue remained relatively stable year on year constituting 35.7% of revenue in 2014 (2013: 35.5% of revenue). The increase in cost of sales to US$ 70.1 million (2013: US$ 65.5 million) has been commensurate with the increase in operations required for a larger fleet.

General and administrative expenses, excluding non-recurring IPO costs of US$ 5.7 million, increased to US$ 19.7 million (2013: US$ 12.6 million including management fee of US$ 0.3 million) mainly due to increased staff costs as we enhanced our management team and expanded our workforce to meet effectively the expected increase in requirements of our growing business.

EBITDA

Adjusted EBITDA for the year was US$ 124.8 million (2013: US$ 124.7 million). The Group's adjusted EBITDA margin remained strong overall, having decreased from 68% in 2013 to 64% in 2014, mainly as general and administrative costs increased as we continued to invest in positioning the business for an anticipated period of major organic growth.

Finance Costs

Net finance costs in 2014 were lower at US$ 20.5 million (2013: US$ 28.8 million), mainly as a result of more favourable loan terms following the bank refinancing.

Taxation

The tax charge for the year was US$ 4.7 million (2013: US$ 3.9 million), representing 6% (2013: 5%) of profit for the year before taxation. The small increase in tax charge is primarily due to a higher level of profits being generated in taxable jurisdictions during 2014.

Adjusted Net Profit and Earnings Per Share

The Group recorded an increase in adjusted net profit of 13% in 2014 to US$ 81.3 million (2013: US$ 71.9 million). The improvement in results is largely attributable to lower finance costs and increased fleet size in the final quarter of the year. The fully diluted adjusted earnings per share (DEPS) for the year increased to 23.71 cents (2013: 23.56 cents). Adjusted DEPS is calculated based on adjusted profit after tax and a reconciliation between the adjusted and statutory profit, is provided in note 6.

Dividends

The Group paid an interim dividend of 0.41 pence (0.69 cents) per ordinary share on 27 October 2014 to shareholders on the register on 26 September 2014.

The Board has reviewed the results for the year and is pleased to recommend a final dividend of 1.06 pence (1.64 cents) per share to be paid in cash for the year ended 31 December 2014. Subject to shareholder approval, this will be paid on 12 May 2015 to all ordinary shareholders who were on the register of members at the close of business on 17 April 2015. This final dividend brings the 2014 dividends to the targeted payout ratio, communicated at the time of IPO, of 10% of the Group's consolidated post-tax profit from its ongoing business.

Capital Expenditure

The Group's capital expenditure during the year ended 31 December 2014 was US$ 140.7 million (31 December 2013: US$ 53.5 million). The main area of investment was additions to assets under the course of construction of US$ 136.6 million (US$ 53.0 million), of which US$ 96.0 million was transferred to vessels upon completion of a new large class vessel and improvements to certain existing vessels.

Cash Flow and Liquidity

The Group's net cash flow from operating activities continued to be robust for 2014, as reflected in a net inflow of US$ 120.3 million (2013: net inflow of US$ 113.3 million).

The net cash outflow from investing activities for 2014 was US$ 139.6 million (2013: US$ 52.5 million). The increase in outflow was mainly due to investment on capital expenditure.

The Group's net cash relating to financing activities during the year was an inflow of US$ 31.9 million (2013: cash outflow of US$ 15.9 million). This net positive balance was mainly attributable to receipt of net IPO proceeds during the year which were mainly invested in our ongoing new build programme.

The year end net debt position was US$ 273.6 million as at 31 December 2014 as compared to US$ 307.2 million as at 31 December 2013. The year end outstanding debt was US$ 333.1 million (December 2013: US$ 354.1 million) constituting bank borrowings of US$ 249.2 million (December 2013: US$ 265.3 million) and finance lease obligations of US$ 84.0 million (31 December 2013: US$ 88.8 million). Undrawn committed bank facilities were US$ 130.0 million at year end (2013: US$ 80.0 million). The Group completed a drawdown of US$ 37.5 million in March 2015 to fund the exercise of a purchase option on a leased vessel as discussed below. The Group remained in full compliance with its debt covenants, with significant headroom, during the year and expects to continue to do so.

In February 2014, the Group's main bank facility was restructured, resulting in improvements to some of the key terms of the loan, such as available facility, margins and tenure. The Group's net leverage ratio, being the ratio of net debt (including finance lease obligations) to adjusted EBITDA, reduced to 2.19 times at year end (2013: 2.46 times). While the Group targets its net debt net leverage ratio not to exceed 3 times adjusted EBITDA, the maximum net leverage ratio permitted under the bank facility agreement is 4 times adjusted EBITDA.

Secured undrawn debt facilities and strong operating cashflows, makes the Group fully financed to complete its capital expenditure program for the years 2015 and 2016.

Balance Sheet

The Group has a robust and well financed balance sheet. A review of the major components of the balance sheet follows.

Total current assets at 31 December 2014 were US$ 109.5 million (December 2013: US$ 91.1 million). This movement is attributable to an increase in cash and cash equivalents to US$ 59.5 million (December 2013: US$ 46.9 million) and an increase in trade and other receivables to US$ 50.0 million (31 December 2013: US$ 43.2 million).

Total current liabilities at 31 December 2014 were US$ 99.8 million (31 December 2013: US$ 43.2 million). The principal movement was a reclassification of obligations under finance leases from non-current liabilities to current liabilities of US$ 41.5 million (December 2013: US$ 5.7 million), mainly as the period remaining for the option to purchase a leased Small Class vessel became exercisable within one year. The option to purchase the vessel was exercised in March 2015. There was an increase in trade and other payables to US$ 30.1 million (December 2013: US$ 22.0 million) and an increase in bank borrowings classified as current liabilities to US$ 23.4 million (December 2013: US$ 11.0 million).

The combined result of the above was a decrease in the Group's combined working capital and cash to US$ 9.7 million at 31 December 2014 (December 2013: US$ 47.9 million).

Total non-current assets at 31 December 2014 were US$ 620.2 million (December 2013: US$ 495.1 million). This increase is primarily attributable to the US$ 124.2 million increase in the net book value of property, plant and equipment, from the ongoing new build programme to expand the fleet.

Total non-current liabilities at 31 December 2014 were US$ 270.7 million (December 2013: US$ 358.8 million). This reduction is primarily due to repayment of shareholder loans of US$ 19.5 million, repayment of bank borrowings of US$ 13.0 million and obligations under finance leases of US$ 41.5 million being reclassified to current liabilities.

Shareholders' equity increased from US$ 182.9 million at 31 December 2013 to US$ 358.6 million at 31 December 2014. The movement is mainly as a result of the new equity issued as part of the IPO which increased share capital to US$ 57.9 million (31 December 2013: US$ 0.3 million) and share premium to US$ 93.2 million (December 2013: US$ nil), as well as the retained profit for the year of US$ 75.1 million (2013: US$ 68.2 million). Furthermore, a share based payment reserve of US$ 0.5 million and capital contribution reserve of US$ 1.4 million was created during the year in respect of share based payments. These increases in equity were partially offset by the Group restructuring reserve of US$ 49.4 million, created in the year as outlined in note 15 to the consolidated financial statements, and certain other items such as interim dividend of US$ 2.4 million which was paid in October 2014.

Adjusting Items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of performance. The pre-tax item that is excluded from adjusted results in 2014 is IPO costs of US$ 5.7 million (2013: IPO costs of US$ 2.1 million and management fee of US$ 0.3 million). A reconciliation between the adjusted and statutory results is given in note 6 to the consolidated financial statements.

Outlook

The Group is well placed to continue the progress it demonstrated in 2014. The 2014 to 2016 fleet expansion programme is fully financed and funding allocation for future growth beyond that will be paced responsibly, based on the Group's view of market demand and achieving its investment returns.

Our intention is that financial and business performance will be supported by a capital structure which is both sustainable and seeks in time to deliver significant total shareholder returns.

John Brown
Chief Financial Officer
23 March 2015

OPERATING WITH INTEGRITY

We believe that our day-to-day business, both onshore and offshore, should be carried out with the utmost integrity. Our core values of Responsibility, Excellence and Relationships define who we are, what we believe and strive for and how we act and behave.

By living our values we can achieve our mission to create shareholder value through the provision of modern, innovative and sustainable solutions to our partners in the offshore energy sector.

Living our Values

Responsibility

We have a responsibility to our clients to provide cost-effective and flexible offshore support vessels that meet their business needs, while maintaining the highest standards in safety and operational efficiency and minimising downtime. In doing this, we generate value for our shareholders by delivering our existing and new contracts with high utilisation rates, our new build programme on schedule and our future growth strategy at a managed pace to maintain and expand a profitable business.

We also have a responsibility to our employees and are committed to providing them with a safe working environment and to investing in their personal and professional development so they can reach their full potential within GMS. We strive to provide a high standard of training and develop our own training initiatives where we feel these will be of benefit to GMS and the employees. In 2014 these included an in-house leadership development programme for management whereby they can attain an Institute of Leadership and Management accreditation; the recruitment of Offshore Performance Coaches to embed the training we deliver and to provide more 'on-the-job' support to our crew as needed; and the introduction of the GMS Academy, which is a computer-based initiative that ensures the efficient induction and ongoing competency of our globally dispersed staff.

We recognise the importance of building a pipeline of 'home-grown' qualified staff to ensure we have the right skills in place for our business and achieve this through a combination of internships and graduate development programmes. In order to retain the best talent, we offer career progression and a variety of opportunities within our business. Staff are encouraged through our Fleet Development Programme to develop their skill set in order to become more effective members of our operations function and have the further opportunity of secondment to other areas of the business to give them the breadth of knowledge and ability required for progression to senior positions within GMS. There are opportunities for offshore staff to work onshore, which is considered useful in spreading specialist knowledge and practical experience throughout the Group. We also hold in-house Business Awareness sessions which all levels of staff can attend; these are hosted by senior managers and managers who share their expertise with staff and this in turn helps employees to understand the wider business, where they fit in and how they might develop.

As we carry out our business, we believe that living by our values also means living by our Code of Conduct, which sets out the basic rules of the Group and its purpose is to ensure we work safely, ethically, efficiently and within the laws of the countries in which we operate. Our reputation and our success is dependent on all staff taking responsibility for putting the Code of Conduct into practice and maintaining a high ethical standard in our work and in our dealings with host and foreign governments, joint venture partners and associates, contractors, employees, consultants, agents, and generally everyone with whom we have business dealings throughout the world. Our Code includes our standards and practices related to anti-bribery and corruption policies and anti-money laundering and competition laws, provides details on how to raise concerns and has information on our whistleblowing policy. All our staff receive Code of Conduct training.

We proactively manage our financial risk and understand the importance of communicating this and our financial performance in a clear and concise manner and of maintaining relationships with the financial community, including investors, analysts and the financial media. Our investor relations strategy during the year included a series of investor roadshows and one-to-one sessions with our CEO and CFO and included results presentations, investor meetings and investment bank conferences in both the UAE and the UK. Senior management also responded to ad hoc requests from the investor community. We have developed our website to include investor relations information and plan to augment this during 2015.

We understand the importance of giving back to the communities where we work. We actively encourage participation in sports activities and sponsor a range of local and national organisations. We also regularly support a variety of charity events.

Excellence

The Group prides itself on operational excellence and we continually look for ways to improve how we work and to ensure our client offering is the best it can be.

For GMS, Health, Safety, Security, Environment and Quality (HSSEQ) are of paramount importance, with the lives of our personnel, our contractors and others who are impacted by our activities dependent upon us upholding the highest standards. We are always conscious of the environment in which we work and we are fully committed to ensuring its protection.

We constantly seek improvement and we do this by enhancing our employees' competencies through training and knowledge transference and providing the robust safety tools required to prevent incidents. GMS expanded significantly in 2014 and it was important to ensure our systems and HSSEQ toolkit evolved appropriately to support our growth. A new HSSEQ Director was appointed, reinforcing the Group's commitment to outstanding performance in this key area.

During the period we introduced a new initiative called GMS Advance to Zero (GMS' A to Z), which includes improving the safety leadership skills of staff, simplifying our support systems, and setting and rewarding successful performance. We have adopted 12 mandatory Life-Saving Rules that supplement and support the existing company management systems, programmes and policies and which reinforce what employees and contractors must know and do to prevent serious injury or even fatality. The aim is to achieve zero lost time injuries (LTIs).

We are pleased to report that there were no LTIs in 2014, which is an improvement on 2013 when one LTI was sustained. We also recorded further improvement in 2014 in our proactive HSE observation programme, demonstrating increased engagement with our staff.

Relationships

GMS values the relationships we have with our clients, which are built on trust and a proven track record of delivering successful operations. Many of these relationships are with long-term clients, in the case of ADNOC subsidiaries spanning more than 35 years. We are also working closely with our business partners to maximise opportunities in existing and new geographies and in 2014 we formed a marketing partnership with Dialog in Malaysia to focus on possible opportunities there, subject to future fleet availability.

We also maintain very good relationships with our high-quality core suppliers through the sourcing of components and often through ongoing maintenance agreements once the SESV is operational. Our key suppliers include Rolls Royce, Hydralift, BLM, Kongsberg, Gusto MSC and Wartsila. The length and depth of our relationships with our key suppliers are critical as they allow us to benefit from substantial economies of scale in the procurement of goods and services, which strengthens the viability of our low-cost model. When tendering for major vessel components, the main factors we consider in awarding contracts are quality, price and delivery schedule.

The Group continues to work with industry bodies such as BROA and IJUBOA and is represented on the ABS Worldwide Technical Committee. We also participate in major industry exhibitions; in 2014 these included OTC Asia (the Offshore Technology Conference Asia, in Malaysia) and ADIPEC, (the international petroleum exhibition and conference, in Abu Dhabi).

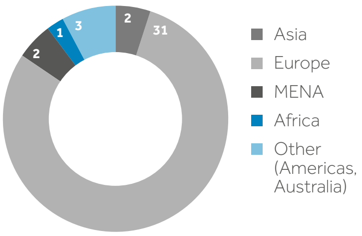
Our employee relationships are of great importance to us. We encourage in everyone, both onshore and offshore, a sense of pride in GMS. We welcome an honest and open dialogue and continually look for ways to engage with our employees. Our regular company magazine, Jack Flash, communicates a wide range of information on the Group's activities and regularly features members of staff. In addition, our whistleblowing policy and careline offers staff a way to express grievances without fear of repercussions.

GMS also recognises the contribution made by individuals. In 2014 we introduced a Long Term Incentive Plan for managers and senior officers, rewarding their loyalty and allowing them to share in the future success of GMS. We also have an annual employee awards ceremony, the Oscars, which recognises outstanding service.

Diversity Brings a Wealth of Talent to GMS

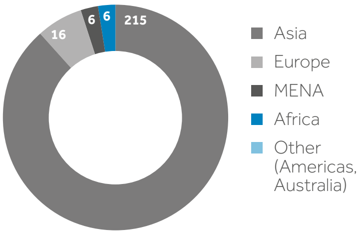
Land-Based Management

Total of 39 employees (36 male, 3 female).

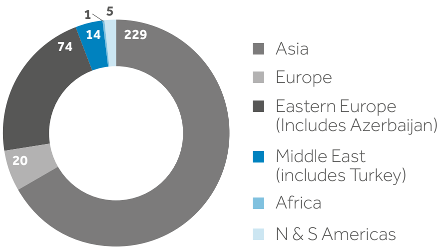


Land-Based Staff

Total of 243 (200 male, 43 female)



Offshore Employees (343, all male)



For cultural and legal reasons the extent to which we can increase the number of female personnel is limited. For example, we cannot employ women offshore in the Middle East.

WE ARE VERY PROUD OF OUR DIVERSE WORKFORCE, WHICH ENSURES WE LOOK AT OURSELVES, AND THE WAY WE WORK, FROM MANY DIFFERENT VIEWPOINTS.

Diversity

We are very proud of our diverse workforce, which ensures we look at ourselves, and the way we work, from many different viewpoints. We employ personnel from more than 50 countries. The majority of our employees are aged between 30 and 55. GMS is a global recruiter and in 2013 staff travelled to the Balanagar Technical Institute Association (BTIA) in Mookkannur, India as part of our recruitment drive for the construction of GMS Enterprise (during 2014) and subsequent vessels. The BTIA's Manpower Recruitment Division has been instrumental in finding suitable placement for thousands of skilled, semi-skilled, and unskilled youngsters, not just from Mookkannur and the surrounding areas, but from all over the state, and was the ideal place for GMS to find a skilled labour force.

The recruitment team also travelled to the Philippines in 2014 to further supplement our new build workforce.

Our core values of Responsibility, Excellence and Relationships define who we are, what we believe and strive for and how we act and behave. Information on our core values can be found on our website at www.gmsuae.com.

Environment

Our aim in GMS is to minimise the impact we have on the environment. In 2014 we achieved our objective of not causing any accidental pollution across all our operations and new build programme. Going further than that we made sure that any potential incidents were investigated fully thus enabling us to address internal controls effectively. We are also establishing an environmental monitoring programme with the aim of introducing key initiatives across our business that will further reduce our environmental impact and footprint.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Greenhouse Gas Emissions Statement

In accordance with the UK Government regulatory requirements, GMS is reporting its Greenhouse Gas (GHG) emissions for the first time. Accordingly, we are not reporting comparative data for previous financial years. The sources for which we are reporting GHG emissions are those which we include within our consolidated financial statements.

We do not have responsibility for emission sources in entities that are not included in our consolidated financial statements. The consumption of fuel during the operation of our vessels is the largest contributor to our GHG emissions. Although our vessels are leased on a long-term basis to our clients, who both pay for fuel and determine where each vessel sails, we have chosen to account for their GHG emissions within our footprint, in accordance with the 'operational control' approach to developing our GHG footprint.

The intensity ratio of tonnes CO_2e per US$ 1000 of Group revenue earned during the reporting period has been chosen because, as a service company, the amount of revenue earned best reflects our operational output and therefore the contribution to our GHG emissions.

In calculating our GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), the 2014 UK Government Conversion Factors for Company Reporting, the Climate Registry 2014 and the IEA CO_2 Emissions from Fuel Combustion (2012 edition).

For the 12-month period from 1 January 2014 to 31 December 2014, our GHG emissions were as below:

Scope:	Emissions from:	Tonnes CO_2e
Scope 1	Combustion of fuel and operation of facilities	39,515
Scope 2	Electricity purchased *	1,038
Total		**40,553**
		US$'000
Revenue recognised during the reporting period		**196,554**
Intensity Ratio (Tonnes CO_2e per US$ 1000)		0.2

* Note GMS did not purchase heat, steam or cooling for its own use in the reporting period.

CASE STUDY

LEADING THE FIELD. A WORLD-FIRST IN SESV SIMULATOR TRAINING

A highlight in 2014 was the development by GMS, in partnership with Abu Dhabi Ports Company, of the world's first bespoke onshore SESV simulator that has expanded the 'offshore' training opportunities for our Masters.

As the demand for self-propelled SESVs grows, due to ageing oil and gas infrastructure and the increased need for well intervention work, so the world SESV fleet will increase in size and this will increase international demand for SESV-specialist senior crews. It was important for us to find a way to provide operational training onshore, at a central location, for our Masters to ensure their readiness to safely carry out manoeuvres at sea and to make sure our expanding fleet will have sufficient senior crewing in the years ahead.

Abu Dhabi Ports Company already had a simulator for ship and port operations; we were able to modify the simulator and software to include our SESVs in offshore operations. We developed a training programme that is the first to have fully incorporated simulations for the manoeuvring and jacking of self-elevating, self-propelled vessels in a variety of operational scenarios as they move from one platform to the next. The Group has been successful in accelerating the clients' Masters approval process. In addition, it allows the Group to create simulated disaster scenarios thus allowing its Masters to be better able to respond should such an incident actually occur.

We are now able to more closely control the training of our current and future senior crew and to ensure our vessels have the right people in place when our clients need them, which is essential for our operational delivery. Our clients in the UAE consider the simulator a partnering opportunity whereby they can work with us to potentially develop their own staff. We have also been working closely with the IJUBOA to ensure all owners of these highly specialised units worldwide have the same possibility to enhance the safety assurance of their operations.

GOVERNANCE


GMS ENTERPRISE 6103

CHAIRMAN'S INTRODUCTION

Simon Heale
Chairman

Dear Shareholders,

I am pleased to introduce our Corporate Governance Report. Our evolution from being a predominantly private equity owned company to a premium listed company on the London Stock Exchange represented a significant milestone in the development of the business.

The Board is committed to the highest standards of corporate governance. Prior to the Company's listing, a robust governance structure and a high quality framework was implemented to ensure full compliance with the UK Corporate Governance Code ("the Code"). We believe this is integral to sustain our reputation and the continuing trust and support of our shareholders, employees, clients and other stakeholders.

In February 2014, a new holding company of the Group was incorporated as Gulf Marine Services PLC and a new Board was then selected and appointed in March 2014. The Company undertook this selection process, which specified the skills and qualities we were seeking in the Directors, with the assistance of Spencer Stuart, an external search company. All of the Directors were provided with training by the Company's legal advisers to ensure they were fully aware of their corporate governance and Director duties. The Board, as part of their induction programme, also met with the wider executive management team.

The Board, which consists of seven Directors, comprises an independent Chairman (who, for the purposes of the Code was independent on appointment), one executive Director, three independent non-executive Directors and two non-executive Directors who are considered by the Board to not be independent because of their relationship with Gulf Capital, a substantial shareholder in the Company. The Company has established three Committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee, all of which are compliant with the Code.

The Board views effective governance as an essential foundation for the Group's success in delivering shareholder value in a controlled sustainable environment.

Since listing, the Company has complied in all respects with the provisions of the Code. This Corporate Governance Report, including the individual reports of the Board and its Committees, summarises the work undertaken in this area since listing. This report explains key features of the Company's governance structure to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year.

The focus for the Board in 2015 is to further strengthen the existing corporate governance policies to support the growth strategy of the Company. Your Board is well-placed to challenge robustly the proposals placed before it and to provide independent oversight.

Simon Heale
Chairman
23 March 2015

Governance Calendar for 2014

The overall calendar of meetings of the Board and its Committees for 2014 is shown below.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board (Main Meetings)					●	●		●		●		●
Audit and Risk Committee								●		●		●
Remuneration Committee						●						●

A Nomination Committee meeting was held after the year end on 22 March 2015.
For more detail on the responsibilities of the Board Committees, their terms of reference are included on the Group's website at www.gmsuae.com.

Meeting attendance by Directors in 2014

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

● Attended
○ Attended all or part of meeting as an invitee

	Board	Audit & Risk	Remuneration
Simon Heale	●●●●	○○○	○○
Duncan Anderson	●●●●●		
Simon Batey	●●●●●	●●●	●●
H. Richard Dallas	●●●●●		○
Dr. Karim El Solh	●●●●●		
Mike Straughen	●●●●●	●●●	●●
W. Richard Anderson	●●●●●	●●●	●●

Christopher Foll, a Chartered Accountant and Chief Financial Officer at Gulf Capital, has been appointed as an alternate Director for H. Richard Dallas and Dr Karim El Solh; further details can be found in the Directors' Report on page 62.

Note: Given the recent appointment of the Directors of the Company and the rigorous selection process undertaken by the Company and assisted by Spencer Stuart there was no meeting of the Nomination Committee in 2014.

BOARD OF DIRECTORS

Name	Simon Heale	Duncan Anderson	Simon Batey
Designation	**Independent Non-Executive Chairman**	**Chief Executive Officer**	**Senior Independent Non-Executive Director**
			
Appointment Date	February 2014	January 2014 (with Group since October 2007)	February 2014
Experience	A non-executive director at Coats plc from 2010 to 2014. Served on the boards of PZ Cussons from 2007 to 2013 and Morgan Advanced Materials from 2005 to 2014. Non-executive director and chairman at Panmure Gordon & Co plc from 2007 to 2011. Has extensive experience in senior executive roles, including as chief executive at the London Metal Exchange from 2001 to 2006, chief operating officer and chief financial officer at Jardine Fleming Ltd from 1997 to 2001 and deputy managing director at Cathay Pacific Airways from 1994 to 1997. A Chartered Accountant with a degree in Philosophy, Politics and Economics from Oxford University.	Brings a wealth of experience, spanning more than 33 years, to the executive team gained from prior role as chief operating officer at the UAE-based Lamnalco Group, which included the management of a fleet of 90 vessels, as well as increasing the client base in West Africa and the Middle East. Also operated the largest offshore service vessel fleet in the region as chief operating officer at Gulf Offshore North Sea. Responsible for leading the management of the GMS Group and the implementation of its strategy. A UK Chartered Engineer with a post-graduate BSc (Hons) degree in Marine Machinery Monitoring Control.	A non-executive director at Arriva plc from 2003 to 2010, THUS Group plc in 2006 and BlackRock New Energy Investment Trust plc from 2010 to 2014. A member of the Postal Services Commission, responsible for the regulation of the UK postal services sector, from 2010 to 2011. As a Chartered Accountant, spent 12 years in professional practice with Armitage & Norton (now part of KPMG), latterly as a partner. Has more than 20 years' experience in a number of senior finance roles in industry. Group finance director of United Utilities plc between 2000 and 2006. Chief financial officer at Thames Water Utilities Ltd from 2006 to 2007. Between 1987 and 2000, worked at AMEC Foster Wheeler plc, initially as deputy group finance director and then, from 1992, as group finance director. A Chartered Accountant with an MA in Geography from Oxford University.
External Appointments	Non-executive chairman at Kaz Minerals plc, previously known as Kazakhmys plc, since 2013 and a non-executive director since 2007. Non-executive director at Marex Spectron since 2007. A trustee of Macmillan Cancer Support.	Member of ABS Worldwide Technical Committee.	Independent non-executive director and chairman of the Audit Committee at Telecity Group since 2007.
Committees	Chairman of the Nomination Committee.		Chairman of the Audit and Risk Committee. Member of the Nomination and Remuneration Committees.

W. Richard Anderson

Independent Non-Executive Director

February 2014

Has 36 years' experience in the oil and gas industry and related finance and management. Previously president and chief executive officer at Prime Natural Resources Inc. from 1999 to 2007. Partner from 1989 to 1995 and then managing partner from 1995 to 1998 at Hein & Associates LLP. Served on the boards of Calibre Energy Inc from 2005 to 2007, Transocean Ltd from 2007 to 2011 and Boots & Coots Inc from 1999 to 2010.

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

Chief financial officer at Eurasia Drilling Company since 2008 and member of the board since 2011. Chairman of the board at Vanguard Natural Resources LLC since 2008. Non-executive director at Soma Oil & Gas Holdings since 2013.

Chairman of the Remuneration Committee. Member of the Audit and Risk, and Nomination Committees.

Mike Straughen

Independent Non-Executive Director

February 2014

Board member of the John Wood Group PLC and chief executive officer of the Engineering Division from 2007 to 2014. With AMEC for 25 years, latterly as group managing director responsible for UK activities across all sectors including global oil & gas. A member of PILOT, the UK Government Oil & Gas Advisory Board, from 2000 to 2007 and chairman of the Energy Industry Council from 2002 to 2007. Recently a member of the UK Government's Offshore Wind Cost Reduction Task Force. A member of the Scottish Government's Energy Advisory Board from January 2013 to September 2014.

A Chartered Engineer with a BSc (Hons) degree in Mechanical Engineering from Newcastle University.

A non-executive director of Glacier Energy Services Holdings Ltd since January 2014. A member of the Energy Institute since 2001.

Member of the Audit and Risk, Nomination and Remuneration Committees.

H. Richard Dallas

Non-Executive Director

February 2014

Previously served as managing director of Oryx Capital International, an investment group composed of families from GCC that specialised in small to mid-cap investments in the United States, from 1998 to 2007. A partner of Gibson, Dunn & Crutcher from 1985 to 1998 and established and managed offices in London and Saudi Arabia.

Holds an A.B. degree in Economics, with honours, from Stanford University and a J.D. degree from the University of Southern California.

Managing director at Gulf Capital since 2007.

Dr Karim El Solh

Non-Executive Director

February 2014

Co-founder of Gulf Capital, one of the largest alternative asset management firms in the Middle East, since its formation in 2006. Under his leadership, Gulf Capital has been associated with some of the region's most prominent transactions, with the firm managing $3 billion in assets.

Chairman of Maritime Industrial Services from 2007 to 2011 and Chairman of Metito from 2006 to 2014. Chief executive officer of the Abu Dhabi-based Investment Bank, The National Investor, from 2001 to 2005. Senior banker in the European High Yield Capital Markets at Donaldson, Lufkin and Jenrette (DLJ), now part of Credit Suisse, from 1997 to 1999. Senior banker at Citigroup from 1995 to 1997.

Holds a B.S. degree in Civil Engineering from Cornell University, an MBA from Georgetown University and a Doctorate in Economics from the Institute D'Etudes Politiques de Paris (Science Po).

Chief executive officer of Gulf Capital since 2006. Co-managing partner of Gulf Related since 2010. Chairman of Reach Group since 2014. Board member, Destination of the World since 2014.

Member of the Nomination Committee.

Corporate Governance Report

Compliance with UK Corporate Governance Code

Since listing the Company has complied with all the relevant provisions set out in the Code.

Governance Overview

Membership of the Board

The UK Code provides that independent non-executive Directors should comprise at least half of the Board, excluding the Chairman.

Board Composition, Qualification and Independence

It is intended that the composition, qualifications, experience and balance of skills on the Board will be regularly reviewed by the Board to ensure that there is the right mix on the Board and its committees and that they are working effectively. There are currently seven Directors on the Board, which comprises an independent Chairman (who, for the purposes of the Code was independent on appointment), one executive Director, three independent non-executive Directors and two non-executive Directors who are considered by the Board to not be independent due to their relationship with the major shareholder Gulf Capital. The current members of the Board have a wide range of skills and experience and their biographies can be found on pages 42 to 43.

Non-Executive Director Independence

The Board considers and reviews the independence of each non-executive Director on an annual basis as part of the Directors' performance evaluation. In carrying out the review, consideration is given to factors such as their character, judgment, commitment and performance on the Board and relevant committees and their ability to provide objective challenge to management. Following the annual review for 2014, the Board concluded that each of the independent non-executive Directors reviewed continue to demonstrate those behaviours and continued to be considered by the Board as independent.

Division of Board Responsibilities

Chairman

- Provided strategic insight from his wide-ranging business experience and contacts built up over many years.
- Met major shareholders on governance matters and was an alternate point of contact instead of the Chief Executive Officer for shareholders on other matters as well.
- Provided a sounding board for the Chief Executive Officer on key business decisions, challenging proposals where appropriate.
- Agreed executive Directors' subjects for particular consideration by the Board during the year at Board meetings, ensuring that adequate time is available to discuss all agenda items.

Chief Executive Officer

- Brought matters of particular significance or risk to the Chairman, for discussion and consideration if appropriate.
- Represented the Group to its shareholders, customers, suppliers and the general industry.
- Led the business and the rest of the management team.
- Led the development of the Group's strategy with input from the rest of the Board and our advisers.
- Worked with the Chairman in agreeing subjects for particular consideration by the Board during the year.

Effective Division of Responsibilities and Board Operation

Senior Independent Director

- Made himself available to shareholders if they had concerns that could not be addressed through normal channels.
- Acted as an internal sounding board for the Chairman.
- Served as an intermediary for the other Directors with the Chairman when necessary.
- Ensured balanced understanding of major shareholders' issues and concerns.

Company Secretary

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

Board Calendar for 2014

At specific meetings

May	June	August	October	December
IPO debrief Q1 Interim management statement Remuneration Committee Report Contract updates Trading Review of operational matters	City expectations for first year as a plc Current trading activity Competitive landscape	Business Update, including: – update on charters – new build programme Approval of 2014 interim results	Competitive landscape Group strategic plan 2015 to 2019 Review of indicative 2015 budget Share price Discussion on macroeconomic conditions	Approval of Group strategic plan 2015 to 2019 Review and approval of 2015 budget Review of Group financing strategy Approval of 2015 Group KPIs Review of remuneration policy Consideration of new build programme Discussion on macroeconomic conditions

At each main meeting

Review and discussion of:
– investor relations
– new build programme
– market update
– contractual update
– minutes of previous meetings
– reports on implementation of actions from previous meetings
– Operational matters

Review of reports on:
– finance and accounting matters
– health, safety and environment
– personnel and support services
– risk management
– trading and forecast update

How the Board Operates

The Board is responsible for providing entrepreneurial leadership and effective oversight of the Company. It also agrees the strategic direction and governance structure that will help achieve the long-term success of the Company and deliver shareholder value. The Board takes the lead in areas such as strategy, financial policy, risk management and the overall system of internal control. The Board's full responsibilities are set out in the matters reserved for the Board. The ultimate responsibility for the Company rests with the Board and its legal powers and responsibilities are stated in the Articles of Association, which are available for inspection at the Company's registered office in the UK.

The Board delegates authority to its committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition and role of each committee is summarised on pages 47 to 61 and their full terms of reference are available on our website at www.gmsuae.com.

The composition, experience and balance of skills on the Board are regularly reviewed to ensure that there is the right mix on the Board and its committees and they are working effectively. The current members of the Board have a wide range of skills and experience and their biographies can be found on pages 42 to 43.

The Chairman, along with the Chief Executive Officer and the Company Secretary, has established Board processes designed to maximise its performance. Key aspects of these are shown below:
– the Chairman, Chief Executive Officer and Company Secretary meet towards the beginning of each year to agree an overall calendar of subjects to be discussed by the Board during the year.
– Board meetings are timetabled to ensure adequate time for discussion of each agenda item for that particular meeting.
– discussions at Board meetings are held in a collaborative atmosphere of mutual respect and open discussion allowing for questions, scrutiny and constructive challenge where appropriate.
– full debates on key matters allow decisions to be taken by consensus (although any dissenting views would be minuted accordingly).
– the development of strategy is led by the Chief Executive Officer, with input, challenge, examination and ongoing testing from the non-executive Directors.
– the Group strategy is reviewed by the Board throughout the year, with particular strategic matters being reviewed and updated as appropriate at each main meeting.
– good working relationships exist between non-executive Directors and non-Board members of the senior management team.
– members of the senior management team draw on the collective experience of the Board, including its non-executive Directors.
– comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excess and unnecessary information.
– reporting packs are normally distributed six days in advance of Board meetings, enabling them to be as up-to-date as possible whilst allowing sufficient time for their review and consideration in advance of the meeting.
– clarification or amplification of reports is sought in advance of, or at the meeting as appropriate.
– once goals have been set and actions agreed, the Board receives regular reports on their implementation.
– comprehensive management accounts with commentary and analysis are distributed to the Board on a monthly basis.
– the Board reviews the Group's risk register at each of its main meetings and challenges this where appropriate.
– the Board visits the Group's business locations both to review its operations and new build vessels and to meet with local management.
– all Directors have open access to the Group's key advisers as well as to Management and the Company Secretary.
– Directors are also entitled to seek independent professional advice at the Group's expense should they consider this appropriate.

CORPORATE GOVERNANCE
Continued

Appointment and Tenure

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

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

Director Induction and Training

The training needs of the Directors are periodically discussed at Board meetings and briefings are arranged on issues relating to corporate governance and other areas of importance. Arrangements were put in place for newly appointed Directors to undertake an induction programme designed to develop their knowledge and understanding of the Company. This included briefing sessions during regular Board meetings, visits to the Company's fabrication yard, meetings with members of the wider management team and discussions on relevant business issues. Upon appointment Directors are advised of their legal and other duties and their obligations as Directors of a listed company and under the Companies Act 2006 and they receive training from the Company's lawyers.

Director Election

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, all Directors will seek election at the Company's first Annual General Meeting ("AGM") as set out in the Notice of the Annual General Meeting (see page 116 for resolutions relating to election of Directors).

Directors' Conflicts of Interest

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

All potential conflicts approved by the Board are recorded in an Interests Register, which is reviewed by the Board at least quarterly to ensure that the procedure is operating at maximum effectiveness.

Board Evaluation and Effectiveness

The Board and its Committees were formed when the Company listed in March 2014 and in January 2015 an internal evaluation was conducted by the Chairman. The Chairman distributed a high-level questionnaire for completion by the Directors. The questionnaire was structured to provide Directors with an opportunity to express their views about:

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

Following the internal evaluation process conducted in 2014, the Board and the Board Committees are satisfied that they are operating effectively and that each Director has performed well in respect of their individual roles on the Board.

Dialogue with shareholders

Shareholder Engagement

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

As part of our investor relations programme a combination of presentations, Group calls and one-to-one meetings are arranged to discuss the Company's interim and final results with stock market participants. In the intervening periods meetings are held with existing and prospective shareholders to update them on our latest performance or to introduce them to the Company. Periodically we arrange visits to the business to give analysts, brokers and major shareholders a better understanding of how we manage our business and to ensure we understand the views of our shareholders. These visits and meetings are principally undertaken by the Chief Executive Officer and the Chief Financial Officer.

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

The presentations to analysts are posted on the Company's website at www.gmsuae.com.

Annual General Meeting

The Company's first AGM will take place at 11.30am (UK time) on Wednesday 6 May 2015 at Linklaters LLP, One Silk Street, London, EC2Y 8HQ. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM can be found on page 116 and on our website at www.gmsuae.com. The Notice of AGM sets out the business of the Meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

The AGM is the Company's principal forum for communication with private shareholders. In addition to the formal business, there will be a presentation by the Chief Executive Officer on the performance of the Group and its future development. The Chairman of the Board and the Chairman of each Board Committee, together with senior management, will be available to answer shareholders' questions at the AGM.

REPORT OF THE AUDIT AND RISK COMMITTEE

Simon Batey
Audit and Risk Committee Chairman

I am pleased to present the Audit and Risk Committee report for 2014. The Audit and Risk Committee was established in its current form as part of the governance framework adopted by the Company on its admission to the London Stock Exchange. The Committee is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner. During the period under review I served as Chairman of the Audit and Risk Committee alongside two of my fellow non-executive Directors, both of whom are considered by the Board to be independent. The members of the Committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties. The members of the Committee during the year were as follows:

The Audit and Risk Committee discharges its responsibilities through a series of scheduled meetings during the year, the agenda of which is linked to events in the financial calendar of the Company. We met three times during the financial year and attendance at those meetings is set out on page 41. The Committee receives reports from external advisers and from the senior management team, as required, to enable it to discharge its duties. The Chief Financial Officer and senior members of the finance team attend each of these meetings at our request. In addition, the external Auditor attended two of these meetings and had the opportunity to meet privately with the Committee, in the absence of senior management.

The external Auditor receives copies of all relevant Committee papers (including papers that were considered at the meeting when they were not in attendance) and minutes of all Committee meetings.

The Responsibilities and Role of the Audit and Risk Committee

The Committee's responsibilities as detailed in its terms of reference include:

- monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgments contained in them;
- reviewing accounting policies, accounting treatments and disclosures in financial reports;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- overseeing the Group's relationship with the external Auditor, including making recommendations to the Board as to the appointment or reappointment of the external Auditor, reviewing its terms of engagement and engagement for non-audit services, and monitoring the external Auditor's independence, objectivity and effectiveness; and
- reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial and other matters for appropriate follow-up action.

The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board. The Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules, and makes its recommendations on these reports to the Board.

REPORT OF THE AUDIT AND RISK COMMITTEE
Continued

Objectives Set for 2014

At our first meeting we decided that our primary objectives for 2014 were:

- review of financial reporting and related internal control risk;
- monitoring accounting judgments and estimates prepared for any accounting changes;
- considering the financial statements and disclosures to ensure they are fair, balanced and understandable and "tell the Company's story";
- reviewing the Group's risk management systems; and
- monitoring and reviewing the internal audit effectiveness.

Developments During the Year

We reviewed and discussed:

- the system of risk management in the Group and enhanced the measurement of risk levels by management, increasing uniformity across the Group;
- the new reporting, regulatory and governance requirements for listed companies and where necessary updated or implemented new policies; and
- the effectiveness of the Group's internal audit function.

Audit and Risk Committee calendar for 2014

	August	October	December
At specific meetings	Review and recommendation of approval of 2014 Interim Results. Report from external Auditor on 2014 Interim Results. Private meeting between non-executive Directors and external Auditor. External Auditor's fee proposal and policy on non-audit services. Proposed specific objectives of the Audit and Risk Committee for 2014. Approved 2014/15 Internal Audit Programme.	Review of 2014 External Audit Plan. 2014 Annual Report Process. External Auditor, including: policy on appointment of external Auditor.	Update on 2014 Annual Report process. Management papers to support areas of judgment in the Annual Report. Review of external Auditor's Engagement Letter.
At each main meeting	**Reviews of financial reporting, including:** Any proposed changes to accounting policies.	**Review and discussion of:** Whistleblowing and related policies. Risk management systems and internal controls, including a discussion of the risk management process. Minutes of previous meetings. Reports on implementation of actions from previous meetings.	**Consideration of Internal Audit:** Status of 2014/15 Internal Audit Programme.

Significant Issues

The Audit and Risk Committee pays specific attention to matters it considers important based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application. The Committee considered the following matters as significant issues in 2014:

Significant issue	How addressed
Impairment of property, plant and equipment	
IAS 36 requires that a review for impairment be carried out if events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. The volatility of the oil prices in recent periods may significantly impact the value in use of the vessels. Impairment assessments are judgmental and careful consideration of the assumptions used in the determination of the value in use is required.	The Committee considered the assumptions used in the computation of the value in use of the vessels. Consideration was given to both the feasibility of the long-term business plan and the appropriateness of the discount rate applicable to the Group, used in the valuation process.
Capitalisation of new build programme costs	
The Group has invested substantial capital in its vessel fleet, which is the key component of its business offering and its major asset. As a part of its new build programme, the Group completed the build of a Large Class vessel during the period. Careful consideration had to be given as to which costs met the criteria for capitalisation. Incremental costs as a result of the project were considered for capitalisation.	The Committee reviewed the basis of Management's assumptions over the eligibility of the new build costs for capitalisation. The Committee reviewed the costs that were capitalised to be satisfied that they complied with the definition of costs directly attributable to the construction of the asset as required by IFRS.

External Audit

Appointment and Independence

Deloitte LLP was appointed on 14 March 2014 as external Auditor of the Company. The Committee is aware of the changes and potential changes to the requirements for external auditor selection, given recent reviews by the Competition and Markets Authority and the European Union. Whilst we do not currently consider it necessary to have a policy for rotation of the external Auditor in this our first year as a listed company, we plan to give consideration to placing future audits out to tender over the coming years.

Provision of Non-Audit Services

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

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

During the year the total fees paid to Deloitte LLP were unusually high due to the level of work undertaken as reporting accountants as part of the Group re-organisation and listing, services which it is normal practice for the auditors to perform. However the Committee is satisfied that this exceptional level of fee will not continue. The total non-audit services provided by Deloitte LLP for the year ended 31 December 2014 were US$ 921,000 (2013: US$ 962,000) which comprised 79% (2013: 91%) of total audit and non audit fees.

The Committee is satisfied that the quantum and nature of the non-audit services provided by Deloitte LLP during the year are such that the objectivity and independence of the external Auditor have not been compromised.

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

The effectiveness of the external Auditor was evaluated by feedback from the senior management team and the Committee by way of questionnaire. We examined a range of performance criteria including, but not limited to, robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice. We also had regard to the 2014 Audit Quality Inspections Report on Deloitte LLP audits carried out by the Financial Reporting Council. As a result of this work, the Committee has recommended to the Board that the reappointment of Deloitte LLP as the Company's external Auditor be proposed to shareholders at the 2015 AGM.

Internal Audit

The Committee receives at each meeting a report on internal controls from the Internal Auditors. These reports provide an update on progress against the internal audit plan, including the status of actions and management responses and highlighting key improvement themes and recommend areas of business focus.

Internal Controls and Risk Management

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

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

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

Reviewing the effectiveness of Internal Controls

At least annually the Board, supported by this Committee's activities, reviews the effectiveness of our internal control process, including financial reporting, to make sure it remains robust. The latest review covered the financial year to 31 December 2014 and the period to the approval of this Annual Report and financial statements. It included:

- clearly defined responsibilities and delegated limits of authority, including definition of matters that require Board approval;
- operation of an effective system of internal control at Group and subsidiary levels;
- production of accurate, relevant and timely financial information by each subsidiary;
- a comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which financial statements are prepared and submitted to the Board monthly;
- safeguarding of the Group's assets through physical controls and segregation of duties;
- the close involvement of the executive Directors, including regular meetings with the senior management team to review operational aspects of the business.

Ethical Conduct

Our Code of Conduct encourages all employees to report any potential improprieties in financial reporting or other matters. The Group operates a confidential whistleblowing hotline and all reports received are communicated to this Committee. Where appropriate, our Internal Audit team may be asked to investigate issues and report to us on the outcome. Code of Conduct training was included as part of the Company induction process when the policy was launched earlier this year.

The Company has also implemented an Anti-Bribery and Corruption Policy and is satisfied that appropriate policies and training is in place to deal with any instances of whistleblowing and to ensure that appropriate follow up action is taken.

Simon Batey
Audit and Risk Committee Chairman
23 March 2015

REPORT OF THE REMUNERATION COMMITTEE

W. Richard Anderson
Remuneration Committee Chairman

Remuneration Committee Composition

- Chairman
  W. Richard Anderson
- Independent non-executive Director
  Mike Straughen
- Senior Independent Director
  Simon Batey

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014.

In advance of the IPO earlier this year, a review of the structure of remuneration for senior executives was carried out to ensure the policy was appropriate for the Company following listing. Our remuneration arrangements have been designed in accordance with the principles set out in the UK Corporate Governance Code and current market and best practices for UK listed companies. They also take into account market practice and labour laws in the local UAE market . As part of this exercise, the Committee, with external assistance, developed a Long-Term Incentive Plan to be introduced following listing. The first award under this Plan was granted in May 2014 and will vest in May 2017, subject to the achievement of challenging performance conditions relating to EPS growth and the Company's relative total shareholder return.

Our aim is to ensure that pay arrangements appropriately and responsibly incentivise executive directors and senior management to achieve the Group's strategic objectives, which should in turn create value for the Company's shareholders. To this end, the overall remuneration structure for executives therefore comprises:

- Base salary, benefits and allowances – set at a level appropriate to the sector and geographic markets in which we operate;
- An annual bonus – based on measures of annual financial and strategic performance; and
- A share-based Long Term Incentive Plan – based on growth in EPS and total shareholder return.

Further details of this structure are set out on the following pages.

The Company is subject to legislation applying to the governance and reporting of remuneration for UK-listed companies, which provides shareholders with a say on Company remuneration policy. This report will therefore be subject to two shareholder votes at the forthcoming AGM:

- A binding vote on the Directors' Remuneration Policy Report; this report (contained on pages 51 to 55) sets out the forward looking Directors' Remuneration Policy that it is proposed will operate from the date of the AGM;
- An advisory vote on the Annual Report on Remuneration; this report (contained on pages 55 to 60) provides details of the remuneration earned by Directors in the year ended 31 December 2014 and how we propose to operate our policy in 2015.

We welcome questions and feedback regarding our remuneration structures and commend both the Remuneration Policy and the Annual Report on Remuneration to shareholders for their support at the forthcoming AGM.

W. Richard Anderson
Remuneration Committee Chairman

Directors' Remuneration Policy Report

This part of the report, which is not subject to audit, sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2014 and the views of our major shareholders and describes the policy to be applied from 2014 onwards. The Policy Report will be put to a binding shareholder vote at the 2015 AGM and assuming the vote is passed, will take formal effect from that date.

Policy overview

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

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

Summary of the Directors' Remuneration Policy

The following table sets out the Directors' remuneration policy.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
Base salary	– To attract, retain and motivate individuals of the necessary calibre to execute the Group's strategy	– Normally reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities – The level of base salary reflects the experience and capabilities of the individual as well as the scope and scale of the role – Any increases to base pay will take into account individual performance as well as the pay and conditions in the workforce	– There is no prescribed maximum annual increase – When determining the level of any change in compensation, the Committee takes into account: – Remuneration levels in comparable organisations in the UAE and the GCC – Remuneration levels in the international market – Increases for the workforce generally – Changes to an individual's role, including any additional responsibilities	N/A
Annual bonus plan	– To encourage and reward delivery of the Group's annual financial and operational objectives	– Performance measures and targets are reviewed annually by the Committee and are linked to the Group's key strategic and financial objectives – The bonus will normally be paid wholly in cash; however the Committee has the discretion to defer a proportion of the bonus in GMS shares or cash – Clawback (or malus in the event of any deferral) provisions apply in the event of a material misstatement of the Group's financial results or an error in the calculation of performance targets. Clawback and/or malus can be applied for three years from the end of the financial year to which a payment relates	– Normal maximum opportunity of 100% of salary (exceptional limit 150% of salary)	– The majority of the annual bonus will be based on Group financial performance – The Committee has discretion to vary bonus payments downwards or upwards if it considers the outcome would not otherwise be a fair and complete reflection of the performance achieved by the Group and/or the Executive Director. Performance below threshold results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets
Long Term Incentive Plan (LTIP)	– To incentivise and reward the achievement of key financial performance objectives and the creation of long-term shareholder value – To encourage share ownership and provide further alignment with shareholders	– Annual awards of nil-cost options or conditional shares with the level of vesting subject to the achievement of stretching performance conditions measured over a three-year period – Performance targets are reviewed annually by the Committee and are set at such a level to motivate management and incentivise outperformance – Dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest – Clawback provisions apply in the event of a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year in which an award vests	– Normal maximum opportunity of 200% of base compensation (exceptional limit of 300% of salary)	– Performance is assessed against metrics which will normally include a financial measure, such as EPS, and / or a measure linked to the Company's total shareholder return against an appropriate group of peers. Measures are captured independently – 30% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for achievement of maximum performance targets
End of service gratuity	– To provide an end of service gratuity, as required under the UAE Labour Law	– End of service gratuity contributions are accrued by the Company	– The maximum payout to an employee is limited by UAE Labour Law to two years' base salary	N/A
Benefits	– To provide competitive and cost-effective benefits to attract and retain high-calibre individuals	– Private medical insurance for the executive and close family, death in service insurance, disability insurance, accommodation and payment of children's school fees	– Actual value of benefits provided	N/A

REPORT OF THE REMUNERATION COMMITTEE
Continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
Allowances	– Allowances set to cover essential living costs where this is in line with local market practice	– Any increases to allowances will take into account local market conditions as well as the allowances provided to the workforce – Allowances relate to air travel and transport	N/A	N/A
Share ownership guidelines	– To encourage alignment with shareholders	– Executive Directors are required to build and maintain a shareholding equivalent to at least 100% of base salary through the retention of vested share awards or through open market purchases – A new appointment will be expected to reach this guideline in three to five years post-appointment – Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved	N/A	N/A

Notes to table

Annual bonus performance measures

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

LTIP performance measures

The LTIP performance measures (which are currently EPS growth and TSR relative to companies in the FTSE 250 Index excluding financial services companies) reward long-term financial growth and significant long-term returns to shareholders. Targets are set on sliding scales that take account of internal strategic planning and external market expectations for the Group. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year.

Discretion

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

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

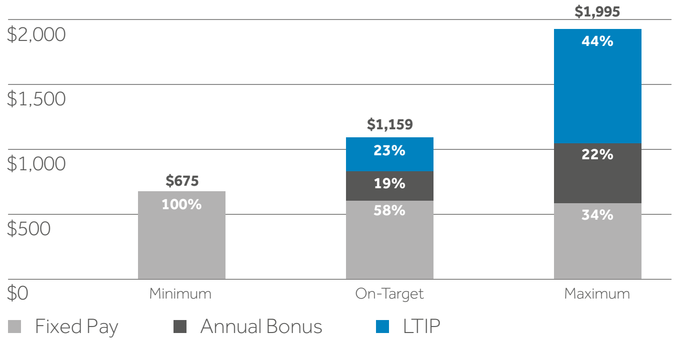
Awards granted prior to approval of policy

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards granted pre- or post-IPO but before the AGM at which this policy is approved by shareholders).

Remuneration scenarios for the CEO

The chart below shows an estimate of the potential future remuneration payable for the CEO in 2015 at different levels of performance. The chart highlights that the performance-related elements of the package comprise a significant portion of the CEO's total remuneration at on-target and maximum performance.

Chief Executive
US$'000



1. Duncan Anderson's remuneration is paid in UAE Dirhams and shown above in US$ using an exchange rate of US$1/AED3.67.
2. Minimum remuneration represents base salary and allowance levels applying as at 1 January 2015. It also includes benefits and end of service gratuity.
3. The value of benefits is based on the cost of supplying those benefits (as disclosed in the Annual Report on Remuneration on page 57) for the year ended 31 December 2014.
4. The end of service gratuity is based on the provision accrued (as disclosed in the Annual Report on Remuneration on page 57) for the year ended 31 December 2014 in line with the UAE Labour Law limit.
5. Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP; at on-target, half of the annual bonus is earned (i.e. 50% of salary) and 30% of maximum is achieved under the LTIP (i.e. 60% of salary); and at maximum full vesting under both plans.
6. Share price movement and dividend accrual have been excluded from the above analysis.

How remuneration of Executive Directors differs from employees generally, and how their views are taken into account in setting remuneration policy

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

The Committee does not formally consult with employees in respect of the design of the Executive Director remuneration policy, however the Human Resources Director is available to discuss issues relating to the wider employee population.

Consideration of shareholder views

The Company is committed to maintaining good communications with investors. The Committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any changes be planned to the Directors' Remuneration Policy or if the Committee wishes to make material changes to how Policy will be implemented.

Following the Company's first AGM in 2015, details of votes cast for and against the resolutions to approve the Directors' Remuneration Policy and Annual Report on Remuneration will be included in the next Annual Report on Remuneration published following the AGM.

The Company is required to prepare, and seek shareholder approval for an updated Directors' Remuneration Policy at least once every three years.

Directors' recruitment and promotions

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

Base salary	The base salary for a new appointment will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the salary for a new Executive Director at a level which is below market (for example, to allow them to gain experience in the role) their salary may be increased to achieve the desired market positioning by way of a series of phased above inflation increases. Any increases will be subject to the individual's continued development in the role.
End of service gratuity, benefits and allowances	End of service gratuity, benefits and allowances will be set in line with the policy above, reflective of typical market practice and the Labour Law for the UAE region. The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual. In the event of an Executive Director being recruited to work outside the UAE region, additional benefits, pension provision and/or allowances may be provided in line with local market practice.
Annual bonus and LTIP	The Company's incentive plans will be operated, as set out in the policy table above, albeit with any payment pro-rata for the period of employment and with the flexibility to use different performance measures and targets, depending on the timing and nature of the appointment.
Remuneration foregone	The Committee may offer cash and/or share-based elements to compensate an individual for remuneration and benefits that would be forfeited on leaving a former employer, when it considers these to be in the best interests of the Group (and therefore shareholders). Such payments would take account of remuneration relinquished and would mirror (as far as possible) the delivery mechanism, time horizons and performance requirement attached to that remuneration. Where possible this will be facilitated through existing share plans as set out in the policy table above, but if not the Committee may use the provisions of 9.4.2 of the Listing Rules.
Internal appointments	In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

REPORT OF THE REMUNERATION COMMITTEE
Continued

Directors' service agreements and payments for loss of office

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

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

The date of the CEO's Executive Service Agreement is 12 March 2014.

The service contract is available for inspection during normal business hours at the Company's registered office, and available for inspection at the AGM.

External appointments

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

Non-executive Directors' remuneration policy and terms of engagement

The following table sets out the components of the non-executive Directors' remuneration package.

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

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

Simon Heale	Chairman	27 February 2014
H. Richard Dallas	Non-executive Director	27 February 2014
Dr Karim El Solh	Non-executive Director	27 February 2014
Simon Batey	Independent non-executive Director	27 February 2014
Mike Straughen	Independent non-executive Director	27 February 2014
W. Richard Anderson	Independent non-executive Director	27 February 2014

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

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2015 AGM. Sections of this report that are subject to audit, on pages 57 to 59 have been indicated.

Responsibilities of the Committee

The Remuneration Committee will assist the Board in fulfilling its responsibilities regarding all matters related to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of the Executive Director(s) and the Company Secretary. In addition, the Committee monitors the structure and level of remuneration for the senior management team and is aware of pay and conditions in the workforce generally. The Committee also ensures full compliance with the UK Corporate Governance Code in relation to remuneration.

Members and activities of the Committee

The members of the Committee during 2014 were W. Richard Anderson (chair), Simon Batey and Mike Straughen. All members were Independent non-executive Directors. The Chief Executive Officer, Chief Financial Officer and Human Resources Director are normally invited to attend for at least part of each meeting to allow the Committee to benefit from their contextual advice. The Group Chairman also normally attends meetings by invitation. The Company Secretary acts as Secretary to the Committee. These individuals are not present when their own remuneration is discussed.

The number of formal meetings held and the attendance by each member is shown in the table below. The Committee also held informal discussions as required.

	Number of meetings attended out of a potential maximum
W. Richard Anderson	3 out of 3
Simon Batey	3 out of 3
Mike Straughen	3 out of 3

External advice received

During the year, the Committee received independent advice on remuneration matters from Mercer Limited ("Mercer").

Mercer is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The fees paid to Mercer for advice from the date of listing total US$ 63,056. Mercer also provided support to the Company and the Committee prior to and in preparation for listing. Mercer is a division of Marsh & McLennan Companies, Inc. ("MMC"). Another division of MMC provides broker services with regard to the Group medical insurance. However, notwithstanding this relationship, the Committee is satisfied that Mercer's advice to the Committee is objective and independent, as they are two distinct autonomous business divisions within MMC.

Shareholder voting at AGM

The 2014 Annual Report on Renumeration will be the first such report published by the Company.

REPORT OF THE REMUNERATION COMMITTEE
Continued

Implementation of the Remuneration Policy for 2015

Base salary

The CEO's base compensation was reviewed on listing and also at the end of 2014 to determine the appropriate salary for the coming year. As a point of comparison, increases to salary levels for the workforce generally during 2014 averaged 5%. Accordingly, base salary for 2015 will be as follows:

	Base salary from 1 January 2015 US$ '000	Base salary from 1 January 2014 US$ '000	% increase
Duncan Anderson[1]	440	415	6%

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

Allowances and benefits for 2015

The cash allowances for 2015 comprise payments to cover costs of air travel and transport and for 2015 will be as follows:

	Allowances from 1 January 2015 US$'000	Allowances from 1 January 2014 US$'000	% increase
Duncan Anderson[1]	37	37	0%

1. Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$1/AED3.67.

Other benefits to be provided directly include accommodation, private medical insurance for the executive and close family, death in service insurance, disability insurance and payment of children's school fees.

Annual bonus for 2015

For 2015 the annual bonus opportunity will be 100% of base salary. The annual bonus will be assessed against financial and personal objectives to provide a rounded assessment of the Group and individual's performance, weighted as follows:

Measure	Weighting
Profit after tax	25%
EBITDA margin	25%
Total Reportable Incident Rate (TRIR)	10%
Strategic and operational objectives	40%
Total	**100%**

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

The bonus will be paid wholly in cash. Clawback provisions apply in the event of a material misstatement of the Group's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year to which a payment relates.

Long-term incentive to be granted in 2015

The Committee intends to grant an LTIP award to the CEO in 2015 over shares with a value of 150% of base salary. The award will vest three years after grant, subject to performance measured over three financial years commencing with the year of grant. Vesting of 75% of the award will be based on the compound annual growth rate (CAGR) of EPS and the remaining 25% will be determined by TSR relative to the FTSE 250 Index excluding financial services companies.

EPS and relative TSR are considered to be the most appropriate measures of long-term performance, as they incentivise and reward for improvement in the long-term financial performance of the Group, together with the creation of value for shareholders.

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

Performance condition	Threshold target (30% vesting)	Stretch target (100% vesting)
EPS CAGR	20% per annum	26.5% per annum
Relative TSR	Median of index	Upper quartile of index

End of service gratuity

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

Fees for the Chairman and non-executive Directors

The Chairman and non-executive Directors' remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual non-executive Directors do not take part in discussions regarding their own fees. The Chairman and non-executive Directors receive no other benefits and do not participate in short-term or long-term reward schemes. A summary of the current fees and those for 2015 are set out below; no increase in fee levels is proposed in 2015. Please note that fees are determined in Pound Sterling.

	Annual Fee 2015 £000	Annual Fee 2014 £000	% increase
Chairman	175	175	0%
Non-executive Director base fee	50	50	0%
Additional fees:			
Senior Independent Director	5	5	0%
Audit and Risk Committee Chair	5	5	0%
Remuneration Committee Chair	5	5	0%

Directors' remuneration earned in 2014 (audited)

The table below summarises Directors' remuneration received in 2014.

		Fixed element of pay			Pay for performance			
		Base salary US$'000	Allowances and benefits[1] US$'000	End of service gratuity[2] US$'000	Annual Bonus US$'000	Long Term Incentives US$'000	Other[3] US$'000	Total Remuneration US$'000
Executive Director								
Duncan Anderson[4,5]	**2014**	**415**	**182**	**53**	**353**	**–**	**–**	**1,003**
	2013	366	175	47	238	–	–	826

		Fees US$'000	Total Remuneration US$'000
Chairman[6]			
Simon Heale[7,9]	**2014**	**292**	**292**
	2013	–	–
Non-executive Directors[6]			
H. Richard Dallas[8]	**2014**	**76**	**76**
	2013	–	–
Dr Karim El Solh[8]	**2014**	**76**	**76**
	2013	–	–
Simon Batey[8,10]	**2014**	**92**	**92**
	2013	–	–
Mike Straughen[8,10]	**2014**	**76**	**76**
	2013	–	
W. Richard Anderson[8,10]	**2014**	**84**	**84**
	2013	–	
Non-executive Director total	**2014**	**696**	**696**
	2013	–	–

1. Allowances include fixed cash allowances for air travel and transport. Other benefits include accommodation (US$ 82,947), private medical insurance for the executive and close family, death in service insurance, disability insurance and payment of children's school fees.
2. End of service gratuity is the provision accrued for the year.
3. During the year, Duncan Anderson received a cash and equity award of US$ 11.8 million as settlement of a previous share appreciation rights scheme. This was funded by the shareholders in place prior to the IPO at no cost to the company.
4. Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$1/AED 3.67.
5. Duncan Anderson was appointed as a Director of the Company on 24 January 2014.
6. The Chairman and non-executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.67/£1.
7. Simon Heale was appointed as Chairman on 27 February 2014.
8. H. Richard Dallas, Dr Karim El Solh, Simon Batey, Mike Straughen and W. Richard Anderson were appointed as non-executive Directors on 27 February 2014.
9. Simon Heale received a pro-rata annual fee of £175,000 (per annum) from 1 January 2014 to the date of his appointment (27 February 2014) in consideration of advisory work performed prior to his formal appointment as Chairman.
10. The Independent non-executive Directors received a pro-rata equivalent of their basic annual fee of £50,000 per annum for the period from 1 February 2014 to the date of their appointment (27 February 2014) in consideration of advisory work performed prior to their formal appointments as Independent Non-Executive Directors.

Christopher Foll was appointed as an Alternate Director on 27 February 2014; he receives no remuneration for this appointment.

REPORT OF THE REMUNERATION COMMITTEE
Continued

Annual bonus for 2014 (audited)

For 2014 the annual bonus opportunity was set at 100% of base salary. The annual bonus will be assessed against financial and personal objectives to provide a rounded assessment of the Group and individual's performance.

Measure	Weighting	Performance range (from zero to maximum pay-out)	Result	% of salary paid in cash
Profit after tax	25%	US$ 76m – US$ 81m	US$ 81m	25
EBITDA margin	25%	64% – 69%	64%	10
Lost Time Injuries (LTI)	10%	2 – 1	0	10
Strategic and operational objectives	40%	**	**	40
Total	**100%**			**85**

** Objectives set related to key operational and strategic objectives, with targets for each aligned with delivery of the Company's annual corporate objectives and long-term financial plan. Details of these measures are considered commercially sensitive and it is not intended that they will be disclosed.

The bonus will be paid wholly in cash. Clawback provisions apply in the event of a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year to which a payment relates.

Share appreciation rights settlement (audited)

During the year 2014, the CEO's vested share appreciation rights, from a previous share appreciation rights scheme, were settled as follows:

	Settlement of vested SARs
Cash payout	US$ 5,857,657
Number of shares issued	2,614,622 shares (Market Value as on the grant date US$ 5,894,665)[1]

1. Calculated as 2,614,622 shares at the IPO price of £1.35, converted at an exchange rate of £1:US$ 1.67.

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

The Committee granted an LTIP award to the CEO in May 2014 over shares with a value of 120% of base salary. Awards will vest, subject to the achievement of specific performance conditions and continued employment, in May 2017.

	Date of grant	Number of shares	Face value[1]	Face value as a percentage of salary	End of performance period	Performance conditions
Duncan Anderson	8 May 2014	184,327	US$ 497,863	120%	31 December 2016	See table below

1. Award face value (and value as a percentage of salary) is calculated using the closing share price on 8 May 2014, being 161.75p per share and assumes all performance conditions are met in full. The number of shares has been calculated using an exchange rate of £1: US$ 1.67. The minimum award available is nil.

Performance condition	Weighting	Threshold target (30% vesting)	Stretch target (100% vesting)
EPS CAGR	50%	15% per annum	21.5% per annum
Relative TSR	50%	Median of index[1]	Upper quartile of index[1]

1. FTSE 250 excluding financial services companies.

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

Awards outstanding under the Company's LTIP comprise:

Grant date	No. of shares at listing (14/03/14)	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	No. of shares 31/12/14	End of performance period	Vesting date
8 May 2014	–	184,327	–	–	–	184,327	31/12/16	8/5/17
	–					**184,327**		

Directors' interests in ordinary shares (audited)

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

As set out in the Directors' Remuneration Policy, the Committee requires any executive Director to build and maintain a shareholding in the Company equivalent to 100% of base salary. Until this threshold is achieved they are required to retain no less than 50% of the net of tax value of any share award that vests. The Chairman and non-executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline. A new appointment will be expected to reach this guideline in three to five years post-appointment.

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2014 was as follows:

	Beneficially owned at 31 Dec 2014	Beneficially owned at 19 March 2014	Shareholding requirement met?	Outstanding LTIP awards
Duncan Anderson	2,614,622	2,614,622	Yes	184,327
Simon Heale	74,074	74,074	N/A	–
H. Richard Dallas	18,518	18,518	N/A	–
Dr Karim El Solh	296,296	296,296	N/A	–
Simon Batey	37,037	37,037	N/A	–
Mike Straughen	37,037	37,037	N/A	–
W. Richard Anderson	153,453	153,453	N/A	–

1. There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2015 to 13 March 2015.
2. Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.
3. There are no other share, share option schemes or outstanding share awards other than LTIP awards.
4. 2,614,622 restricted shares awarded at IPO in settlement of outstanding share appreciation rights. These shares are fully vested and are subject to a lock-in until the second anniversary of the IPO.
5. 19 March 2014 – Admission to trading on London Stock Exchange.

Directors' pension entitlement (audited)

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

Payments to former directors (audited)

No payments were made to past executive Directors during the year ended 31 December 2014.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2014.

Percentage change in remuneration levels

The table below shows base salary, allowances and benefits, and annual bonus for the CEO in the 2014 financial year, compared to that for the average employees:

	% change
Chief Executive Officer	
Base salary	13%
Allowances and benefits	4%
Bonus	48%
All employees	
Base salary	5%
Allowances and benefits	5%
Bonus	48%

Relative importance of the spend on pay

The table below shows overall expenditure on pay in the whole Group in 2013 and 2014 financial years, compared to returns to shareholders through dividends:

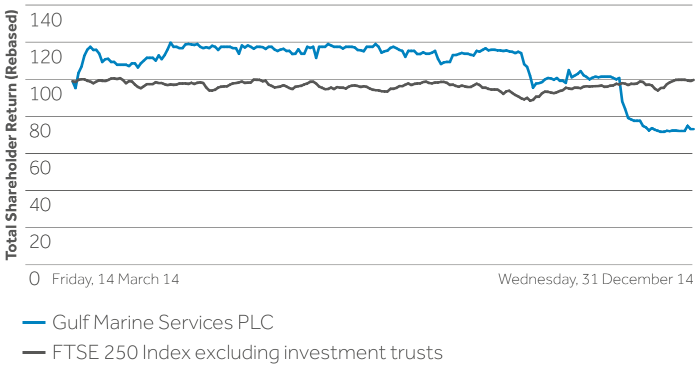
	2014 US$'000	2013 US$'000	% change
Overall expenditure on pay	32,879	22,795	44 %
Dividends proposed	8,131	N/A[1]	N/A

1. The Company was admitted to trading on the London Stock Exchange on 19 March 2014 and returns to shareholders prior to admission have been excluded.

REPORT OF THE REMUNERATION COMMITTEE
Continued

Total Shareholder Return

This graph below shows the value, by 31 December 2014, of £100 invested in Gulf Marine Services PLC on 14 March 2014 (being the date that shares were first admitted to conditional trading) compared with the value of £100 invested in the FTSE 250 Index excluding investment trusts over the same period.



Source: Datastream (Thomson Reuters)

The total remuneration figures for the CEO during the 2014 financial year are shown in the table below. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus award based on that year's performance and the LTIP award based on the three-year performance period ending in the relevant year. The annual bonus payout and LTIP award vesting level as a percentage of the maximum opportunity are also shown for this year.

	Year ending 31 December		
	2014	2013	2012
Chief Executive Officer	Duncan Anderson	Duncan Anderson	Duncan Anderson
Total Remuneration (US$'000)	1,003	826	437
Annual bonus %	35%	29%	46%
LTIP vesting %	–	–	–

Approval of the Directors' Remuneration Report

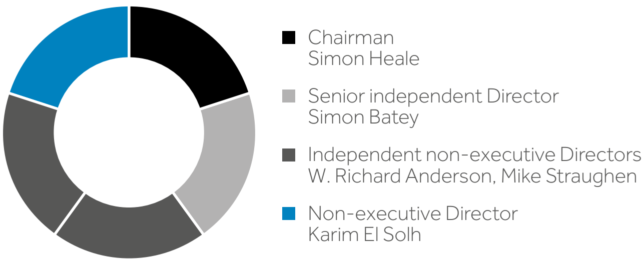
The Directors' Remuneration Report, including both the Directors' Remuneration Policy and the Annual Report on Remuneration, was approved by the Board on 23 March 2015 for presentation to shareholders at the AGM.

W. Richard Anderson
Remuneration Committee Chairman
23 March 2015

REPORT OF THE NOMINATION COMMITTEE

Simon Heale
Nomination Committee Chairman

I am pleased to present the Nomination Committee report for 2014. The Nomination Committee was established in its current form as part of the governance framework adopted by the Company on its admission to the London Stock Exchange. The Code provides that independent non-executive Directors should comprise the majority of the Committee. The Committee members during the year were as follows:



The responsibilities and role of the Nomination Committee

The Nomination Committee's responsibilities include:

- regularly reviewing the structure, size and composition of the Board taking into consideration the skills, knowledge and diversity required of the Board compared to its current position;
- reviewing and recommending succession plans for Directors and other senior executives;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- establishing, monitoring and reviewing the Directors' induction and ongoing development programme; and
- reviewing annually the composition of the Board.

Objectives for 2014 and developments

Given the recent appointment of the Directors of the Company and the rigorous selection process undertaken by the Company and assisted by Spencer Stuart, we did not consider it necessary to meet between listing and the year end.

Since the year end, the Committee has met to assess the results of the Board evaluation process. In light of the findings, we have concluded that the performance of each of the Directors standing for re-election continues to be effective and demonstrates commitment to their roles, including commitment of time for Board and Committee meetings and any other duties.

All of the Company's Directors will stand for election at the 2015 Annual General Meeting ("AGM") as it is the first AGM since their appointments. The biographical details of the current Directors can be found on pages 42 to 43. In accordance with the recommendation for FTSE 350 companies set out in the Code, all of the Directors of the Company will be subject to annual re-election at future AGMs.

The terms and conditions of appointment of non-executive Directors, which includes their expected time commitment, are available for inspection at the Company's registered office.

All members of the Board are male. The Group has one female member of the senior management team and two female managers. The Operating with Integrity section on pages 32 to 36 of the report explains the Group's approach to diversity.

Simon Heale
Nomination Committee Chairman
23 March 2015

DIRECTORS' REPORT

The Directors of Gulf Marine Services PLC present their Annual Report and audited financial statements of the Company and the Group for the year ended 31 December 2014.

This Directors' Report, prepared in accordance with the requirements of the Companies Act 2006, the UK Listing Authority's Listing Rules, and Disclosure and Transparency Rules, contains certain statutory, regulatory and other information.

Strategic Report

Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report required by sections 414A to D of the UK Companies Act 2006 can be found in the Strategic Report section on pages 8 to 23 of this document, which forms part of this report by reference.

Corporate Governance

The Company's Corporate Governance Statement is set out on pages 40 to 61 and forms part of this report by reference.

Directors

A list of the Directors who served during the period and their biographies can be found in the Corporate Governance Report on pages 42 to 43.

In addition, Andrew Robertson, a member of the senior management team, was appointed as Director as part of the pre-IPO process on 21 January 2014 and resigned on 27 February 2014. Christopher Foll was appointed as an alternate Director for H. Richard Dallas and Dr. Karim El Solh on 27 February 2014. The Articles of Association of the Company permits any Director to appoint any person to be their alternate and each Director may at their discretion remove an alternate Director so appointed.

Powers of Directors

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

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in our Articles. They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at their first Annual General Meeting ("AGM") following their appointment. Since the Company is holding its first AGM on 6 May 2015, every Director will be retiring and seeking election at this meeting.

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

Amendments to the Articles of Association

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

Indemnification of Directors

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

Compensation for loss of office

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

Share capital and control

Details of the Company's issued share capital as at 31 December 2014 can be found in note 14 to the consolidated financial statements, on page 91. The Company's share capital comprises ordinary shares, which are listed on the London Stock Exchange.

Ordinary shares

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

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

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

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

Authority to purchase the Company's own shares

The Company did not acquire any of its own shares in the financial year to 31 December 2014 or in the period between the year end and the date of this report.

The Company is due to have its first AGM on 6 May 2015 and the Directors will be seeking approval from shareholders, to authorise the Company to purchase up to 10% of its existing ordinary share capital. This authority would expire at the Company's 2016 AGM; however, it is intended that this authority be renewed each year. For more information on this resolution refer to the Notice of AGM and explanatory notes on pages 116 to 121.

Substantial shareholders

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

Significant direct/indirect interest	As at 31 December 2014 Number of shares	As at 31 December 2014 % Voting Rights	As at 13 March 2015 Number of shares	As at 13 March 2015 % Voting Rights
Green Investment Commercial Investments	174,945,676	50.05	174,945,676	50.05
Horizon Energy	21,136,703	6.05	21,136,703	6.05
Al Ain Capital	21,136,703	6.05	21,136,703	6.05
Schroder Investment Management	16,054,272	4.59	15,929,877	4.56
Abu Dhabi Islamic Bank	10,654,958	3.05	10,401,958	2.98
Aberforth Partners	8,544,000	2.44	11,564,892	3.31

Significant agreements

As at 31 December 2014 the Company was party to the following significant agreements that take effect, alter or terminate, or have the potential to do so, on a change of control of the Company:

Relationship Agreement

The Relationship Agreement dated 14 March 2014 amongst Green Investment Commercial Investments LLC (GICI), Ocean Investments Trading LLC (Ocean), Horizon Energy LLC (Horizon), Al Ain Capital LLC (Al Ain) and the Company provides that it shall terminate on there ceasing to be a "Principal Shareholder" holding at least 10% of the issued share capital of the Company or shares carrying at least 10% of the aggregate voting rights in the Company from time to time. In this context a "Principal Shareholder" is any of (a) GICI and Ocean together, (b) Horizon and (c) Al Ain.

The relevant Principal Shareholder shall be entitled to appoint one Director to the Board, and for so long as a Principal Shareholder Group holds 15% or more of the issued ordinary share capital of the Company, the relevant Principal Shareholder shall be entitled to appoint two Directors to the Board. The appointees are H. Richard Dallas and Dr. Karim El Solh. The Company has further agreed that, subject to the Gulf Capital Shareholders (comprising Green Investment Commercial Investments LLC, and Ocean Investments Trading LLC, both beneficially owned by GC Equity Partners Fund II, L.P.), having the requisite aggregate shareholding to appoint a Director as described above, (i) Christopher Foll shall be given notice of, be invited to, and have the right to attend meetings of the Board as an observer, but shall not be entitled to vote, and (ii) H. Richard Dallas shall be given notice of, be invited to, and have the right to attend meetings of the Remuneration Committee as an observer, but shall not be entitled to vote.

The Relationship Agreement has not been amended since adoption and is in compliance with the recently amended Listing Rules.

Initial Supplemental Purchase Undertaking

The initial supplemental purchase undertaking made on 5 June 2013 by Gulf Marine Middle East FZE (GMME), a member of the Group, to and for the benefit of Abu Dhabi Islamic Bank PJSC (ADIB) provides that, in the event of a person or persons acting in concert acquiring control of the Company, ADIB shall be entitled to serve a notice on GMME exercising its option to sell to GMME assets currently leased by GMME from ADIB under related finance lease arrangements described in more detail on pages 139 and 140 of the Company's prospectus dated 14 March 2014. If ADIB serves such a notice following a change of control of the Company, GMME is obliged to purchase the leased assets in their then current condition on an "as is where is" basis at a price determined by a detailed formula set out in the undertaking.

Director and Senior Manager Lock-Up Arrangements

As noted on pages 197 and 198 of the Company's prospectus dated 14 March 2014, the Directors and senior management of the Company entered into broad lock up undertakings that, subject to certain exceptions, prevented those individuals from selling, transferring or otherwise disposing of their shareholdings in the Company for a period of 360 days from admission of the Company to listing. One of the main exceptions to these lock-up arrangements is the acceptance of a general offer made to all shareholders of the Company under the United Kingdom City Code on Takeovers and Mergers. Related to this, the lock-up arrangements also do not apply to the execution and delivery by a relevant Director or senior manager of an irrevocable undertaking or commitment to accept such an offer.

Share Incentive Schemes

All of the Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on pages 50 to 60 contain provisions relating to a change of control of the Company. Vesting of outstanding awards and options on a change of control would normally be at the discretion of the Remuneration Committee, who would take into account the satisfaction of any applicable performance conditions at that time and the expired duration of the relevant performance period.

Executive Service Contracts

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

Operational Contracts

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

DIRECTORS' REPORT
Continued

Risk regarding the use of financial instruments

The Group's financial risk management objectives and policies including the use of financial instruments are set out in note 35 to the consolidated financial statements on pages 101 to 103.

Post balance sheet events

The following events occurred after the balance sheet date:

(i) On 16 March 2015 the option to purchase the leased vessel Keloa was exercised for US$ 37.5 million. The transaction was funded by a US$ 37.5 million drawdown from the committed loan facility.
(ii) In January 2014, the Group entered into an arrangement to lease a vessel (Pepper) commencing in 2015 for a five-year term with an option to purchase the vessel at the end of the lease term. This vessel commenced its inaugural client charter in March 2015 and is now on lease.

Likely future developments

Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 8 to 23 and forms part of this report by reference.

Research and development

The Group does not undertake any research and development activities.

Political donations

No political donations were made in 2014.

The existence of branches outside the UK

The Group has a branch in Qatar.

Employees and policies

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

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

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

Health and safety

Information on health and safety is provided on pages 13, 19 and 33 and forms part of this report by reference.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Operating with Integrity Report on pages 32 to 36 and forms part of this report by reference.

Dividends

The Board has adopted a dividend policy which will look to maximise shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Company's long-term growth plans. The Company intends, subject to available distributable profits and shareholder approval, to pay annual dividends based on a targeted payout ratio of 10% of the Company's consolidated post-tax profit from its ongoing business. The Board may decide to revise this policy if deemed appropriate.

The Board recommends a final dividend of 1.06 pence (1.64 cents) per share in respect of the 2014 financial year. Shareholders will be asked to approve the dividend at the Annual General Meeting on 6 May 2015, for payment on 12 May 2015 to ordinary shareholders whose names are on the register on 17 April 2015.

Going concern

The Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and has in place a committed term loan facility of US$ 110.0 million, of which US$ 72.5 million remained undrawn as at 23 March 2015. The Group also has access to a committed working capital facility of US$ 40.0 million, of which only US$ 20.0 million has been drawn to date.

On the basis of their assessment of the Group's financial position, and after reviewing its cash flow forecasts for a period of not less than 12 months from the date of approval of the Annual Report, the Group's Directors have a reasonable expectation that, taking into account reasonably possible changes in trading performance, 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 consolidated financial statements.

More information on the going concern status of the Group can be found in the going concern section of note 3 to the consolidated financial statements on page 78 along with details of the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk in note 35 to the consolidated financial statements on pages 101 to 103. The principal risks and uncertainties facing the Group are set out on pages 21 to 23.

Statement on disclosure to the external Auditor

So far as each Director is aware, there is no relevant information, which would be needed by the Company's external Auditor in connection with preparing its audit report (which appears on pages 68 to 71) of which the external Auditor is not aware; and each Director, in accordance with section 418(2) of the Companies Act 2006, has taken all reasonable steps that he ought to have taken as a Director to make himself aware of any such information and to ensure that the external Auditor is aware of such information.

John Brown
Company Secretary
on behalf of the Board of Directors
23 March 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors have prepared the Annual Report and the financial statements in accordance with their responsibilities under applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements have been prepared, as required by law, to give a true and fair view of the state of affairs of the Group and the Company and of the profit of the Group for that period.

In preparing the parent company financial statements, the Directors confirm that to the best of their knowledge they have:

- recorded and reflected all transactions in the financial statements;
- selected suitable accounting policies and then applied them consistently;
- made judgments and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis as they consider that it is inappropriate to presume that the company will not continue in business.

In preparing the consolidated financial statements, the Directors confirm that to the best of their knowledge they have:

- recorded and reflected all transactions in the financial statements;
- properly selected and applied accounting policies;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; provided additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- made an assessment of the Group and Company's ability to continue as a going concern.

In accordance with the Directors' responsibilities, the Group maintains adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and the Group and have taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that to the best of their knowledge:

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This statement, together with the accompanying reports and financial statements, was approved by the Board on 23 March 2015 and is signed on its behalf by:

Duncan Anderson
Chief Executive Officer
23 March 2015

John Brown
Chief Financial Officer
23 March 2015

FINANCIAL STATEMENTS

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

Opinion on financial statements of Gulf Marine Services plc

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Parent Company balance sheet, the consolidated statement of changes of equity, the consolidated statement of cash flows, the Parent Company cash flow statement, the related consolidated notes 1 to 39 and related Parent Company notes 1 to 15. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' report on page 62 that the Group is a going concern. We confirm that:
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of the Group's vessels The Group's vessels are its sole revenue generating assets, with a carrying value of $516.7 million at 31 December 2014 which represents 70% of the Group's total assets at that date. Their recoverable amount is based on an assessment of the higher of fair value (less cost to sell) and value in use. Estimates of fair value less costs to sell take into consideration vessel valuations from an independent ship broker, whilst value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In the current year, there is a risk that recoverable amounts could be adversely impacted by the recent significant decline in global oil & gas prices, due to the resultant impact on the Group's customer base in the oil & gas industry. Further detail of the Group's vessels is provided in note 9.	Management has assessed recoverable amount based on the estimated value in use of each vessel, which in all cases was higher than fair value less costs to sell, and concluded that no impairments have arisen. We have obtained management's value in use calculations and compared the carrying value of each vessel to its value in use. The key assumptions utilised in these calculations include, on a vessel by vessel basis: – forecast utilisation; – forecast day rates; – inflation; and – discount rate. We have assessed these assumptions by reference to publicly available information, our knowledge of the Group and industry and the Group's most recent budget. This included: – understanding the process by which management has derived its value in use estimates; – comparing forecast utilisation and day rates to those achieved in prior periods; – comparing forecast day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations; – using our internal valuation specialists to perform an independent recalculation of the discount rate; – performing sensitivity tests, using more conservative assumptions for future day rates and discount rate to take into consideration the current market conditions described opposite; – testing the design and implementation of management's controls to address the risk of impairment of the Group's vessels; and – testing the clerical accuracy of the calculations. We have concluded that management's estimates of value in use were reasonable and are therefore satisfied that no impairments have arisen.

Capitalisation of vessel costs The Group has a significant new-build programme underway comprising the construction of the Enterprise and the three new S-class vessels, in respect of which costs of $136.6 million have been capitalised in the year. There is a risk that costs are not appropriately capitalised in accordance with the relevant accounting standards, including the requirement to only capitalise overheads and finance charges which are directly attributable to the construction activities.	We have tested expenditure incurred during the year on the new-build programme on a sample basis to assess whether the related costs qualify for capitalisation under the relevant standards. This has included: – tracing direct third party costs to supporting documentation; – testing the appropriate allocation of costs such as overheads and finance charges between amounts capitalised and amounts expensed, through understanding the basis and rationale for the split and verifying this through review of supporting evidence; and – testing the design and implementation of management controls to address the risk of inappropriate capitalisation of costs. Our testing did not identify any material misstatements.
Revenue recognition Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as a standby rate for when the vessel is available for use but not operational. Accordingly, in order for revenue to be recorded appropriately, for each vessel the company needs to: – accurately record the number of days both on hire and on standby; and – apply the correct contractual rates to the number of days in each of these categories. Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete and accurate recording of revenue as a key audit risk. Further details of revenue arising in the year are provided in note 25.	We have obtained a detailed schedule analysing the revenue earned by month and by vessel, which specifies both the number of days on hire/on standby and the relevant contractual rate, and agreed this to the general ledger. On a sample basis we have : – agreed the days on hire/standby to a report from the Group's operations department, to confirmation of days worked signed by the customer, as well as to invoice (which state the number of days to which it relates); – performed an analysis on the number of days on hire/standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the year; – agreed the day rate to the underlying contract; and – recalculated the revenue figure and agreed this to both invoice and either subsequent cash received or the year end debtors schedule. We have also tested the design and implementation of management controls to address the risk of inappropriate revenue recognition. Our testing did not identify any material misstatements.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 48.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We considered the appropriate level of materiality for the Group as a listed entity to be US$4.0 million, which was 5% of pre-tax profit, and 1% of equity. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$80,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	This is our first year as auditors of the Group following the listing of the Group on the London Stock Exchange. Our audit planning identified the Group's business to be a single component, and therefore all of the operations of the Group were subject to a full scope audit. During the course of the audit, senior members of the UK audit team, including the Senior Statutory Auditor, supervised the members of the audit team who are based in the United Arab Emirates, and visited the United Arab Emirates operations during the interim and completion stages of the audit.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: – the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and – the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
23 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Revenue	25	**196,554**	184,264
Cost of sales		**(70,094)**	(65,506)
Gross profit		**126,460**	118,758
General and administrative expenses	7	**(25,417)**	(14,778)
Finance income	27	**843**	693
Finance expense	26	**(21,354)**	(29,495)
Other income/(loss)		**245**	(1,247)
Foreign exchange loss, net		**(408)**	(637)
Profit for the year before taxation		**80,369**	73,294
Taxation charge for the year	22	**(4,744)**	(3,861)
Profit for the year	28	**75,625**	69,433
Other comprehensive income – Items that will be reclassified to profit and loss			
Exchange differences on translating foreign operations		**(430)**	568
Total comprehensive income for the year		**75,195**	70,001
Profit attributable to:			
Owners of the Company		**75,065**	68,201
Non-controlling interests		**560**	1,232
		75,625	69,433
Total comprehensive income attributable to:			
Owners of the Company		**74,635**	68,769
Non-controlling interests		**560**	1,232
		75,195	70,001
Earnings per share			
Basic (cents per share)	8	**22.14**	22.73
Diluted (cents per share)	8	**22.04**	22.73

All results are derived from continuing operations in each year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**614,524**	490,354
Intangibles	10	**750**	1,125
Dry docking expenditure	11	**4,177**	778
Fixed asset prepayments		**750**	2,827
Total non-current assets		**620,201**	495,084
Current assets			
Loans to related parties	29	**–**	445
Derivative financial instrument	35	**–**	541
Trade and other receivables	12	**49,948**	43,249
Cash and cash equivalents	13	**59,532**	46,897
Total current assets		**109,480**	91,132
Total assets		**729,681**	586,216
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**57,929**	273
Share premium	14	**93,247**	–
Statutory reserve		**–**	136
Restricted reserve	18	**272**	136
Group restructuring reserve	15	**(49,437)**	–
Share option reserve	16	**563**	–
Capital contribution	17	**9,177**	78,527
Translation reserve		**180**	610
Retained earnings		**246,631**	103,228
Attributable to the Owners of the Company		**358,562**	182,910
Non-controlling interests		**610**	1,328
Total equity		**359,172**	184,238
Non-current liabilities			
Bank borrowings	20	**225,741**	254,269
Obligations under finance leases	33	**42,473**	83,086
Loans from related parties	21	**–**	19,504
Provision for employees' end of service benefits	23	**2,468**	1,910
Deferred tax liability		**5**	5
Total non-current liabilities		**270,687**	358,774
Current liabilities			
Trade and other payables	24	**30,120**	22,033
Current tax liability		**4,809**	3,682
Bank borrowings	20	**23,415**	11,010
Obligations under finance leases	33	**41,478**	5,697
Due to related parties	29	**–**	782
Total current liabilities		**99,822**	43,204
Total liabilities		**370,509**	401,978
Total equity and liabilities		**729,681**	586,216

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2015. They were signed on its behalf by:

Duncan Anderson
Chief Executive Officer
23 March 2015

John Brown
Chief Financial Officer
23 March 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Share capital US$'000	Share premium US$'000	Statutory reserve US$'000	Restricted reserve US$'000	Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution 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
Balance at 1 January 2013	273	–	136	136	–	–	70,750	42	115,027	186,364	598	186,962
Transfer of share appreciation rights payable (note 36)	–	–	–	–	–	–	7,777	–	–	7,777	–	7,777
Total comprehensive income for the year	–	–	–	–	–	–	–	568	68,201	68,769	1,232	70,001
Dividends paid during the year (note 38)	–	–	–	–	–	–	–	–	(80,000)	(80,000)	(502)	(80,502)
Balance at 1 January 2014	273	–	136	136	–	–	78,527	610	103,228	182,910	1,328	184,238
Total comprehensive income	–	–	–	–	–	–	–	(430)	75,065	74,635	560	75,195
Share appreciation rights charge (note 36)	–	–	–	–	–	–	1,400	–	–	1,400	–	1,400
Share options rights charge (note 37)	–	–	–	–	–	563	–	–	–	563	–	563
Transfer of capital contribution to retained earnings	–	–	–	–	–	–	(70,750)	–	70,750	–	–	–
Transfer to restricted reserve	–	–	(136)	136	–	–	–	–	–	–	–	–
Group restructuring reserve	(273)	–	–	–	273	–	–	–	–	–	–	–
Issue of share capital	497,100	–	–	–	(497,100)	–	–	–	–	–	–	–
Capital reduction	(447,390)	–	–	–	447,390	–	–	–	–	–	–	–
Issue of share capital – IPO	8,219	102,702	–	–	–	–	–	–	–	110,921	–	110,921
Share issue cost	–	(9,455)	–	–	–	–	–	–	–	(9,455)	–	(9,455)
Dividends paid during the year (note 38)	–	–	–	–	–	–	–	–	(2,412)	(2,412)	(1,278)	(3,690)
Balance at 31 December 2014	**57,929**	**93,247**	**–**	**272**	**(49,437)**	**563**	**9,177**	**180**	**246,631**	**358,562**	**610**	**359,172**

Please refer to note 19 for a description of each reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Net cash generated from operating activities (note 30)	**120,353**	113,343
Investing activities		
Payments for property, plant and equipment	**(136,563)**	(48,502)
Proceeds from disposal of property, plant and equipment	**25**	847
Payment for capital advances	**(750)**	(2,827)
Dry docking expenditure incurred	**(4,656)**	(855)
Movement in pledged deposits	**1,679**	(1,602)
Movement in guarantee deposits	**(164)**	309
Interest received	**843**	135
Net cash used in investing activities	**(139,586)**	(52,495)
Financing activities		
Bank borrowings received	**–**	280,000
Proceeds from share issue – IPO	**110,921**	–
Share issue cost paid	**(9,455)**	(9,391)
Repayment of bank borrowings	**(13,000)**	(164,844)
Repayment of loans from related parties	**(19,504)**	(10,410)
Repayment of short term loans to shareholders	**(782)**	–
Interest paid	**(22,814)**	(26,552)
Payment on obligations under finance lease	**(4,832)**	(4,352)
Dividends paid	**(3,455)**	(80,502)
Decrease in loans to related parties	**445**	133
Payment of issue cost on borrowings	**(5,656)**	–
Net cash provided by/(used in) financing activities	**31,868**	(15,918)
Net increase in cash and cash equivalents	**12,635**	44,930
Cash and cash equivalents at the beginning of the year	**46,897**	1,967
Cash and cash equivalents at the end of the year (note 13)	**59,532**	46,897
Non-cash transactions		
Transfer of capital contribution to retained earnings (note 14)	**70,750**	–
Group restructuring reserve recognised (note 15)	**(49,437)**	–
Transfer of share appreciation rights obligation to shareholders (note 36)	**–**	7,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for year ended 31 December 2014

1. General information

Gulf Marine Services PLC ("GMS" or "the Company") is a Company which was registered in England and Wales on 24 January 2014. The Company is a public limited company with operations mainly in the Middle East and North Africa, and Europe. The address of the registered office of the Company is 1st Floor, 40 Dukes Place, London EC3A 7NH. The registered number of the Company is 08860816.

The principal activities of GMS and its subsidiaries (together referred to as the "Group") are investing in, establishing and managing commercial, and industrial projects as well as chartering and operating a fleet of specially designed and built vessels.

The Company completed its Premium Listing on the London Stock Exchange on 19 March 2014. The Company and its subsidiaries are engaged in providing self-propelled, self-elevating accommodation vessels which provide the stable platform for delivery of a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities and which are capable of operations in the Middle East, South East Asia, West Africa and Europe.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014 and the principles of merger accounting including the pooling of interests method for business combinations under common control which has been used in accounting for the Group restructuring (note 3).

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

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

New and revised IFRSs	Summary of requirements
Amendments to IAS 32 *Financial Instruments: Presentation*	The amendments provide guidance on the offsetting of financial assets and financial liabilities.
Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*	The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* – Guidance on Investment Entities	On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.

New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 21 – Levies	17 June 2014
Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014
Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendment to IAS 19 *Employee Benefits* relating to defined benefit plans and employee contributions	1 July 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	Not earlier than 1 January 2018
Amendments to IFRS 9 *Financial Instrument* to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets	1 January 2018
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
Amendments to IAS 39 *Financial Instruments*	When IFRS 9 is first applied

Management anticipates that the adoption of these IFRSs in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application, with the exception of IFRS 15 for which the Management is currently in the process of assessing the impact of adoption.

3. Significant accounting policies

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

Statement of compliance

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

Basis of preparation

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

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

Details of GMS subsidiaries at 31 December 2014 and 2013 are as follows:

		Proportion of Ownership Interest		
Name	**Place of Registration**	**2014**	**2013**	**Type of Activity**
Gulf Marine Services WLL	Abu Dhabi	100%	100%	Marine Contractors
Offshore Holding Invt SA	Panama	100%	100%	Holding Company
Offshore Logistics Invt SA	Panama	100%	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	100%	100%	Owner of "Khawla 181"
Offshore Jack-up Invt SA	Panama	100%	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	100%	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	100%	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	100%	100%	Owner of "Helios"
Offshore Tugboat Invt SA	Panama	100%	100%	Owner of "Atlas"
Offshore Boat Invt SA	Panama	100%	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	100%	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	100%	100%	Owner of Barge "Endurance"
Mena Marine Limited	Cayman Islands	100%	100%	General investment and trading
GMS GP Management Limited (i)	Cayman Islands	–	100%	General investment and trading
Gulf Marine Services (UK) Limited	United Kingdom	100%	100%	Operator of offshore barges
Gulf Marine Services Saudi Arabia Limited	Saudi Arabia	60%	60%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	100%	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	100%	–	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	100%	–	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	100%	–	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	100%	–	Owner of Barge "Shamal"

(i) GMS GP Management Limited was dissolved during the year.

3. Significant accounting policies continued

Basis of consolidation continued

Group restructuring

On 24 January 2014, the Company was incorporated as the new holding company for the Group. On 5 February 2014, the Company legally acquired GMS Global Commercial Investments LLC (the previous Parent Company of the Group), including the underlying subsidiaries. The transaction was effected by way of issuing shares in the Company to the existing shareholders of GMS Global Commercial Investments in exchange for their shares already held in GMS Global Commercial Investments LLC. This transaction falls outside the scope of IFRS 3 Business Combinations, therefore the pooling of interests (merger accounting) method was applied and the consolidated financial information of the Group is presented as a continuation of the existing Group. The following accounting treatment was applied:

- the consolidated assets and liabilities of the previous parent, GMS Global Commercial Investments LLC, were recognised and measured at the pre-restructuring carrying amounts, without restatement to fair value;
- the results for the year ended 31 December 2013 and the period from 1 January 2014 to the date of restructuring are those of GMS Global Commercial Investments LLC;
- comparative numbers presented in the consolidated financial statements are those of GMS Global Commercial Investments LLC as at 31 December 2013; and
- the difference between historical carrying amounts of net assets transferred and consideration paid has been recognised as a Group restructuring reserve (note 15).

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

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

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

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

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

Going concern

The financial statements have been prepared on the going concern basis. The use of this basis of accounting takes into consideration the Group's current and forecast financial position, including the capital commitments described in note 32. Further information on the use of going concern has been disclosed in the Directors' Report on pages 62 to 64.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably and is stated net of sales taxes if applicable (such as VAT) and discounts. If advances are received from customers for future contractual services, the revenue is deferred until the services are provided.

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

Contract mobilisation/demobilisation revenue

Charter contracts generally provide for payment on a daily rate basis, and revenues are recognised as the work progresses with the passage of time. In addition, lump-sum payments are occasionally received at the outset or at the end of a contract for equipment moves or modifications. Lump-sum fees received for equipment moves (and related costs) and fees received for contract-specific equipment modifications or upgrades are initially deferred and amortised on a straight-line basis over the term of the contract. The costs of contractual equipment modifications or upgrades and the costs of the initial move of newly acquired rigs are capitalised and depreciated in accordance with the Group's fixed asset capitalisation policy. The costs of moving equipment while not under contract are expensed as incurred.

Revenue is recognised for certain reimbursable costs. Each reimbursable item and amount is stipulated in the Group's contract with the customer, and such items and amounts are variable from contract to contract. Reimbursable costs are recognised on the gross basis, as both revenues and expenses, because the Group is the primary obligor in the arrangement, has discretion in supplier selection, is involved in determining product or service specifications and assumes full credit risk related to the reimbursable costs.

Revenue from messing and accommodation services

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Maintenance income

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

Sundry income

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

Leasing

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

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

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see page 81).

3. Significant accounting policies continued

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their useful lives, using the straight-line method. The residual values of vessels and related equipment are determined taking into consideration the expected scrap value of the vessel, which is calculated based on the weight and the market rate of steel at the time of asset purchase. If the price per unit of steel at the balance sheet date varies significantly from that on date of purchase, the residual value is reassessed to reflect changes in market value. The estimated useful lives used for this purpose are:

Vessels	25 – 35 years
Land, buildings and improvements	5 – 20 years
Vessel spares, fittings and other equipment	3 – 10 years
Office equipment and fittings	3 – 5 years
Motor vehicles	3 years

Taking into consideration independent professional advice, management considers the principal estimated useful lives of vessels for the purpose of calculating depreciation to be 25 to 35 years from the date of construction. However the useful economic life of one vessel, Naashi, was extended by 10 years to 45 years as a result of a major upgrade done on the vessel in 2010.

The estimated useful life depends on the type and nature of the vessel.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised within administrative expenses in the consolidated statement of comprehensive income.

The depreciation charge for the period is allocated between cost of sales and administrative expenses, depending on the usage of the respective assets.

Standby equipment

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

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

Repair expenses relating to used engines belonging to the Group are charged to administrative expenses when incurred.

Drydocking

The costs incurred for periodical drydocking or major overhauls of the vessels are identified as a separate inherent component of the vessels and are depreciated on a straight-line basis over the period to the next anticipated dry-dock being approximately 60 months.

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

Capital work-in-progress

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

Intangible assets

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

Property leases	7 years
Customer relationships	10 years

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

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

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

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Borrowing costs

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

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

Provisions

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

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

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

Employees' end of service benefits

In accordance with the applicable Labour Laws of UAE, the Group is required to pay end of service benefits to all qualifying employees upon cessation of employment. The only obligation of the Group with respect to end of service benefits is to make the specified lump-sum payments to employees which become payable when they leave the Group for reasons other than gross misconduct. The amount payable is calculated as a multiple of a pre-defined fraction of basic salary based on the number of full years of service.

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

The actual payment is made in the year of cessation of employment of a qualifying employee. The payment for end of service benefit is made as a lump sum along with the full and final settlement of the employee.

The total expense recognised in profit or loss of loss of US$ 0.7 million (2013: US$ 0.5 million) represents end of service benefit payments made to employees in accordance with UAE Labour Laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
for year ended 31 December 2014

3. Significant accounting policies continued

Foreign currencies

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of these financial statements US Dollars (US$) is the functional currency of the Group and the presentation currency of the Group.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Long term incentive plans

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

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

Financial assets

The Group has the following financial assets: cash and cash equivalents, trade and other receivables (excluding prepayments and advances to suppliers) and amounts due from related parties. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

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

Trade and other receivables and amounts due from related parties

Trade and other receivables (excluding prepayments and advances to suppliers) and amounts due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables or when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is determined by reference to previous experience of recoverability for receivables in each market in which the Group operates.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

3. Significant accounting policies continued

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss 'FVTPL' or 'other financial liabilities'.

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

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange risk.

Derivatives that are not designated and effective as hedging instruments are classified as financial liabilities or financial assets and are held at FVTPL. Derivatives held at FVTPL are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period with the resulting gain or loss recognised in profit or loss immediately. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. They represent Level 2 financial instruments under the IFRS hierarchy. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Critical judgments and key sources of estimation in applying accounting policies

Useful lives and residual values of vessels

Management reviews the residual values and estimated useful lives of its vessels at the end of each annual reporting period in accordance with *IAS 16 Property, Plant and Equipment*. The residual values of vessels and related equipment are determined taking into consideration the expected scrap value of the vessels, which is calculated based on the weight and the market rate of steel at the time of asset purchase. If the price per unit of steel at the balance sheet date varies significantly from that at the date of purchase the residual value is reassessed to reflect changes in market value.

The estimated useful lives of vessels of between 25-35 years are management's best estimate, with the useful life of any given vessel dependent on factors such as the operating environment it is expected to work in (including water depth and prevailing weather conditions) and the condition of the vessel both at acquisition and at each balance sheet date.

Impairment of property, plant and equipment

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

The recoverable amount is the higher of fair value less costs to sell and value in use. As part of the process of assessing fair values less costs to sell of the vessel, management obtain vessel valuations from leading, independent and internationally recognised ship brokers on an annual basis or when there is an indication that the value of the vessel may be impaired. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation and discount rates.

5. Segment reporting

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

The operating and reportable segments of the Group are (i) Small vessels, which include all K-class vessels, (ii) Large vessels, which include all E-class vessels, and (iii) Other vessels, which include two small legacy vessels and one accommodation barge (Khawla) which do not form part of the Small or Large vessels segments.

The K-class vessels segment comprises the Naashi, Kamikaze, Kikuyu, Kawawa, Kudeta, Keloa and Kinoa vessels. The E-class vessels segment comprises of the Endeavour, Endurance and Enterprise vessels. Both of these operating segments earn revenue related to the hiring of vessels and related services including charter hire income, messing and accommodation services, personnel hire and hire of equipment. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

	Revenue		Adjusted gross profit	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Small vessels	**104,424**	94,448	**75,623**	65,533
Large vessels	**79,351**	77,701	**60,493**	63,548
Other	**12,779**	12,115	**7,574**	7,033
Total	**196,554**	184,264	**143,690**	136,114
Less:				
Loss on scrapping of property, plant and equipment			**–**	(1,507)
Depreciation charged to cost of sales			**(15,973)**	(15,085)
Amortisation charged to cost of sales			**(1,257)**	(764)
Gross profit			**126,460**	118,758
General and Administrative expenses			**(25,417)**	(14,778)
Finance income			**843**	693
Finance expense			**(21,354)**	(29,495)
Other income			**245**	–
Loss on sale of asset			**–**	(1,247)
Foreign exchange			**(408)**	(637)
Profit before taxation			**80,369**	73,294

The total revenue from reportable segments which comprises the Small and Large vessels is US$ 183.77 million (2013: US$ 172.15 million). The Other segment does not constitute a reportable segment per IFRS 8 Operating Segments.

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.

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

Information about major customers

Certain customers individually accounted for more than 10% of the Group's revenue. During the year, 3 customers (2013: 3) accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, were US$ 53.66 million (2013: US$ 47.84 million), US$ 42.19 million (2013: US$ 40.80 million) and US$ 21.25 million (2013: US$ 21.13 million). The revenue from these customers is attributable to the Large vessel and Small vessel reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
for year ended 31 December 2014

5. Segment reporting continued

Geographical segments

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

	2014 US$'000	2013 US$'000
United Arab Emirates	**87,417**	62,795
Rest of Middle East and Africa	**38,491**	43,768
Total - Middle East and Africa	**125,908**	106,563
United Kingdom	**70,646**	77,701
Worldwide Total	**196,554**	184,264

6. Presentation of adjusted results

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

	Year ended 31 December 2014			Year ended 31 December 2013		
	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000
Revenue	**196,554**	**–**	**196,554**	184,264	–	184,264
Cost of sales						–
– Operating expenses	**(52,864)**	**–**	**(52,864)**	(48,150)	–	(48,150)
– Depreciation and amortisation	**(17,230)**	**–**	**(17,230)**	(17,356)	–	(17,356)
Gross profit	**126,460**	**–**	**126,460**	118,758	–	118,758
General and administrative						
– Depreciation	**(887)**	**–**	**(887)**	(901)	–	(901)
– IPO-related costs*	**–**	**(5,686)**	**(5,686)**	–	(2,149)	(2,149)
– Management fee**	**–**	**–**	**–**	–	(320)	(320)
– Other administrative costs	**(18,844)**	**–**	**(18,844)**	(11,408)	–	(11,408)
Operating profit	**106,729**	**(5,686)**	**101,043**	106,449	(2,469)	103,980
Finance income	**843**	**–**	**843**	693	–	693
Finance expense	**(21,354)**	**–**	**(21,354)**	(29,495)	–	(29,495)
Other income/(loss)	**245**	**–**	**245**	31	–	31
Loss on sale of asset	**–**	**–**	**–**	(1,278)	–	(1,278)
Foreign exchange loss, net	**(408)**	**–**	**(408)**	(637)	–	(637)
Profit before taxation	**86,055**	**(5,686)**	**80,369**	75,763	(2,469)	73,294
Tax	**(4,744)**	**–**	**(4,744)**	(3,861)	–	(3,861)
Net profit	**81,311**	**(5,686)**	**75,625**	71,902	(2,469)	69,433
Profit attributable to						
Owners of the Company	**80,751**	**(5,686)**	**75,065**	70,670	(2,469)	68,201
Non-controlling interest	**560**	**–**	**560**	1,232	–	1,232
Earnings per share (cents)	**23.81**	**(1.67)**	**22.14**	23.56	(0.83)	22.73
Supplementary non-statutory information						
Operating profit	**106,729**	**(5,686)**	**101,043**	106,449	(2,469)	103,980
Add: Depreciation and amortisation charges	**18,117**	**–**	**18,117**	18,257	–	18,257
EBITDA	**124,846**	**(5,686)**	**119,160**	124,706	(2,469)	122,237

* IPO-related costs, by their nature, are not considered part of the Group's underlying business. Further details are given in note 7.

** Management fee represents the fees paid to the controlling shareholders, Gulf Capital PJSC, in 2013. These management fees are no longer payable. This was not presented as an adjusting item in June 2014 Interim Results.

7. General and administrative expenses

Transaction costs incurred during the period in relation to the completion of the Company's Premium Listing on the London Stock Exchange totalled US$ 15.2 million. US$ 5.7 million has been charged to general and administrative expenses in the consolidated statement of comprehensive income, and US$ 9.5 million, attributable to the issue of new equity, has been deducted from the share premium account. The IPO costs of US$ 5.7 million include US$ 1.4 million relating to the remaining 15% of the pre-IPO SARs scheme, further details of which are provided in note 36.

8. Earnings per share

	31 December 2014	31 December 2013
Earnings for the purpose of basic and diluted earnings per share being profit for the period attributable to owners of the parent (US$'000)	**75,065**	68,201
Earnings for the purpose of adjusted basic and diluted earnings per share (US$'000) (see note 6)	**80,751**	70,670
Weighted average number of shares ('000)	**339,079**	300,000
Weighted average diluted number of shares in issue ('000)	**340,523**	300,000
Basic earnings per share (cents)	**22.14**	22.73
Diluted earnings per share (cents)	**22.04**	22.73
Adjusted earnings per share (cents)	**23.81**	23.56
Adjusted diluted earnings per share (cents)	**23.71**	23.56

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

Adjusted earnings per share is calculated on the same basis but uses the earnings for the purpose of basic earnings per share (shown above) adjusted by adding back IPO-related costs which have been charged to the income statement in the period (US$ 5.7 million). The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period 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.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 6) attributable to equity shareholders of the Company.

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

	2014 (000's)	2013 (000's)
Weighted average basic number of shares in issue	**339,079**	300,000
Effect of share options under LTIP schemes	**1,444**	–
Weighted average diluted number of shares in issue	**340,523**	300,000

The impact of the share appreciation rights, disclosed in note 36, on dilutive earnings per share is not included in the calculation above as the number of shares that could be exercised is dependent on certain future events.

In accordance with the principles of merger accounting, the weighted average number of shares assumes that the 300 million shares issued as part of the Group restructuring (see note 3) were in place throughout the comparative period.

9. Property, plant and equipment

	Total vessels US$'000	Capital work-in-progress US$'000	Land, building and improvement US$'000	Vessel – spares, fittings and other equipment US$'000	Office equipment and fittings US$'000	Motor vehicles US$'000	Total US$'000
Cost							
Balance at 1 January 2013	508,652	9,050	6,144	9,826	3,131	468	537,271
Additions	224	52,992	20	–	143	93	53,472
Transfers	10,603	(11,332)	197	532	–	–	–
Disposals	–	–	–	(2,269)	(9)	(120)	(2,398)
Assets written off	(1,959)	–	–	–	–	–	(1,959)
Balance at 1 January 2014	**517,520**	**50,710**	**6,361**	**8,089**	**3,265**	**441**	**586,386**
Additions	1,675	136,607	–	2,260	143	33	140,718
Transfers	96,023	(98,606)	1,039	505	1,039	–	–
Disposals	(50)	–	–	(268)	–	(76)	(394)
Balance at 31 December 2014	**615,168**	**88,711**	**7,400**	**10,586**	**4,447**	**398**	**726,710**

	Total vessels US$'000	Capital work-in-progress US$'000	Land, building and improvement US$'000	Vessel – spares, fittings and other equipment US$'000	Office equipment and fittings US$'000	Motor vehicles US$'000	Total US$'000
Accumulated depreciation							
Balance at 1 January 2013	70,228	–	3,925	4,308	2,534	271	81,266
Eliminated on disposal of assets	–	–	–	(163)	(7)	(102)	(272)
Eliminated on assets written off	(452)	–	–	–	–	–	(452)
Depreciation expense	13,685	–	300	1,131	275	99	15,490
Balance at 1 January 2014	**83,461**	**–**	**4,225**	**5,276**	**2,802**	**268**	**96,032**
Eliminated on disposal of assets	(4)	–	–	(268)	–	(59)	(331)
Depreciation expense	15,057	–	199	815	325	89	16,485
Balance at 31 December 2014	**98,514**	**–**	**4,424**	**5,823**	**3,127**	**298**	**112,186**
Carrying value							
Balance at 31 December 2014	**516,654**	**88,711**	**2,976**	**4,763**	**1,320**	**100**	**614,524**
Balance at 31 December 2013	434,059	50,710	2,136	2,813	463	173	490,354

The carrying amount of vessels held under finance leases is US$ 91.4 million (2013: US$ 94.2 million).

Depreciation amounting to US$ 15.97 million (2013: US$ 15.08 million) has been allocated to cost of sales. The balance of the depreciation for the year is charged to administrative expenses.

Included in additions to the vessels under construction is US$ 3.4 million (2013: US$ 1.06 million) in respect of capitalised borrowing costs. The capitalisation rate used to determine this figure was 5.65% (2013: 5.96%), based on specific borrowing rates.

Certain vessels, with a total net book value of US$ 337.5 million (2013: US$ 345.9 million), have been mortgaged as security for the loans extended by the Group's bankers (note 20).

10. Intangible assets

	Property leases US$'000	Customer relationships US$'000	Total US$'000
Cost	**846**	**7,337**	**8,183**
Accumulated amortisation and impairment			
Balance at 1 January 2013	725	5,837	6,562
Amortisation expense	121	375	496
Balance at 1 January 2014	846	6,212	7,058
Amortisation expense	–	375	375
Balance at 31 December 2014	**846**	**6,587**	**7,433**
Carrying value			
at 31 December 2014	**–**	**750**	**750**
at 31 December 2013	–	1,125	1,125

The intangible assets were acquired as part of the acquisition of Gulf Marine Services WLL and Offshore Holding Investment Group (OHI) in 2007. Amortisation of intangibles amounting to US$ 0.4 million (2013: US$ 0.5 million) has been allocated to general and administrative expenses.

11. Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2014 US$'000	2013 US$'000
At 1 January	**778**	687
Expenditure incurred during the year	**4,656**	855
Amortised during the year	**(1,257)**	(764)
At 31 December	**4,177**	778

Amortisation for the year has been charged to operating costs.

12. Trade and other receivables

	2014 US$'000	2013 US$'000
Trade receivables	**36,754**	22,915
Accrued income	**5,099**	14,465
Prepayments and deposits*	**6,923**	5,215
Advances to suppliers	**644**	422
Other receivables	**185**	162
Due from related parties (see note 29)	**343**	70
	49,948	43,249

* Prepayments and deposits include guarantee deposits and pledged deposits of US$ 0.82 million (2013: US$ 2.34 million). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws. These deposits become refundable to the Group upon the cancellation of an employee's work visa. Work visas are not granted indefinitely in the UAE and as such these deposits which are currently held by the government in the UAE are refundable to the Group. These work visa deposits amounted to US$ 0.48 million (2013: US$ 0.32 million). Pledged deposits represent an amount set aside as a guarantee for a loan repayment amounting to US$ 0.34 million (2013: US$ 2.02 million). The Group has no right to access or utilise the proceeds set aside as pledged deposits, other than for repayment of the underlying loan.

Trade receivables, amounting to US$ 26.2 million (2013: US$ 21.6 million) have been assigned as security against the loans extended by the Group's bankers (note 20).

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Trade and other receivables are all current and the Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value due to the very short time between inception and maturity (based on Level 2 fair value measurements as defined by the fair value hierarchy according to IFRS 13).

The average credit period given is 60 days (2013: 60 days). The normal credit period granted to customers is 30 days. Before accepting any new customer the Group assesses the potential credit quality of the customer. The Group has policies in place to ensure that credit sales are rendered to customers with an appropriate credit history.

12. Trade and other receivables continued

The Group reviews the ageing of trade receivables regularly and the need for allowances against doubtful debts is considered for trade receivables over 60 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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

	2014 US$'000	2013 US$'000
At 1 January	**105**	–
Provision during the year	**1,278**	105
Write-off	**–**	–
At 31 December	**1,383**	105

Included in the Group's trade receivables balance are debtors with a carrying amount of US$ 7.59 million (2013: US$ 15.59 million) which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 71 days (2013: 73 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date.

Several customers account for a significant portion of the total trade receivables balance (see revenue by segment information in note 5); however, credit risk is considered to be limited due to historical performance and ongoing assessments of customer credit and liquidity positions.

Ageing of past due but not impaired

	2014 US$'000	2013 US$'000
Past due for 30 to 60 days	**4,132**	8,988
Past due for 60 to 90 days	**1,456**	3,261
Past due for 90 to 120 days	**179**	497
Past due for more than 120 days	**1,828**	3,205
	7,595	15,591

The amounts past due for more than 120 days at the end of 2014 primarily relate to retention amounts withheld by Saudi Arabian customers amounting to US$ 1.80 million.

13. Cash and cash equivalents

	2014 US$'000	2013 US$'000
Interest-bearing		
Held in UAE banks	**36,702**	–
Held in banks outside UAE	**–**	–
Non-interest-bearing		
Held in UAE banks	**5,325**	48,311
Held in banks outside UAE	**18,325**	921
Total cash at bank and in hand	**60,352**	49,232
Presented as:		
Restricted cash included in trade and other receivables (note 12)	**820**	2,335
Cash and cash equivalents	**59,532**	46,897
Total	**60,352**	49,232

The carrying value of these cash assets is approximately equal to their fair value due to the liquid nature of the asset. These represent Level 1 fair value measurements as defined by the fair value hierarchy according to IFRS 13.

14. Share capital

The Company was incorporated on 24 January 2014 with a share capital of 300 million shares at a par value of £1 each. Subsequently on 5 February 2014, as part of the Group restructuring, the Company undertook a capital reduction by solvency statement, in accordance with s643 of the Companies Act 2006. The nominal value of the authorised and issued ordinary shares was reduced from £1 to 10p.

On 19 March 2014, the Company successfully completed its initial public offering (IPO) on the London Stock Exchange. A total of 49,527,804 shares with a par value of 10 pence per share were issued at a price of 135 pence (US$ 2.24) per share.

The movement in issued share capital and share premium is provided below.

The share capital of Gulf Marine Services PLC as at 31 December 2014 was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Total US$'000
Authorised share capital	349,528	57,929	57,929
Issued and fully paid	349,528	57,929	57,929

The share capital of GMS Global Commercial Investments LLC as at 31 December 2013 was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Total US$'000
Issued and fully paid	1	273	273

Issued share capital and share premium movement for the year ended 31 December 2014:

	Notes	Number of ordinary shares (thousands)	Ordinary shares US$'000	Share premium US$'000	Total US$'000
At 1 January 2014		1	273	–	273
Group restructuring					
– Restructuring		(1)	(273)	–	(273)
– Issue of new shares		300,000	497,100	–	497,100
– Capital reduction		–	(447,390)	–	(447,390)
Issue of new shares – IPO		49,528	8,219	102,702	110,921
Share issue costs	7	–	–	(9,455)	(9,455)
At 31 December 2014		349,528	57,929	93,247	151,176

15. Group restructuring reserve

The Group restructuring reserve arises on consolidation under the pooling of interests (merger accounting) method used for Group restructuring. Under this method, the Group is treated as a continuation of GMS Global Commercial Investments LLC (the predecessor Parent Company) and its subsidiaries. At the date the Company became the new Parent Company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.44 million, was recorded in the books of Gulf Marine Services PLC as a Group restructuring reserve. This reserve is non-distributable.

16. Share option reserve

Share option reserve of US$ 0.56 million (2013: US$ nil) relates to awards granted to employees under the long-term incentive plan (note 37). The charge is included in general and administrative expenses in the consolidated statement of comprehensive income.

17. Capital contribution

As part of the Group restructuring (note 3) the pre-IPO shareholders resolved to transfer a capital contribution balance of US$ 70.75 million to retained earnings.

The movement in capital contribution reserve is as follows:

	2014 US$'000
Balance as on 1 January 2014	
Capital contribution from a shareholder (i)	**70,750**
Share appreciation rights (ii)	**7,777**
	78,527
Movement during the period	
Transfer to Retained Earnings	**(70,750)**
Provision for Share appreciation rights (ii)	**1,400**
At 31 December 2014	**9,177**

(i) The capital contribution balance represents the net assets transferred by Bridge Capital LLC, a wholly owned subsidiary of Gulf Capital PJSC, to the Company for no consideration. This transfer took place on 17 July 2007. Effective 30 June 2014, the shareholders passed a resolution to transfer US$ 70.8 million to retained earnings.

(ii) During 2013 US$ 7.8 million was transferred from share appreciation rights payable to capital contribution as, effective 1 January 2013, the shareholders have assumed the obligation to settle the share appreciation rights. This balance is not available for distribution. An additional charge in respect of this scheme of US$ 1.4 million was made in 2014. See note 36 for further details.

18. Restricted reserve

Restricted reserve represents the statutory reserve of certain subsidiaries. As required by the UAE Commercial Companies Law, 10% of profit for the year is transferred to the statutory reserve until the reserve equals 50% of the share capital. This reserve is not available for distribution. No amounts were transferred to this reserve during any of the periods shown.

19. Reserves

The Group's consolidated statement of changes in equity is disclosed as a part of the primary statements on pages 72 to 75. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued (note 14).
- Share premium account includes the amounts paid over nominal value in respect of share issued, net of related costs (note 14).
- Restricted reserves include certain reserves maintained by subsidiaries in compliance with the relevant Companies Law applicable (note 18).
- Capital Contributions represent certain contributions made by shareholder for nil consideration (note 17).
- Group restructuring reserve represents reserve arises on consolidation under the pooling of interests (merger accounting) method used for Group restructuring (note 15).
- The Company's Share option reserve represents the cumulative share-based payment charged to reserves (note 16).
- Foreign currency translation reserves represents differences on foreign currency net investments arising from the retranslation of the net investments in overseas subsidiaries.
- Retained profits include the accumulated realised and certain unrealised gains and losses made by the Company and the Group.

20. Bank borrowings

Secured borrowings at amortised cost:

	2014 US$'000	2013 US$'000
Working capital facility	**20,000**	20,000
Term loans	**240,500**	253,500
	260,500	273,500
Less: Unamortised issue costs	**(11,344)**	(8,219)
	249,156	265,279

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

	2014 US$'000	2013 US$'000
Non-current portion	**225,741**	254,269
Current portion	**23,415**	11,010
	249,156	265,279

In February 2014, the bank facility which was entered into in 2013 with Abu Dhabi Islamic Bank (see below) was restructured resulting in amendments to some of the key terms of the loan as follows:

- The loan repayment period was extended by one (1) year to six (6) years, being repayable in 2019;
- The loan margin rate was reduced to 4.1% (December 2013: 5.2%) per annum plus LIBOR;
- The term loan facility to fund capital expenditure was increased from US$ 80 million to US$ 110 million. The entire loan facility remained undrawn during the year and is available for draw down until June 2016;
- The working capital facility was increased to US$ 40 million (December 2013: US$ 20 million). During the year ended 31 December 2014 US$ 20 million was utilised with US$ 20 million remaining undrawn during the year.

The facility remains secured by mortgages over certain Group vessels, with a net book value at year end of US$ 337.5 million.

	Outstanding amount			Unused facility			
	Current US$'000	Non-current US$'000	Total US$'000	US$'000	Security	Interest rate	Maturity
31 December 2014:							
Term loan – Syndicated Ijara Facility	**26,000**	**214,500**	**240,500**	**–**	Secured	4.1% per annum plus LIBOR	September 2019
Working capital facility	**–**	**20,000**	**20,000**	**20,000**	Secured	4.1% per annum plus LIBOR	September 2019
Term loan	**–**	**–**	**–**	**110,000**	Secured	4.1% per annum plus LIBOR	September 2019
Unamortised issue costs	**(2,585)**	**(8,759)**	**(11,344)**	**–**			
	23,415	**225,741**	**249,156**	**130,000**			
31 December 2013:							
Term loan – Syndicated Ijara Facility	13,000	240,499	253,499	–	Secured	5.2% per annum plus LIBOR	September 2018
Working capital facility		20,000	20,000	–	Secured	5.2% per annum plus LIBOR	September 2018
Term loan	–	–	–	80,000	Secured	5.2% per annum plus LIBOR	September 2018
Unamortised issue costs	(1,990)	(6,230)	(8,220)	–			
	11,010	254,269	265,279	80,000			

In 2013, a subsidiary of the Group had entered into a Shari'a-compliant syndicated financing arrangement, which is asset-backed, with a consortium of banks, led by Abu Dhabi Islamic Bank. The legal form of the arrangement is a traditional Islamic Ijara structure (effectively a sale and leaseback transaction), the facility has, however, been treated as a bank loan as legal ownership of the related assets remains with the Group and the associated property, plant and equipment have therefore been retained within these financial statements to reflect the substance of the transaction.

21. Loans from related parties

	2014 US$'000	2013 US$'000
Loans from other related parties		
Loan (1) Gulf Capital PJSC	–	645
Loan (2) Bridge Capital	–	13,703
	–	14,348
Loans from shareholders		
Loan (3) Green Investment Commercial Investments LLC	–	1,125
Loan (4) Al Ain Capital LLC	–	2,056
Loan (5) Horizon Energy LLC	–	1,975
	–	5,156
Total loans from related parties	–	19,504

During the year, the Group repaid loans from shareholders and other related parties totalling US$ 19.5 million using proceeds from the IPO. These payments settled the loans payable to Green Investment Commercial Investments LLC, Al Ain Capital LLC, and Horizon Energy LLC.

22. Taxation

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

	2014 US$'000	2013 US$'000
Profit from continuing operations before tax	**80,369**	73,294
Tax at the UK corporation tax rate of 21.5% (2013 : 23.25%)	**17,279**	17,041
Effect of lower tax rates in overseas jurisdiction	**(12,535)**	(13,180)
Total tax charge	**4,744**	3,861
Split between:		
Adjustment in respect of prior years	**386**	–
Current tax	**4,358**	3,890
Deferred tax	–	(29)
Tax charge per financial statements	**4,744**	3,861
Effective tax rate on continuing operations	**6%**	5%

During the year tax on profits and withholding taxes of the Group from operations were 10% in Qatar (2013: 10%) and 21.5% in the United Kingdom (2013: 23.25%). The Group incurred 5% withholding taxes on revenue (2013: 5%) and 2.5% Zakat tax on profit from operations in Saudi Arabia. The withholding tax included in the current tax charge amounted to US$ 1.3 million (2013: US$ 1.6 million).

The Group expects the overall effective tax rate in the future to vary according to local tax law changes in jurisdictions which incur taxes, as well as any changes to the share of the Group profits which arise in tax-paying jurisdictions.

At the balance sheet date, the Group has unused tax losses of $5.07 million available for offset against future profits. No deferred tax asset has been recognised in respect of this as it is not considered probable that there will be future taxable profits available. Tax losses may be carried forward indefinitely.

23. Provision for employees' end of service benefits

The movement in the provision employees' for end of service benefits during the year was as follows:

	2014 US$'000	2013 US$'000
At the beginning of the year	**1,910**	1,636
Provided during the year	**701**	525
Paid during the year	**(143)**	(251)
At the end of the year	**2,468**	1,910

24. Trade and other payables

	2014 US$'000	2013 US$'000
Trade payables	**13,109**	8,354
Accrued expenses	**14,984**	10,309
VAT and other taxes payable	**1,636**	1,733
Other payables	**391**	1,624
Due to a related party (see note 29)	**–**	13
	30,120	22,033

The average credit period on purchases is 90 days (2013: 90). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

Trade and other payables are all current and the Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value due to the short time between inception and maturity. These represent Level 2 fair value measurements as defined by the fair value hierarchy according to IFRS 13.

25. Revenue

The following is an analysis of the Group's revenue for the year.

	2014 US$'000	2013 US$'000
Charter hire	**182,566**	168,140
Mobilisation and demobilisation	**1,274**	4,478
Messing and accommodation	**12,247**	10,381
Maintenance	**332**	670
Sundry and equipment hire income	**135**	595
	196,554	184,264

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

26. Finance expenses

	2014 US$'000	2013 US$'000
Interest on bank borrowings	**12,252**	14,072
Interest on finance leases	**10,280**	10,836
Interest on loans from related parties (note 21)	**382**	2,150
Write-off of unamortised issue costs	**–**	2,154
Amortisation of issue costs	**1,816**	1,340
Fair value loss on derivative financial instrument	**61**	–
Finance expense	**24,791**	30,552
Less: Amounts included in the cost of qualifying assets	**(3,437)**	(1,057)
	21,354	29,495

27. Finance income

	2014 US$'000	2013 US$'000
Gain on revaluation of financial derivative	**–**	541
Interest received	**843**	152
	843	693

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28. Profit for the year

The profit for the year is stated after charging:

	2014 US$'000	2013 US$'000
Total staff costs (see below)	**34,313**	23,406
Depreciation of property, plant and equipment	**16,485**	15,490
Amortisation of dry docking expenditure	**1,257**	764
Amortisation of intangibles	**375**	496
(Gain)/loss on disposal of property, plant and equipment	**(38)**	1,279
Operating leases rentals	**374**	132
Auditor's remuneration	**1,166**	1,074

The average number of full time equivalent employees (including executive directors) by geographic area was:

	2014 Number	2013 Number
Middle East and Northern Africa	**499**	325
Rest of the world	**74**	69
	573	394

Their aggregate remuneration comprised:

	2014 US$'000	2013 US$'000
Wages and salaries	**32,879**	22,795
Employment taxes	**170**	86
End of service benefit	**701**	525
Share based payments	**563**	–
	34,313	23,406

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

	2014 US$'000	2013 US$'000
Group audit fees	**245**	112
Total audit fees	**245**	112
Other assurance services including interim review fees	**153**	–
Corporate finance services	**640**	892
Other services	**128**	70
Total non-audit fees	**921**	962
Total fees	**1,166**	1,074

Corporate finance services represent services provided as reporting accountants to the Company's listing on the London Stock Exchange and form part of the listing costs described in note 7.

For further information in the Group's policy in respect of the Auditor's remuneration see page 49 of the Report of the Audit and Risk Committee.

29. Related party transactions

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

Balances and transactions between Gulf Marine Services PLC and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

Details of long-term loans from related parties are provided in note 21. In addition, the following balances were outstanding at the end of the reporting period:

	Notes	2014 US$'000	2013 US$'000
Amounts owed by related parties (see note 12):			
Partner in relation to Saudi operations		**273**	–
Shareholders		**70**	70
		343	70
Amounts owed to related parties:			
Short-term loans from shareholders		**–**	792
Partner in relation to Saudi operations		**–**	3
Amounts due to Gulf Capital (included in accrued expenses	24	**–**	168
Interest due to First Gulf Bank (included in accrued expenses	24	**–**	81
		–	1,044
Term loans due to First Gulf Bank (included in borrowings note 20)		**–**	18,525
Bank balances deposited with First Gulf Bank		**51**	986
Loans to related parties:			
Loans to key management personnel		**–**	445

Amounts owed to related parties includes short-term trading balances classified within trade and other payables (see note 24) as well as an amount of Nil (2013: US$ 0.78 million) due to the pre-IPO shareholders in relation to the purchase of the share appreciation rights on behalf of key management personnel.

The Group had provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest. The loans to key management personnel were repaid during the year.

During the period, as part of the IPO, the Directors of the Company acquired 616,415 shares in the company at the IPO price of 135 pence (US$ 2.24) per share for a total amount of US$ 1.38 million. There has been no change to the number of shares held by Directors as at 31 December 2014.

Certain members of key management personnel received share awards during 2014 with an associated fair value of US$ 19.48 million, under the terms of the Group's share appreciation rights ("SARs") scheme set up prior to the IPO. On 1 January 2013, the obligation under the scheme, of which 85% had vested at 31 December 2013, were assumed by the pre-IPO shareholders of the Company and were settled by them during the current period as cash of US$ 9.74 million and via the award of 4,348,475 shares at the IPO strike price of 135p per share. There is an additional 15% SAR award which will become due at the earlier of a substantial exit of the pre-IPO shareholders and an agreed lock up period, and is dependent on achieving an expected market rate of return. During the year a full provision of US$ 1.4 million was made in respect of the remaining 15% of unvested SAR.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2014 US$'000	2013 US$'000
Interest expense on loans from related parties	**382**	2,150
Interest income on loans to related parties (loans to management)	**(3)**	(17)
Management fees charged by Gulf Capital	**–**	320
Interest expense on loans from First Gulf Bank	**–**	1,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
for year ended 31 December 2014

29. Related party transactions continued

Related parties

The Group's principal subsidiaries are outlined in note 3. The related parties comprising of the Group's major shareholders are outlined below.

Major shareholders	Ownership interest
Green Investment Commercial Investments LLC	50.05%
Al Ain Capital LLC (formerly Al Bateen Investment Company LLC)	6.05%
Horizon Energy LLC	6.05%

Partner in relation to Saudi operations	Relationship
Suhayl A.M. Al Shoaibi & Sons Holding Co. Ltd	Minority shareholder in GMS Saudi Arabia Ltd.

Other related parties	Relationship
Gulf Capital PJSC (Gulf Capital)	100% shareholding in Green Investment Commercial Investments LLC. Advises funds that hold shares in the Group.
GC Equity Partners Fund II, LP ("GC Equity Partners II")	An institutional fund sponsored and managed by Gulf Capital. The ultimate controlling party of Gulf Capital.
Abu Dhabi Commercial Bank	8.16% Shareholding in Gulf Capital.

Compensation of key management personnel

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

	2014 US$'000	2013 US$'000
Short-term benefits	**3,073**	1,625
End of service benefits	**128**	46
Share-based payments (LTIPs)[1]	**323**	–
Dividends paid	**4**	–
	3,528	1,671

1. In addition to the LTIP charge, there was a non-recurring charge in 2014 in relation to the SARS scheme, of which US$ 1.4 million related to key management personnel.

Compensation of key management personnel represents the charge to the consolidated statement of comprehensive income in respect of the remuneration of the executive Directors and certain members of the senior management team.

30. Net cash flow from operating activities

	2014 US$'000	2013 US$'000
Operating activities		
Profit for the year before taxation	**80,369**	73,294
Adjustments for:		
Depreciation of property, plant and equipment	**16,485**	15,490
Amortisation of intangibles	**375**	496
Amortisation of dry docking expenditure	**1,257**	764
End of service benefit charge	**701**	525
End of service benefits paid	**(143)**	(251)
Provision for doubtful debts	**1,278**	105
Fair value loss/(gain) on derivative financial instrument	**61**	(541)
Loss on scrapping of property, plant and equipment	**–**	1,507
(Gain)/loss on disposal of property, plant and equipment	**38**	1,278
Share appreciation rights expense	**1,400**	–
Share options rights charge	**562**	
Interest income	**(843)**	(152)
Interest expense	**19,475**	26,001
Write-off of unamortised issue costs	**–**	2,154
Payments of share appreciation rights	**–**	(580)
Other income	**(284)**	–
Amortisation of issue costs	**1,816**	1,340
Cash flow from operating activities before movement in working capital	**122,547**	121,430
Increase in trade and other receivables	**(6,665)**	(4,342)
Increase/(decrease) in trade and other payables	**8,087**	(22)
Cash generated from operations	**123,969**	117,066
Taxation paid	**(3,616)**	(3,723)
Net cash generated from operating activities	**120,353**	113,343

31. Contingent liabilities

At 31 December 2014, the bankers of Gulf Marine Services WLL, one of the subsidiaries of the Group, had issued bid bonds, performance bonds and labour guarantees amounting to US$ 0.82 million (2013: US$ 2.34 million) all of which were counter-indemnified by Offshore Holding Investment SA, another subsidiary of the Group.

32. Commitments

Capital commitment

	2014 US$'000	2013 US$'000
Contractual capital commitments	**52,793**	34,863

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

Lease commitment

In January 2014, a subsidiary of the Group entered into an arrangement with a third party to lease a vessel commencing in 2015 for a five-year term with a purchase option to acquire the vessel. The amount of the lease commitment during the term is US$ 45.2 million.

33. Obligations under finance leases

The Group leased certain vessels (Keloa 4306 and Kinoa 4307) under finance leases which were initially recorded at fair value at the inception of the lease for US$ 50 million each. The lease term is five years.

The Group's future minimum lease payments under financing leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Within one year	**49,228**	17,751	**41,478**	5,697
In the second to fifth year	**50,326**	97,012	**42,473**	83,086
	99,554	114,763	**83,951**	88,783
Less: future finance charges	**(15,603)**	(25,980)	**–**	–
	83,951	88,783	**83,951**	88,783

The Group has the option to purchase the barges at expiry of the lease period. The fair value of the Group's lease obligations is approximately equal to their carrying amount. The fair value of the financial lease obligations were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, using appropriate market interest rates. These represent level 2 value measurements as defined by the fair value hierarchy according to IFRS 13.

34. Obligations under operating leases

Operating lease rental payments represent rentals payable by the Group for certain properties.

	2014 US$'000	2013 US$'000
Lease payments under operating leases recognised as expense during the year	**374**	132
	374	132

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 US$'000	2013 US$'000
Within one year	**374**	374
In the second to fifth year	**374**	748
	748	1,122

Operating leases are negotiated for an average term of three and five years for our UAE and UK offices, respectively and accordingly, rental costs are fixed for an average term of three and five years retrospectively.

35. Financial instruments

Categories of financial instruments

	2014 US$'000	2013 US$'000
Financial assets:		
Current assets		
Cash and cash equivalents at amortised cost	**59,532**	46,897
Trade receivables and other debtors at amortised cost	**43,201**	39,948
Derivative financial instrument at fair value	**–**	541
Loans to related parties carried at amortised cost	**–**	445
	102,733	87,831
Financial liabilities at amortised cost:		
Financial liabilities recorded at amortised cost:		
– Trade and other payables	**28,484**	20,301
– Bank borrowings (non–current)	**225,741**	254,269
– Obligations under a finance lease (non-current)	**42,473**	83,086
– Loan from related parties (non-current)	**–**	19,504
– Bank borrowings (current)	**23,415**	11,010
– Due to related parties (current)	**–**	782
– Obligations under a finance lease (current)	**41,478**	5,697
Financial liabilities recorded at amortised cost:	**361,591**	394,649

Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Group's overall strategy in this regard remains unchanged throughout the years ended 31 December 2014 and 2013.

Significant accounting policies

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

Financial risk management objectives

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties which have been determined based on credit checks and other financial analysis, such that significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Cash balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. During the year, vessels were chartered to four Middle East and three international oil companies. At 31 December 2014, these seven companies accounted for 87% (2013: 85%) of the outstanding trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international agencies.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event of counterparties failing to perform their obligations, generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

35. Financial instruments continued

Foreign currency risk management

The majority of the Group's transactions are denominated in UAE Dirhams, Euros and US Dollars. As the UAE Dirham and the Saudi Riyal are pegged to the US Dollar, balances in UAE Dirhams and Saudi Riyals are not considered to represent significant currency risk. Transactions in other foreign currencies entered into by the Group are short-term in nature and therefore management considers that the currency risk associated with these transactions is limited and consequently this risk is typically not hedged, other than in relation to significant foreign currency capital expenditure programmes.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities 31 December		Assets 31 December	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
UAE Dirham	**2,925**	1,233	**24,801**	3,388
Saudi Riyal	**28**	56	**5,864**	540
Pound Sterling	**1,060**	511	**9,021**	4,399
Euro	**4,015**	3,124	**4,182**	–
Singapore Dollar	**20**	486	**–**	–
Norwegian Krone	**26**	–	**–**	–
Others	**39**	3	**–**	–
	8,113	5,413	**43,868**	8,327

At 31 December 2014, if the exchange rate of the currencies other than the UAE Dirham and Saudi Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant. The Group's profit for the period would have been lower/higher by US$ 0.8 million (2013: lower/higher by US$ 0.1 million) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

Interest rate risk management

The Group is exposed to cash flow interest rate risk on its bank borrowings which are subject to floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by US$ 1.2 million (2013: decrease/increase US$: 0.9 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the Groups financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

	Interest rate	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000	After 5 years US$'000
31 December 2014					
Non-interest bearing financial assets		**65,211**	**820**	**–**	**–**
Interest bearing financial assets	**4%**	**36,702**	**–**	**–**	**–**
		101,913	**820**	**–**	**–**
Non-interest bearing financial liabilities		**28,484**	**–**	**–**	**–**
Interest bearing financial liabilities	**4.1-12%**	**39,515**	**25,378**	**268,214**	**–**
		67,999	**25,378**	**268,214**	**–**
31 December 2013					
Non-interest bearing financial assets		86,455	390	–	–
Interest bearing financial assets	4%	–	445	–	–
		86,455	835	–	–
Non-interest bearing financial liabilities		20,120	963	–	–
Interest bearing financial liabilities	5.5-9%	9,542	21,210	377,016	–
		29,662	22,173	377,016	–

Management believe that the difference between fair value and carrying value is negligible.

36. Share appreciation rights

Share appreciation rights were granted to key management employees pre the IPO which vest in instalments over a fixed service period and the achievement of performance conditions by the Group and are payable upon an exit event, which is defined as an employee being a good-leaver, an initial public offering or a sale of the business to a third party. Half of the share appreciation rights have a fixed service period and do not require the employee to be employed when an exit event occurs; the balance requires the employee to be employed at the time that the exit event occurs. Cash settlement of the share appreciation rights is made at the time of the exit event.

The shareholders entered into an agreement with, effective from 1 January 2013, whereby the shareholders agreed to assume the share appreciation rights obligation due to key management employees under the scheme. This represented a modification of the scheme, effective from the date of agreement, such that from this date it represented an equity-settled compensation arrangement for the Group and a capital contribution of US$ 7.8 million from the shareholders. There will be no remaining charge to the Group in future periods in relation to the 85% of the scheme which has vested.

During the year 2014, a full provision for SARs payable of US$ 1.4 million was made in respect of the remaining 15% of unvested share appreciation rights which will vest if certain conditions on exit are met.

No further share appreciation rights have been granted in 2014.

37. Long-term incentive plans

During the year, the Group put in place Long-Term Incentive Plans (LTIPs), performance shares and share options are granted to senior management, managers and senior offshore officers. The details of the senior management LTIP are contained in the Directors' Remuneration Report on pages 51 to 60. The release of these shares is conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards performance against three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo simulations, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award is determined by taking into account the market performance condition, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

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

The number of share awards made by the Group during the year is given in the table below together with their weighted average fair value ('WAFV') and weighted average grant price ('WAGP'). The exercise price of the share awards is nil (2013: nil). No share awards vested in the year.

				2014			2013		
Scheme	WAFV US$	WAGP US$	Expiry date	Number of options vested	Number of options unvested	Total outstanding	Number of options vested	Number of options unvested	Total outstanding
2014 LTIPs – Senior Management	3.29	2.71	May 2017	**–**	**825,252**	**825,252**	–	–	–
2014 LTIPs – Managers and Senior Officers	3.16	2.59	June 2017	**–**	**796,637**	**796,637**	–	–	–

Outlined below is a summary of the assumptions which have been used to determine the fair value of the share awards:

	LTIP	LTIP
Grant date	8 May 2014	30 June 2014
Share price	£1.6175	£1.5500
Exercise price	£0.00	£0.00
Expected volatility	46.7%	46.7%
Risk-free rate	1.8836%	1.9945%
Expected dividend yield	1.0%	1.0%
Vesting period	3 years	3 years
Award life	3 years	3 years
Sub-optimal co-efficient	1.7	1.7
Market performance condition	25.68%	25.89%

The expected Gulf Marine Services plc share price volatility was determined taking into account the average of the volatility of two comparable companies at each of the grant dates.

The risk free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

The charge arising from share-based payments is disclosed in note 16.

38. Dividends

During the year 2014, the Directors declared an interim dividend of 0.41 pence (0.69 cents) per ordinary share, which was paid on 27 October 2014 to shareholders on the register on 26 September 2014. The interim dividend has been recognised in equity attributable to the owners of the parent as an appropriation of retained earnings.

A final dividend in respect of the year ended 31 December 2014 of 1.06 pence (1.64 cents) per ordinary share is to be proposed at the AGM. These financial statements do not reflect this final dividend.

During the year 2013, the Directors declared and paid a dividend of US$ 80 million.

39. Events after the reporting period

The following events occurred after the reporting period:

(i) On 16 March 2015 the option to purchase the leased vessel Keloa was exercised for US$ 37.5 million. The transaction was funded by a US$ 37.5 million drawdown from the committed loan facility.

(ii) In January 2014, the Group entered into an arrangement to lease a vessel (Pepper) commencing in 2015 for a 5 year term with an option to purchase the vessel at the end of the lease term. This vessel commenced its inaugural client charter in March 2015 and is now on lease.

COMPANY BALANCE SHEET
as at 31 December 2014

	Notes	As at 31 December 2014 US$'000
Fixed assets		
Investments	4	**517,546**
Current assets		
Debtors	5	**57,750**
Cash at bank and in hand		**16,619**
		74,369
Creditors: Amounts falling due within one year	6	**(276)**
Net current assets		**74,093**
Total assets less current liabilities		**591,639**
Net assets		**591,639**
Capital and reserves		
Called-up share capital	8	**57,929**
Share premium account	8	**93,247**
Share option reserve	7	**563**
Profit and loss account	9	**439,900**
Shareholders' funds	10	**591,639**

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 23 March 2015.

Duncan Anderson
Chief Executive Officer
On behalf of the Board of Directors
23 March 2015

COMPANY CASH FLOW STATEMENT

for the period from date of incorporation to 31 December 2014

	Notes	2014 US$'000
Net cash outflow from operating activities	12	(5,078)
Acquisitions and disposals	13	(19,883)
Cash outflow before management of liquid resources and financing		**(24,961)**
Financing	13	41,580
Increase in cash in the period		**16,619**

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the period from date of incorporation to 31 December 2014

1. Corporate information

These separate financial statements were approved and authorised for issue by the Board of Directors of Gulf Marine Services PLC ("the Company") on 23 March 2015.

The Company was registered in England and Wales on 24 January 2014 ("date of incorporation") as a private limited company. On 7 February 2014, the Company re-registered as a public limited company. The address of the registered office of the Company is 1st Floor, 40 Dukes Place, London EC3A 7NH. The registered number of the Company is 08860816.

The Company is the Parent Company of the Gulf Marine Service Group comprising of Gulf Marine Services PLC and its underlying subsidiaries. The consolidated financial statements are publicly available. The Company completed its Premium Listing on the London Stock Exchange on 19 March 2014.

2. Accounting policies

Currency

The functional and presentational currency of the Company is United States Dollars.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report and Strategic Report.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its underlying subsidiaries.

After making enquiries and on the basis of their assessment of the Group's financial position, the Company's Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the financial statements.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss for the period of the Company amounted to US$ 5.1 million.

The Company had no recognised gains and losses other than the loss for the period. Consequently no statement of total recognised gains and losses is presented.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Investments

Fixed asset investments in subsidiaries and associates are initially recognised at Director's valuation and are subsequently measured at cost less provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss (''FVTPL'') or ''other financial liabilities''.

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

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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

Financial Assets
All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Cash at bank and in hand
Cash at bank and in hand comprises cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash at bank and in hand for the purpose of the statement of cash flows.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

3. Dividends on equity shares

	2014 US$'000
Dividend declared and paid during the year	
Interim dividend for 2014: 0.41 pence (0.69 cents) per ordinary share	**2,412**

A final dividend in respect of the year ended 31 December 2014 of 1.06 pence (1.64 cents) per ordinary share is to be proposed at the AGM. These financial statements do not reflect this final dividend.

NOTES TO THE COMPANY FINANCIAL STATEMENTS Continued
for the period from date of incorporation to 31 December 2014

4. Fixed asset investments

	2014 US$'000
At 24 January 2014	–
Acquisition of subsidiaries	**516,983**
Share options issued to employees of subsidiary entities	**563**
	517,546

The Company has investments in the following subsidiaries which principally affected the profits or net assets of the Group.

Name	Place of Registration	Percentage Ownership at 31 December 2014	Type of Activity
GMS Jersey Holdco 1 Limited +	Jersey	100%	Holding Company
GMS Jersey Holdco 2 Limited	Jersey	100%	Holding Company
Gulf Marine Middle East FZE	Sharjah	100%	Marine Contractors
Gulf Marine Services WLL	Abu Dhabi	100%	Marine Contractors
Offshore Holding Invt SA	Panama	100%	Holding Company
Offshore Logistics Invt SA	Panama	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt. SA	Panama	100%	Owner of "Khawla 181"
Offshore Jack-up Invt SA	Panama	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	100%	Owner of "Helios"
Offshore Tugboat Invt SA	Panama	100%	Owner of "Atlas"
Offshore Boat Invt SA	Panama	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	100%	Owner of Barge "Endurance"
Mena Marine Limited	Cayman Islands	100%	General investment and trading
Gulf Marine Services (UK) Limited	United Kingdom	100%	Operator of offshore barges
Gulf Marine Services Saudi Arabia Limited	Saudi Arabia	60%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	100%	Operator of offshore barges
GMS Enterprise Invt SA	Panama	100%	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	100%	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	100%	Owner of Barge "Shamal"

+ Held directly by Gulf Marine Services PLC.

During the period, the Company acquired the Group by acquiring the entire issued share capital of GMS Jersey Holdco 1 Limited in exchange for the issue and allotment to the following Shareholders of an aggregate of 299,999,900 new ordinary shares of 1 GBP each (US$ 1.67) in the Company in the same proportions as their holdings in GMS Jersey Holdco 1 Limited as at that date:

- Green Investment Commercial Investments LLC (79%);
- Ocean Investments Trading LLC (1%);
- Horizon Energy LLC (10%); and
- Al Ain Capital LLC (10%).

Furthermore, subsequent to the IPO, the Company subscribed to additional shares (1000 ordinary shares of 1 GBP each (US$ 1.67)) at a premium in GMS Jersey Holdco 1 for a value of US$ 19.89 million.

The purchase price of investments were determined based on the underlying market value of assets owned by the Group, as determined by the Directors' valuation and based on reports from an independent valuation expert.

5. Debtors amounts falling due within one year

	2014 US$'000
Amounts owed by Group undertakings	**57,710**
Other receivables	**40**
	57,750

Debtors amounts falling due within one year are all current and the Directors consider that the carrying amount of debtors is approximately equal to their fair value due to the very short time between inception and maturity.

6. Creditors amounts falling due within one year

	2014 US$'000
Amounts owed to Group undertakings	**167**
Other creditors	**109**
	276

Creditors are all current and the Directors consider that the carrying amount of creditors is approximately equal to their fair value due to the short time between inception and maturity.

7. Share option reserve

The share option reserve for the period of US$ 0.56 million relates to awards granted to employees of a subsidiary undertaking under a long-term incentive plan, details of which are provided in note 37 of the consolidated financial statements.

8. Called-up share capital

The share capital as at 31 December 2014 was as follows:

	2014 US$'000
Allotted, called-up and fully paid 349,527,804 shares of 10 pence each	**57,929**

The Company was incorporated on 24 January 2014 with share capital of 300 million shares at a par value of £1 each. Subsequently on 5 February 2014, the Company undertook a capital reduction by solvency statement, in accordance with s643 of the Companies Act 2006. The nominal value of the authorised and issued ordinary shares was reduced from £1 to 10 pence and the amount by which the Company's share capital reduced (US$ 447.39 million) was credited to the distributable reserves of the Company and is treated for the purposes of Part 23 of Companies Act 2006 as realised profit.

On 19 March 2014, the Company successfully completed its IPO on the London Stock Exchange. A total of 49,527,804 shares with a par value of 10 pence per share were issued at a price of 135 pence (US$ 2.24) per share.

The Company has one class of ordinary shares which carry no right to fixed income.

The movement in issued share capital and share premium for the for the period ended 31 December 2014 was as follows:

	Number of shares	Ordinary shares US$'000	Share premium US$'000	Total US$'000
Issue of new shares upon incorporation	**300,000,000**	**497,100**	**–**	**497,100**
Capital reduction	**–**	**(447,390)**	**–**	**(447,390)**
Issue of new shares – IPO	**49,527,804**	**8,219**	**102,702**	**110,921**
Share issue costs (note 6 of the consolidated financial statements)	**–**	**–**	**(9,455)**	**(9,455)**
At 31 December 2014	**349,527,804**	**57,929**	**93,247**	**151,176**

9. Profit and loss account

	2014 US$'000
Balance at 24 January 2014	**–**
Distributable Reserves subsequent to capital reduction by solvency statement	**447,390**
Loss for the period	**(5,078)**
Interim Dividend declared	**(2,412)**
Balance at 31 December 2014	**439,900**

10. Reconciliation of movements in shareholders' funds

	2014 US$'000
Issue of new shares upon incorporation	497,100
Issue of new shares through IPO	8,219
Share Option Reserve (note 7)	563
Premium on issue of new shares through IPO (net of expenses)	93,247
Loss for the period	(5,078)
Interim dividend distributed	(2,412)
Balance at 31 December 2014	591,639

11. Related party transactions

The Company has taken advantage of the exemption from disclosing related party transactions with other wholly owned Group companies as afforded by paragraph 3(c) of Financial Reporting Standard 8 (Revised). The Company and all companies with whom related party transactions took place in the period are wholly owned Group companies, the consolidated financial statements of which are publicly available.

Remuneration of key management personnel during the period comprised short-term benefits of US$ 743,646.

12. Reconciliation of operating loss to cash outflow from operating activities

	2014 US$'000
Operating loss	(5,092)
Adjustment for	
Investment income	14
Cash outflow from operating activities	**(5,078)**

13. Analysis of cash flows

Acquisitions and disposals

	2014 US$'000
Investment in subsidiary	(19,883)
Net cash outflow	**(19,883)**

During the period the Company acquired the Group in exchange for the issuance of 299,999,900 new ordinary shares of 1 GBP each (US$ 1.67) in the Company. No cash was exchanged during the course of this transaction. Refer to note 4.

Financing

	2014 US$'000
Proceeds from issue of new ordinary shares	110,921
Transaction costs from issue of ordinary shares	(9,455)
Adjustment for changes in working capital:	
Increase in intercompany receivables	(57,710)
Increase in intercompany payables	167
Increase in other receivables	(40)
Increase in other payables	109
Dividends paid	(2,412)
Net cash inflow	**41,580**

14. Reconciliation of net debt

	2014 US$'000
Increase in net cash in the period	16,619
Net cash on incorporation	–
Net cash at 31 December 2014	**16,619**

15. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and short-term deposits and equity attributable to equity holders of the parent, comprising issued capital, reserves and loss for the period as disclosed in notes 7 to 9.

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements.

Categories of financial instruments

	2014 US$'000
Financial assets	
Cash at bank and in hand	**16,619**
Loans and receivables	**57,710**
Financial liabilities	
Creditors	**276**

All financial liabilities are repayable upon demand.

Financial risk management objectives and policies

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

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade and other receivables. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties failing to perform their obligations generally approximates their carrying value. Trade and other receivables are not secured by any collateral.

The Company's principal financial assets are bank balances, and intercompany and other receivables. The Company's main credit risk is primarily attributable to its key intercompany receivables. The Company has no other significant concentration of credit risk. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence for a reduction in the recoverability of the cash flows.

Cash flow and liquidity risk

The Company is not exposed to any significant cash flow or liquidity risk. The Company currently has sufficient cash to fund its activities. However, in the event that additional liquidity is required for ongoing operations and future developments, the Company has access to additional funding from other Group entities which it controls.

Foreign currency risk management

The majority of the Company's transactions are in either UAE Dirhams or US Dollars. Transactions in other foreign currencies entered into by the Company are short term in nature and therefore management considers that the currency risk associated with these transactions is limited and consequently this risk is not hedged.

Interest rate risk management

The Company's financial assets and financial liabilities are interest-free; accordingly the Company is not subject to any interest rate risk.

Fair value of financial assets and liabilities

The Company's management considers that the fair value of financial assets and financial liabilities approximates their carrying amounts.

ADDITIONAL INFORMATION

NOTICE OF AGM

Notice is hereby given that the first Annual General Meeting of Gulf Marine Services PLC (the "**Company**") will be held on Wednesday 6 May 2015 at 11.30am (UK time) at Linklaters LLP, One Silk Street, London, EC2Y 8HQ to transact the business set out in the resolutions below.

Resolutions 1 to 14 (inclusive) will be proposed as ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 15 to 17 (inclusive) will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Voting on all resolutions will be by way of a poll.

Ordinary Resolutions

Report and Accounts

1. To receive the Company's annual accounts for the financial year ended 31 December 2014 together with the Directors' reports and the auditor's report on those accounts.

Final Dividend

2. To declare a final dividend of 1.06 pence per ordinary share for the year ended 31 December 2014, to all ordinary shareholders on the register of members on 17 April 2015.

Directors' Remuneration Report

3. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) set out on pages 51 to 60 of the Company's Annual Report and accounts for the financial year ended 31 December 2014.

Directors' Remuneration Policy

4. To approve the Directors' Remuneration Policy set out on pages 51 to 60 of the Company's Annual Report and accounts for the financial year ended 31 December 2014, such Policy to take effect immediately following conclusion of the meeting.

Election of Directors

5. To elect Simon Heale as a director.
6. To elect Duncan Anderson as a director.
7. To elect Simon Batey as a director.
8. To elect Richard Dallas as a director.
9. To elect Richard Anderson as a director.
10. To elect Dr Karim El Solh as a director.
11. To elect Mike Straughen as a director.

Reappointment of Auditor

12. To re-appoint Deloitte LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

Auditor's Remuneration

13. To authorise the Audit and Risk Committee to determine the remuneration of the auditor on behalf of the Board of directors.

Authority to allot ordinary shares

14. To authorise the directors generally and unconditionally, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares of the Company:

    (a) up to a maximum aggregate nominal amount of £11,650,927; and

    (b) comprising equity securities (as defined in section 560(1) of the Act) of the Company up to a further nominal amount of £11,650,927 in connection with an offer by way of a rights issue.

    These authorities shall apply in substitution for all previous authorities pursuant to section 551 of the Act and expire on the date of the next Annual General Meeting or on 30 June 2016, whichever is the earlier, but in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the authority conferred by this resolution had not expired.

    For the purposes of this resolution, "**rights issue**" means an offer to:

    i. ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    ii. people who are holders of other equity securities if this is required by the rights of those securities or as the directors otherwise consider necessary,

    to subscribe further securities, subject in both cases to such exclusions or other arrangements as the directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

Special Resolutions

Authority to disapply pre-emption rights

15. Subject to the passing of resolution 14, to empower the directors generally in accordance with section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash:

(a) pursuant to the authority given by paragraph (a) of resolution 14 or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act in each case:

i. in connection with a pre-emptive offer; and

ii. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £1,747,639; and

(b) pursuant to the authority given by paragraph (b) of resolution 14 in connection with a rights issue,

as if section 561(1) of the Act did not apply to any such allotment.

This power shall expire on the date of the next Annual General Meeting of the Company or on 30 June 2016, whichever is the earlier, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such an offer or agreement as if the authority conferred by this resolution had not expired.

For the purposes of this resolution:

i. "**rights issue**" has the same meaning as in resolution 14;

ii. "**pre-emptive offer**" means an offer of equity securities open for acceptance for a period fixed by the directors to (a) holders (other than the Company) on the register on a record date fixed by the directors of ordinary shares in proportion to their respective holdings and (b) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory;

iii. references to an allotment of equity securities shall include a sale of treasury shares; and

iv. the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for, or convert any securities into, shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Purchase of own shares

16. To authorise the Company generally and unconditionally for the purpose of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company, provided that:

(a) the maximum number of ordinary shares which may be purchased is 34,952,780;

(b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 10 pence;

(c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of:

i. 105% of the average closing price of an ordinary share, as derived from the London Stock Exchange Daily Official List for the five business days prior to the day on which the purchase is made; and

ii. an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as stipulated by Article 5(1) of Commission Regulation (EC)No. 2273/2003 (relating to buy-back programmes and stabilisation of financial instruments).

This authority shall expire on the date of the next Annual General Meeting of the Company or on 30 June 2016, whichever is the earlier, but, in each case, save that the company may, before such expiry, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

Notice of general meetings, other than annual general meetings

17, THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

John Brown
Company Secretary
23 March 2015

Gulf Marine Services PLC
1st Floor, 40 Dukes Place, London EC3A 7NH

NOTICE OF AGM
Continued

EXPLANATION OF RESOLUTIONS:

Resolution 1 – To receive the Report and Accounts

The directors are required to present the accounts, Directors' reports and auditor's report to the meeting. These are contained in the Company's 2014 Annual Report and Financial Statements.

Resolution 2 – To declare a final dividend

The board of directors of the Company (the "Board") proposes a final dividend of 1.06 pence per share for the year ended 31 December 2014. If approved, the recommended final dividend will be paid on 12 May 2015 to all ordinary shareholders on the register of members at 6.00 pm on 17 April 2015. The shares will be marked ex-dividend on 16 April 2015.

Resolution 3 – To approve the Directors' Remuneration Report

This resolution deals with the remuneration paid to the directors during the year under review. Shareholders are invited to vote on the Directors' Remuneration Report, which appears on pages 51 to 60 in the 2014 Annual Report and Financial Statements (excluding the Directors' Remuneration Policy). Resolution 3 is an advisory vote.

Resolution 4 – To approve the Directors' Remuneration Policy

Shareholders are invited to vote on the Directors' Remuneration Policy, which appears on pages 51 to 60 in the 2014 Annual Report and Financial Statements, and which, if approved by shareholders, will take effect immediately after the conclusion of the AGM on 6 May 2015. Resolution 4 is a binding vote.

Resolutions 5 to 11 – Election of Directors

This, being the Company's first Annual General Meeting ("AGM"), all directors of the Company will seek election by shareholders. In subsequent years, all directors wishing to continue their appointment will seek re-election at the AGM in accordance with the provisions of the UK Corporate Governance Code.

No independent non-executive director seeking election at the AGM has any existing or previous relationship with the Company, nor with any controlling shareholder of the Company or any associate of a controlling shareholder of the Company within the meaning of Listing Rule 13.8.17R(1). In considering the independence of the non-executive directors, the Board has taken into account guidance from the UK Corporate Governance Code. The Board considers Simon Batey, Richard Anderson and Mike Straughen to be independent non-executive directors in accordance with provision B.1.1 of the UK Corporate Governance Code.

In accordance with changes made to the Listing Rules in May 2014, Richard Dallas and Dr Karim El Solh are classed as representatives of a "controlling shareholder" of Gulf Marine Services PLC and not considered to be independent non-executive directors. The Company entered into a Relationship Agreement with its "controlling shareholders" effective 14 March 2014 in accordance with Listing Rule 9.2.2AR(2)(a), which serves to ensure that the controlling shareholders and their representatives (including Richard Dallas and Dr Karim El Solh) comply with the independence provisions outlined in Listing Rule 6.1.4DR.

The new Listing Rules require that Independent Non-Executive Directors be elected by a majority of votes cast by independent shareholders in addition to a majority of votes cast by all shareholders in the Company. Therefore, the resolutions for the election of the Independent Non-Executive Directors (resolutions 7, 9 and 11) will be taken on a poll and the votes cast by independent shareholders and all shareholders will be calculated separately. Such resolutions will be passed only if a majority of votes cast by independent shareholders are in favour, in addition to a majority of votes cast by all shareholders being in favour.

Full biographies of all the directors are set out in the Company's 2014 Annual Report and are also available for viewing on the Company's website (http://www.gmsuae.com). Following a formal Board evaluation process and recommendation from the Nomination Committee, the Board is satisfied that each of the directors continues to be effective and demonstrates a commitment to the role and that each of the directors continues to be able to dedicate sufficient time to their duties. The directors believe that the Board continues to include an appropriate balance of skills and provides effective leadership for the Company.

Resolution 12 – To reappoint Deloitte LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of its Audit and Risk Committee, recommends the reappointment of Deloitte LLP.

Resolution 13 – To authorise the directors to determine the remuneration of Deloitte LLP

This resolution gives authority to the Audit and Risk Committee to determine the auditor's remuneration.

Resolution 14 – To authorise the directors to allot ordinary shares

The authority in paragraph (a) of this resolution, if passed, would provide the directors with a general authority to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal amount of £11,650,927, which is equal to approximately 33% of the issued share capital of the Company as at 23 March 2015, being the last practicable date before the publication of this Notice.

Paragraph (b) under resolution 14 will grant the directors additional authority to allot 116,509,268 new shares and grant rights to subscribe for, or convert other securities into, shares in connection with a rights issue up to a further nominal amount of, which is equal to approximately 33% of the issued share capital of the Company as at 23 March 2015.

When taken together, the authorities proposed in paragraphs (a) and (b) of this resolution extend (before any reduction) to approximately two thirds of the current issued share capital of the Company as at 23 March 2015, being the last practicable date before the publication of this Notice.

The resolution would give the Board of directors the maximum flexibility permitted by investor guidelines to respond to market developments, however, there are no current plans to allot shares except in connection with the Company's employee share schemes.

This authority will expire at the earlier of 30 June 2016 and the conclusion of the Company's next AGM. It is the intention of the directors to seek the annual renewal of each aforementioned authority.

Resolution 15 – To authorise the directors to disapply pre-emption rights

This resolution would, if passed, allow the directors to allot shares or sell treasury shares for cash (other than in connection with an employee share scheme), without having to offer such shares to existing shareholders in proportion to their own holdings (known as pre-emption rights).

The purpose of paragraph (a) of resolution 15 is to authorise the directors to allot new shares pursuant to the authority given by paragraph (a) of resolution 15, or sell treasury shares, for cash (I) in connection with a pre-emptive offer or rights issue or (II) otherwise up to a nominal value of £1,747,639, equivalent to approximately 5% of the total issued ordinary share capital of the Company as at 23 March 2015, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

The purpose of paragraph (b) of resolution 15 is to authorise the directors to allot new shares pursuant to the authority given by paragraph (b) of resolution 15, or sell treasury shares, for cash in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holdings. This is in line with corporate governance guidelines.

It is the directors' intention not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued share capital of the Company over a three year rolling period, without prior consultation with shareholders.

This authority will expire at the earlier of 30 June 2016 or the conclusion of the Company's next AGM. It is the intention of the directors to seek to renew this authority every year.

Resolution 16 – To authorise the Company to make market purchases of its own shares

This resolution would, if passed, authorise the Company to make market purchases of up to 34,952,780 of its own ordinary shares, representing just under 10% of the Company's issued share capital as at 23 March 2015. The resolution specifies the minimum and maximum prices at which the ordinary shares may be bought under this authority.

This authority will expire at the conclusion of the Company's next AGM. It is the intention of the directors to seek to renew this authority every year.

The directors have no present intention of exercising this authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares purchased would be effected by a purchase in the market and may either be cancelled or held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share schemes. The Company currently has no shares held in treasury.

As at 23 March 2015, the total number of options to subscribe for shares in the Company was 1,621,889 (approximately 0.5% of the Company's issued share capital and approximately 0.4% of the Company's issued share capital if the full authority proposed by resolution 16 was used and the shares purchased were cancelled).

Resolution 17 – Notice of general meetings, other than annual general meetings

Under the Act, the notice period required for all general meetings of the Company is 21 days. An AGM is required by law to be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings.

This resolution would, if passed, allow the Company flexibility to call general meetings, other than annual general meetings, on not less than 14 clear days' notice. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

The Board confirms that, in its opinion, all of the resolutions are in the best interests of the shareholders of the Company as a whole and unanimously recommends that shareholders vote in favour of them.

NOTICE OF AGM
Continued

IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 1 May 2015 (or, in the event of any adjournment, 6.00pm on the date which is 48 hours, excluding non-working days, before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. There are no other procedures or requirements for entitled shareholders to comply with in order to attend and vote at the AGM. In alignment with best practice for Listed Companies, it is the current intention that each of the resolutions to be put to the AGM will be voted on by way of a poll and not by show of hands. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of ordinary shares held and all votes tendered are taken into account.

2. The doors will open at 10.30 am and you may wish to arrive by 11.00 am to enable you to register and take your seat in good time. Light refreshments will be provided at the meeting. If you have any special needs or require wheelchair access to the offices of Linklaters LLP please contact Molly Stewart by e-mail on gms@bellpottinger.com or telephone +44 203 772 2500 in advance of the meeting. Mobile phones may not be used in the meeting hall, and cameras and recording equipment are not allowed in the meeting hall.

3. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact our Registrar, Equiniti, on 0871 384 2030 (or from outside the UK: +44 121 415 7047). Calls to this number cost 8p per minute plus network extras. Lines are open Monday – Friday, 8.30am – 5.30pm (excluding UK public holidays).

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 3, 4 and 8 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

8. To be valid, any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrar Equiniti (the "Registrar"), at the address shown on the form of proxy or in the case of shares held through CREST, via the CREST system, (see note 11 below). For proxy appointments to be valid, they must be received by no later than 11.30am on Friday, 1 May 2015. If you return more than one proxy appointment that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

9. The return of a completed form of proxy or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers' agent (ID RA19) by 11:30am on 1 May 2015. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers relation to the same shares.

14. As at 23 March 2015 (being the last practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 349,527,804 ordinary shares, carrying one vote each. No shares are held in treasury. Therefore, the total voting rights in the Company as at 23 March 2015 are 349,527,804.

15. Under section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

16. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

17. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from 23 March 2015 until the time of the AGM and may also be inspected at the AGM venue (Linklaters LLP, One Silk Street, London, EC2Y 8HQ), from 10.30 am on the day of the meeting until the conclusion of the AGM:
 – copies of the directors' letters of appointment or service contracts;
 – a copy of the articles of association of the Company; and
 – a copy of the directors' deeds of indemnity.

18. You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at http://www.gmsuae.com.

GLOSSARY

ABS	American Bureau of Shipping.
ADIPEC	Abu Dhabi International Petroleum Exhibition and Conference .
ADMA-OPCO	Abu Dhabi Marine Operating Company, a subsidiary of ADNOC.
ADNOC	Abu Dhabi National Oil Company.
AED	United Arab Emirates Dirham. The currency in United Arab Emirates.
AHTS vessel	Anchor Handling Tug Support vessel.
Available days	Calculated from a base of 365 days from which any unpaid days spent on mobilisation and demobilisation, planned refurbishment or upgrade work and, in the case of a newly constructed SESV, delivery time are subtracted. Maintenance days included in our contracts are counted as available days.
Average Daily Operating Costs	Average daily costs incurred to operate a vessel. Calculated as cost of sales less non-cash items, depreciation, amortisation and impairments divided by 365.
Brownfield project	A project involving the upgrade or modification of existing operations.
Capex-led Activities	Defined in the oil and gas sector to include greenfield projects, engineering, procurement and construction activities, installation and decommissioning and, with respect to EOR activities, water injection and gas injection. Typically funded out of our clients' capital expenditure budgets.
Dayrate	Income received by the Company in respect of each day a vessel is chartered to a client.
DP2	Dynamic positioning system with full redundancy meaning that should one component fail there is a backup component that takes over.
Dynamic positioning	A computerised positioning system which maintains the vessel position by using its own propellers and thrusters.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
EOR	Enhanced Oil Recovery. Consists of the injection of foreign components (e.g. chemicals) to recover a larger proportion of the remaining oil at the final stages of the field life .
EPC	Engineering, Procurement and Construction.
GCC	Gulf Cooperation Council, the political and economic alliance of six Middle Eastern countries comprising Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.
Greenfield project	Project involving a completely new area of work.
Hotel Services	Income received by the Company for the provision of accommodation and meals provided to client personnel charged on a per person per day basis.
HSE	Health, Safety and Environment.
HSSEQ	Health, Safety, Security, Environment and Quality.
HVAC	Heating, Ventilation and Air Conditioning System
IFRS	International Financial Reporting Standards.
IJUBOA	International Jack Up Barge Owners' Association.
IOC	International Oil Company.
ISM	International Safety Management Code.
ISO	International Organisation for Standardisation.
Jack-up barge	Self-elevating support vessels equipped with legs that are lowered to the ocean floor.
LTIs	Lost Time Injuries.
Lump sum	Income received by the company at the beginning of a new charter party agreement relating to the costs and time taken to prepare the vessel.
MENA	Middle-East and North Africa.
NOC	National Oil Company.
Opex-led Activities	Operating expenditure-led activities. Defined in the oil and gas sector to include fabric maintenance, well intervention, brownfield upgrade and modification projects and retrofit or upgrade activities with respect to EOR activities. Typically funded out of our clients' operating budgets.
POB	Persons on board.
SESV	Self-Elevated Support Vessel designed to cater to a range of offshore assets and equipment such as drilling products and to support inspection, maintenance, repair, diving and construction activities.
Topside Operations and Maintenance	Consists of the maintenance, modification and operation of platforms during the production phase of the offshore field lifecycle.
Utilisation rate	Actual number of days a vessel is on hire divided by the number of available days in a year.
Well intervention	Consists of services (coiled tubine, pumping, workover, subsea landing string and other services) to maintain production levels in the primary and secondary phases of oil production.

NOTES

CORPORATE INFORMATION

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One Silk Street
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Auditors
Deloitte LLP
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Independent Non-Executive Chairman

Duncan Anderson
Chief Executive Officer

Simon Batey
Senior Independent
Non-Executive Director

Richard Anderson
Independent Non-Executive Director

Mike Straughen
Independent Non-Executive Director

Richard Dallas
Non-Executive Director

Dr Karim El Solh
Non-Executive Director

MIX
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