

MODERN FLEXIBLE FLEET

Gulf Marine Services PLC
Annual Report 2017

THURSDAY



A76M2BSZ

A12

24/05/2018

#105

COMPANIES HOUSE

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

STRATEGIC REPORT

2017 Highlights	IFC
GMS at a Glance	4
Chairman's Statement	6
Chief Executive's Review	8
Our Business Model and Strategy	10
Key Performance Indicators	14
Risk Management	16
Operational Review	20
Financial Review	24
Corporate Social Responsibility	28

GOVERNANCE

Chairman's Introduction	30
Board of Directors	32
Corporate Governance	34
Report of the Audit and Risk Committee	38
Report of the Remuneration Committee	42
Report of the Nomination Committee	56
Directors' Report	58
Statement of Directors' Responsibilities	61

FINANCIAL STATEMENTS

Independent Auditor's Report	62
Group Consolidated Financial Statements	69
Company Financial Statements	102
Notice of AGM	112
Glossary	118
Corporate Information	IBC

2017 HIGHLIGHTS

Financial Highlights

- Adjusted EBITDA* reduced to US\$ 58.5 million (2016: US\$ 106.8 million) in a challenging market environment.
- Continued focus on cost management helps partially offset pressure on day rates, delivering an adjusted EBITDA margin* of 52% (2016: 60%).
- Gross profit of US\$ 36.0 million (2016: US\$ 74.3 million), with adjusted gross profit* of US\$ 43.3 million (2016: US\$ 95.6 million).
- Adjusted net profit* of US\$ 4.8 million (2016: US\$ 50.7 million), with adjusted diluted earnings per share* of 1.26 cents (2016: 14.35 cents).
- Loss for the year of US\$ 18.2 million (2016: net profit of US\$ 29.4 million) includes a non-cash impairment charge of US\$ 7.3 million in H1, and the expensing of US\$ 15.6 million of costs relating to the debt modification.
- Diluted loss per share* of 5.31 cents (2016: diluted earnings per share* 8.34 cents).
- Good progress made in reducing total net borrowings* at year end to US\$ 372.8 million (being all net bank debt*) (2016: US\$ 413.6 million, including net bank debt of US\$ 373.5 million).
- Amended bank facility agreement in the year increases liquidity and financial flexibility (term extended by two years, 2018-2019 loan repayments reduced and financial covenants relaxed).
- No dividend to be paid for 2017 as the Group focuses on reducing bank debt.

* Refer to Glossary.

2017 HIGHLIGHTS CONTINUED

Operational Highlights

- Utilisation of the core SESV fleet* of 61% in 2017 (2016: 70%), delivering 13 percentage points' improvement on Q4 2016.
- Utilisation of Large Class and Mid-Size Class vessels both above 70%, with Small Class vessel utilisation of 53%.
- Three new long-term contracts secured in 2017, with a total charter period in excess of six years.
- Two eight-month charters also secured. (All contracts include option periods.)
- A long-term contract extension awarded in early 2018 for an additional 16 months (including option periods).
- Sale of two non-core assets and return of a leased vessel to its owner.
- GMS Evolution with cantilever system commissioned and UK Safety Case approved.
- Expanded GMS operational base in Saudi Arabia to support increased activities.
- Excellent HSE performance, with zero lost time injuries in the year.

These highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 6.

Outlook

- Secured backlog* of US\$ 160.6 million (including options) as at 1 March 2018.
- Increasing levels of enquiries and tender activity in the Middle East and Europe.
- GMS is well-placed to capitalise on a recovering market with its modern fleet, industry-leading operational expertise and technological capability.

* Refer to Glossary.

GMS AT A GLANCE

A WORLD LEADER IN SESVs

Gulf Marine Services is the operator of the world's largest fleet of advanced self-propelled self-elevating support vessels (SESVs).

About us

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

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

A modern fleet fit for the future

The Group's core fleet of 13 SESVs is amongst the youngest in the industry, with an average age of just seven years, and this makes it highly attractive to clients seeking to charter the most advanced and cost-efficient vessels for their current and longer-term operations.

Our 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 our clients. These vessels support our clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are opex-led activities), as well as offshore oil and gas platform installation and decommissioning and offshore wind turbine installation (which are capex-led activities).

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

Large Class

- 4 units
- Average age: 5 years
- Water depth: 65–80m
- Accommodation for up to 300 people
- Harsh weather capable

Mid-Size Class

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

Small Class

- 6 units
- Average age: 11 years
- Water depth: 45m
- Accommodation for up to 300 people

GMS fleet of SESVs

Large Class Vessels	Year of Delivery	Mid-Size Class Vessels	Year of Delivery	Small Class Vessels	Year of Delivery
GMS Evolution	2017	GMS Sharqi	2016	Pepper	2015
GMS Enterprise	2014	GMS Scirocco	2015	Keloa	2009
GMS Endeavour	2011	GMS Shamal	2015	Kudeta	2008
GMS Endurance	2010			Kawawa	2006
				Kikuyu	2005
				Kamikaze	1999

The Group also owns SESV Naashi, this was built in 1982 and is not considered part of the core fleet

What differentiates GMS from other operators?

- Pioneering development of Large Class and Mid-Size Class SESVs.
- All our SESVs have four legs, this, combined with our dynamic positioning system on our Large Class and Mid-Size Class vessels, helps us to position our vessels very close to our clients' installations and provides a significantly more stable and reliable platform than three-legged jackup vessels.
- All our SESVs are self-propelled; they do not need costly support vessels for travel and manoeuvres, saving our clients both time and money.
- We design, build and operate our own SESVs.
- We are at the forefront of technological innovation; we use our in-house expertise to enhance the design of our vessels and expand our services so that we can provide flexible, cost-effective, offshore support solutions to our clients.

More information on the above can be found on pages 10 to 13.

GMS supports:

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

GMS at the forefront of technological innovation for 40 years – expanding markets and services

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

In 2010 the Group designed and delivered the first Large Class SESV. This Class includes dynamic positioning systems and

is capable of working in harsh weather and deeper water environments. GMS was now able to expand its operations into Europe and deployed two Large Class vessels to the region to support clients in the oil and gas sector and, for the first time, in the offshore wind power installation market.

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

non-propelled drilling rigs. The last of the six new vessels to be delivered was our Large Class vessel GMS Evolution, which was commissioned in Q2 2017.

The ongoing expansion of our services is part of our strategic plan to apply our ability to innovate technologically to diversify into new markets and to increase our geographical spread.

Examples of industry-first projects delivered in 2017 can be found in the Operational Review on page 21. Information on some of the specific benefits our SESVs provide to clients can be found in Our Strategy in Action on page 13.

CHAIRMAN'S STATEMENT

I am pleased to be introducing the 2017 Annual Report for Gulf Marine Services, a year in which GMS celebrated 40 years of successful operations. The Group has made good progress in securing new contracts despite the protracted market recovery.

The Group has delivered an adjusted EBITDA for 2017 of US\$ 58.5 million (2016: US\$ 106.8 million) in what was a challenging year for the oil and gas industry. Our continued focus on cost management has enabled us to achieve an adjusted EBITDA margin of 52% (2016: 60%). A loss for the year of US\$ 18.2 million (2016: net profit of US\$ 29.4 million) has been reported, although the underlying performance after adjusting for certain items, was a net profit of US\$ 4.8 million (2016: US\$ 50.7 million).

No dividend will be paid for 2017. The Board believes the cash generated by the business is better utilised for the reduction of bank debt at this time. Shareholder priorities continue to be recognised and dividend payments will be resumed as soon as reasonable financial prudence allows.

During the year we agreed certain amendments to our bank facilities, which has increased our liquidity and financial flexibility and this will allow us to benefit from improving market conditions.

We have been encouraged by the increasing levels of enquiries and tender activity in the Middle East and Europe. During 2017, the Group secured five new contracts with a total charter period of just under eight years. Our backlog stands at US\$ 160.6 million as at 1 March 2018 (all contracts include option periods).

Vessel age has become increasingly relevant, with our clients currently able to demonstrate a preference for modern tonnage. Our investment in our new build programme has ensured GMS is well-placed to address this in tenders, with our fleet now one of the youngest in the industry. The performance of our Large and Mid-Size Class vessels in particular is notable, with these achieving above 70% utilisation.

We are delighted to have amongst our new contract wins two long-term charters for wind farm projects in Europe, where the Group has worked successfully in the renewable energy sector in the past. A good example of how we use our operational experience and technological expertise to provide tailored solutions for our clients is the crew transfer system we developed for one of these projects, which is discussed later in this report.

I would like to thank all our staff, both land-based and offshore, for their hard work and their continued commitment to health and safety across the business and their achievement of zero lost time injuries in 2017 is excellent.

The Group is well-positioned to capitalise on a market recovery under the leadership of our CEO Duncan Anderson and his strong management team.

Simon Heale
Chairman
26 March 2018

CHIEF EXECUTIVE'S REVIEW

We were pleased to secure three long-term contracts and two short-term contracts in 2017 in what continued to be a challenging market for our industry.

The prolonged downturn affected both our vessel utilisation and charter rates (through deferral of contract awards, discussed further below, and suppressed demand) and is reflected in significantly reduced profitability reported by GMS for 2017. A more stable oil price environment is welcomed and it is encouraging to see increasing levels of enquiries and tender activity for our services in the Middle East and Europe.

Group financial performance

Revenue for the year was US\$ 112.9 million (2016: US\$ 179.4 million) and adjusted EBITDA was US\$ 58.5 million (2016: US\$ 106.8 million). The Group's continued focus on cost management helped to deliver an adjusted EBITDA margin of 52% (2016: 60%). Although the Company is reporting a statutory loss for the year of US\$ 18.2 million (2016: net profit of US\$ 29.4 million), the underlying performance after adjusting items, was a net profit for the year of US\$ 4.8 million (2016: US\$ 50.7 million).

During the year we made certain amendments to our bank facility agreement that have provided the Group with increased liquidity and financial flexibility (further details can be found in the Financial Review). We were pleased to have the full support of our banking partners through this process and appreciate their confidence in our business.

Fleet utilisation and order book

Utilisation of our core fleet of 13 SESVs was 61% in the year (2016: 70%), delivering an improvement of 13 percentage points on Q4 2016. Demand has been relatively good for the Large Class and Mid-Size Class vessels in the current market, with both classes achieving utilisation above 70% for 2017 (Small Class vessel utilisation was 53%). This has been a validation of the investment in these two vessel classes through our new build programme, and it is reassuring to see this demand continuing, with contracts in place for six of the seven vessels for charters from Q2 2018 onwards.

While the extended tender processes and delayed contract awards we discussed in our Interim Results are continuing to be experienced, we have some satisfaction in having secured three new long-term contracts in the year: a 36-month charter for a Mid-Size Class vessel in the MENA region, and two charters for Large Class vessels totalling 41 months in Europe. Two eight-month charters for Large and Mid-Size Class vessels were also secured in the MENA region. It was particularly pleasing to be awarded a 16-month contract extension for a Small Class vessel in the MENA region in early 2018 by one of our longest standing clients. These charter awards, which include option periods, represent in excess of US\$ 150 million of work for the Group.

The secured backlog is US\$ 160.6 million (including options) as at 1 March 2018.

We are encouraged by how the Large and Mid-Size Class vessels are performing and are seeing utilisation for these trending upwards. As demand continues to recover, particularly in the MENA region, we would then expect to see a return to higher levels of utilisation for our Small Class vessels over time. The Board's view for 2018 trading remains unchanged, with a gradual recovery in market conditions expected to be reflected in an improvement over our 2017 results.

Operations

We achieved an excellent safety performance in 2017, with a total recordable injury rate of zero (2016: 0.20) and zero lost time injuries (2016: one lost time injury). The total number of man hours worked was 4.5 million in 2017 (2016: 6.0 million man hours). Health, safety and the environment continues to be a top priority.

In 2017 we rationalised our fleet by selling our two non-core anchor handling tugs and returning a leased vessel to its owner. We conducted a full impairment review of our fleet during the year, which resulted in a previously announced impairment charge of US\$ 7.3 million on a 35-year-old vessel being recorded in the income statement. Our core SESV fleet now consists of 13 vessels, with an average age of just seven years. This makes our fleet one of the youngest in the industry, which benefits us in the current market environment as clients are expressing a preference for modern tonnage in most of the major tenders.

As our new build programme is now complete, we have scaled down the number of construction personnel at GMS substantially, whilst still retaining a small complement of staff with the necessary key technical expertise to support ongoing vessel modification and maintenance projects. Our off-hire vessels are able to be kept, at a relatively low cost, in operational readiness for rapid deployment as new charters are secured.

I would like to thank everyone at GMS for their hard work during the year. We once again achieved a very low level (less than 1%) of technical and operational downtime for our chartered vessels and this is a credit to our highly skilled and dedicated workforce.

Expansion of services

We continually seek to enhance the capability of our vessels and the services we provide so we can deliver the highest quality cost-effective offshore support solutions to our clients.

In 2017 we expanded our well services capabilities through the development of a cantilever system for our Large Class SESVs. The combination of a self-propelled jackup vessel with a removable cantilever and workover unit is a world-first that allows our vessel to supplant higher cost non-propelled drilling rigs on well workover projects. The system was installed on GMS Evolution, which became fully operational during the year and approval of its Safety Case for well operations has been received from the UK Health and Safety Executive. We are encouraged by our clients' interest in this cantilever system, which will become available following completion of GMS Evolution's long-term contract that commences in Q2 this year.

During the year we also designed and developed an innovative crew transfer system that was an important element in the successful award of a renewable energy contract. The transfer system is a retractable access tower fitted to our Large Class SESV GMS Endeavour, which is providing accommodation for our client's personnel at a wind farm project. The tower enables the movement of personnel to and from transfer vessels while they are working at various satellite locations; so our clients benefit from a safer and more time-efficient method of boarding their personnel than was previously available to them.

Market commentary

Middle East

We are seeing increasing levels of both enquiries and tender activity for all our vessel classes in the Middle East, although the conversion of certain tenders into contracts continues to be a protracted process. Demand for our SESVs in Saudi Arabia has risen and we expanded our operational base there during the year to support our increased activities in the country.

The majority of contract opportunities in the region over the past few years have been shorter term and originated from EPC contractors, so it is now reassuring to see our NOC clients returning to the market with long-term charter requirements for work that was previously curtailed.

Europe

While demand in the oil and gas sector in Europe continued to be subdued in 2017, we have been encouraged by the ongoing development of the offshore renewables industry in Europe, where we secured two long-term contracts during the year. We anticipate there will be more opportunities for GMS as this sector develops. Our SESVs provide a stable accommodation hub for our clients' personnel working on wind farm installations where the sea and weather conditions are inherently rough. As wind farm projects are now being located further offshore, frequent personnel transfers to and from the shore have become impractical. Our vessels are ideally suited to supporting these projects as they can remain in-field throughout the project and can move rapidly between locations using their own propulsion according to our clients' operational needs.

Rest of World

We are continuing to actively promote the benefits of our SESVs to potential clients as we believe there will be suitable opportunities in the mid to longer-term for GMS in regions outside our current core markets.

Dividends

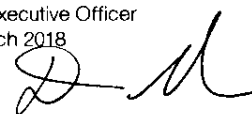
No dividend is to be paid for 2017. The Board believes the cash generated by the business is better utilised for the reduction of bank debt at this time. The Board recognises shareholder priorities and dividend payments will be resumed as soon as reasonable financial prudence allows.

Outlook

We would expect the improving oil price environment to have a positive influence on clients' activity levels in our markets. While the timing of contract awards is inevitably linked to our clients' own operational programme, we believe demand for our vessels will continue to improve, with utilisation expected to increase ahead of day rates. The Group will remain focused on maximising utilisation whilst managing costs appropriately, and deleveraging will continue to be a priority.

I am confident that with our modern fleet, industry-leading operational expertise and technological capability we are well-placed to capitalise on a recovering market.

Duncan Anderson
Chief Executive Officer
26 March 2018



*Refer to Glossary.

OUR BUSINESS MODEL

Our business model, represented below, is centered on the provision of highly cost-effective and sophisticated self-propelled self-elevating support vessels (SESVs) to our clients operating in the offshore oil, gas and renewable energy sectors.

Core skills and resources

Flexible modern fleet

The GMS core fleet of 13 SESVs has an average age of just seven years and is one of the youngest and most technologically advanced in the world. See GMS at a Glance on pages 4 to 5 for more information.

Highly skilled workforce

Our workforce has extensive experience in the global SESV sector. See page 22 for more information.

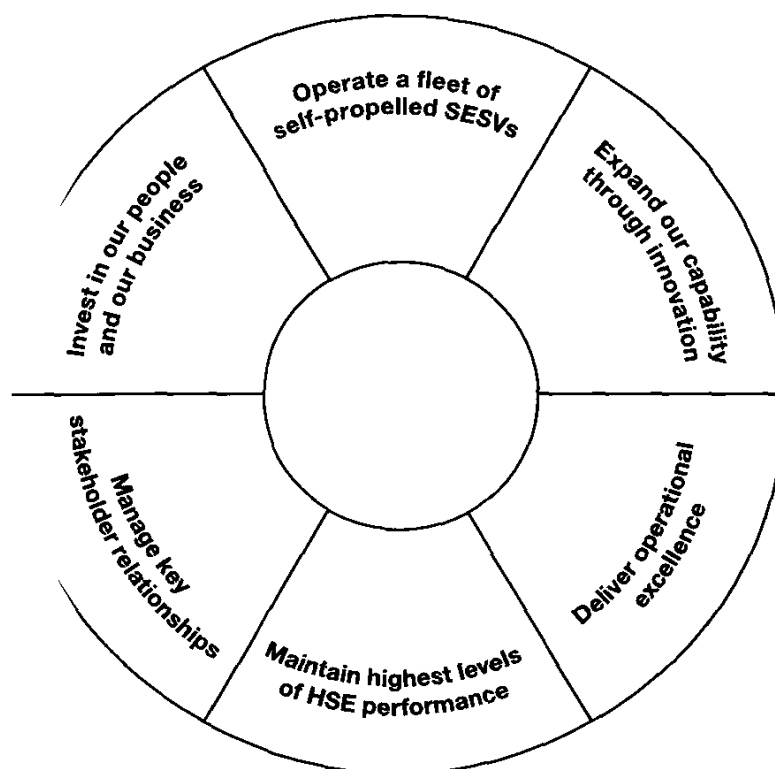
In-house technological innovation

We have a proven track record of technological advances, with innovative enhancements to our vessels designed and built by our own personnel. See page 21 for more information.

Disciplined financial management

We have a culture of prudent management to minimise financial risks. Our approach to risk management is described in our Strategic Report. See Risk Management section on pages 16 to 19 for more information.

What we do



We monitor our business by tracking key performance indicators (KPIs) against the business model. This allows the business and major stakeholders to analyse and judge our performance. For more information on our KPIs refer to pages 14 to 15.

Delivery

Operate a fleet of self-propelled SESVs

We own and operate a fleet of SESVs. We charter these vessels to our global clients, providing them with cost-effective and safe offshore support solutions.

Deliver operational excellence

We strive for excellence in all our operations and offer a range of benefits to our clients resulting in greater operational efficiency and significant time and cost savings. This, and our industry-leading low levels of technical downtime, help us to maximise our vessel utilisation.

Manage key stakeholder relationships

Our key stakeholders represent the environment in which we work, and include our shareholders, clients, business partners, employees, governments, communities and wider society.

Expand our capability through innovation

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

Maintain highest levels of HSE performance

We seek to maintain the highest levels of HSE performance as we protect our clients, employees and contractors, and minimise our impact on the environment.

Invest in our people and our business

We recognise that the strength of our leadership and quality of our entire workforce is central to the success of GMS. We train our people to the highest operational standards through our GMS Training Academy so they can reach their full potential and contribute to the long-term growth of the business.

Maximised Fleet Utilisation

The quality of our modern fleet and the services we provide help us to deliver the highest vessel utilisation possible.

Strong HSE and operational track record

We have a consistently strong HSE track record, which underpins our ability to win and renew contracts. See page 20 for more information.

Industry-leading reputation for operational expertise

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

Broad geographical footprint and client mix

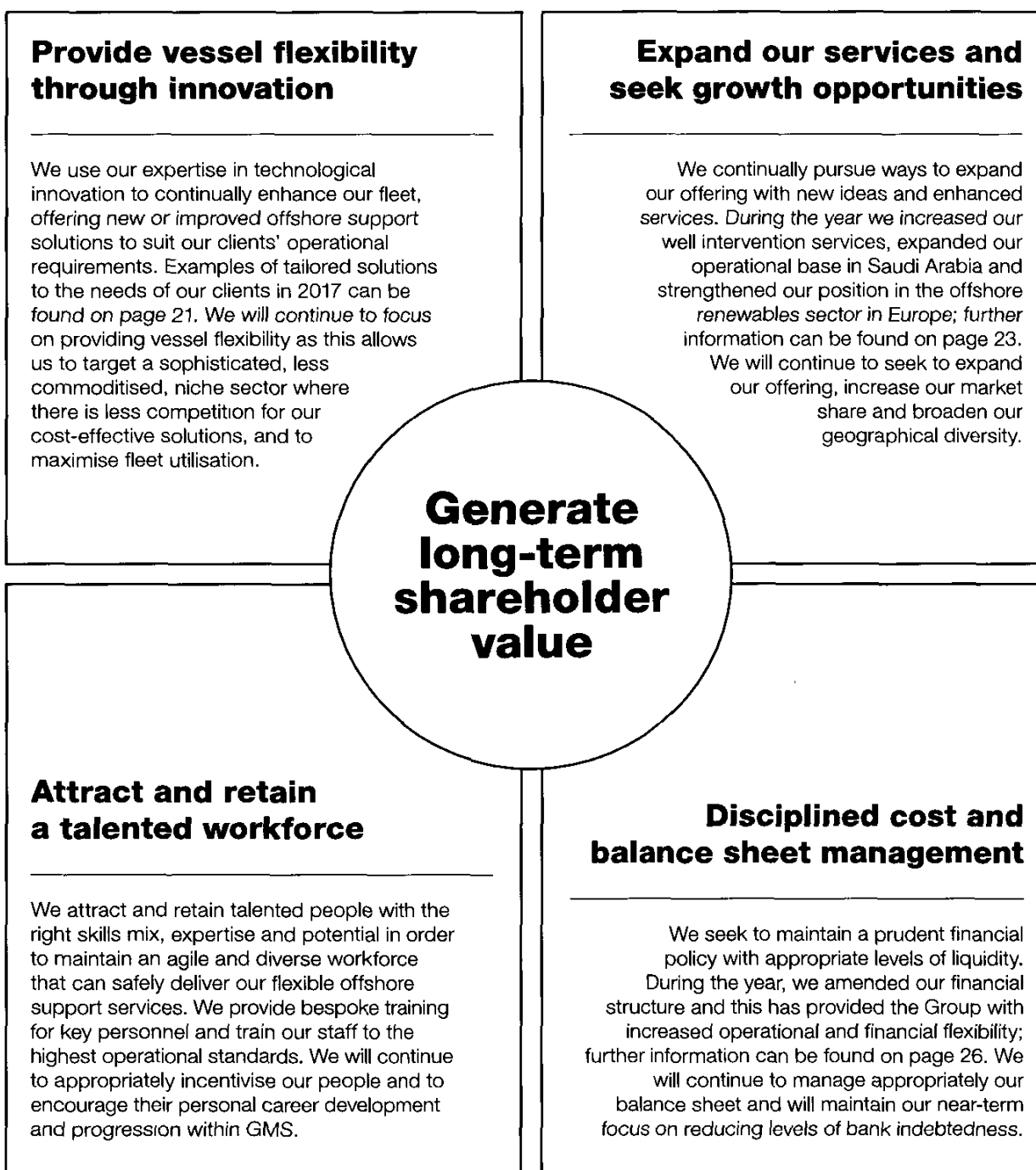
The flexibility of our fleet has allowed us to deliver our services across a broad geographical footprint to a diverse variety of clients. GMS currently supports oil, gas and renewable energy clients in the MENA region and North West Europe. See page 23 for more information.

Maximised operating cash flows and EBITDA margins

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

OUR STRATEGY

Our objective is to create long-term shareholder value through the delivery of modern, innovative and sustainable solutions to our clients in the offshore energy sector. In order to achieve this, we focus on the four strategic priorities below.



We have the right business model and strategy in place to ensure we are well-positioned to secure new contracts as the market recovers.

OUR STRATEGY IN ACTION

For more than 40 years GMS has been delivering high quality offshore support to our international energy clients.

Topside maintenance

Well intervention

Commissioning
and accommodation

Wind-farm installation,
maintenance and accommodation

During the industry downturn of recent years, our strategy has been to ensure the innovative solutions we provide can help our clients to realise meaningful cost efficiencies in their own operations, and this has helped us to maximise our vessel utilisation in the challenging market environment.

Our SESVs offer a broad range of services to our oil, gas and renewable energy clients.

The strategic reshaping of our fleet since 2014 (further information on the fleet is available on page 4) has resulted in the GMS core SESV fleet being one of the youngest in the industry, with an average age of just seven years. The fleet is non-commoditised in nature and that allows us to compete against a diverse range of marine assets, including drilling rigs, accommodation service barges (non-propelled) and floating construction vessels.

Some features of our fleet that directly benefit our clients are shown below.

A GMS SESV provides	Benefits to our clients
Independent self-propelled four-legged design for safe and efficient operations, with rapid move capability.	SESVs do not require additional tug support or anchor handling vessels and can therefore move more efficiently around a client's field of assets than conventional jackups without self-propulsion. A typical in-field move takes GMS a few hours, compared to circa three days for a conventional non-propelled jackup barge. Our vessels are ideally suited to well intervention activities that require frequent changes in location. The four-legged design allows our vessels to jack up and down securely, in shorter weather windows. Clients benefit from increased operational uptime (productivity), reduced costs and lower fuel consumption.
Safe and stable living and working environment.	SESVs provide accommodation for our clients' workforce (up to 300 people per vessel). The jacked up vessel is stable regardless of weather conditions. Personnel can remain comfortably infield for longer periods, which allows clients to avoid frequent and expensive personnel transport costs and to benefit from increased productivity of its workforce. The deck space is flexible and allows deployment of clients' own equipment and provides a safer, more stable working environment than that of a floating vessel. SESVs have integrated cranes, which means that clients do not require additional costly crane barges. The recent development of a retractable access tower fitted to one of our vessels enables a safer and more time-efficient method of boarding large numbers of personnel to crew transfer vessels.
Cantilever systems fitted to the decks of SESVs.	The SESV with a cantilever system allows us to offer a wider range of well intervention services, including well workover operations that were previously only available from higher cost non-propelled drilling rigs. With no need for additional support vessels resulting in quicker vessel moves between locations, clients can reduce their project costs and increase productivity.

KEY PERFORMANCE INDICATORS

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

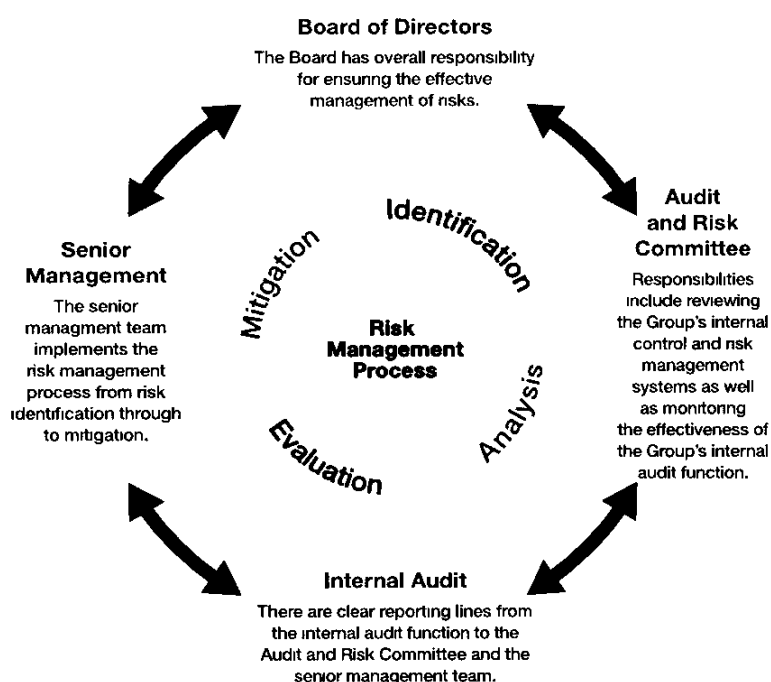
KPI	Description	2017 Performance
Revenue and utilisation Revenue: 2015: US\$ 220m 2016: US\$ 179m 2017: US\$ 113m Utilisation: 2015: 98% 2016: 70% 2017: 61%	Revenue reflects the value of operating activities and is derived primarily from the charter day rates and utilisation levels achieved. Utilisation is the percentage of days vessels within the core fleet of SESVs are chartered on a day rate out of total available days.	The decline in revenue is mainly as a result of lower utilisation rates of the core SESV fleet combined with reduced charter day rates overall. The reduction in utilisation is mainly as a result of reduced demand for oil extraction support services combined with protracted tendering processes for certain contract awards.
Adjusted EBITDA and adjusted EBITDA margin Adjusted EBITDA: 2015: US\$ 139m 2016: US\$ 107m 2017: US\$ 59m Adjusted EBITDA margin: 2015: 63% 2016: 60% 2017: 52%	Adjusted EBITDA is a key profit measure and means earnings before interest, tax, depreciation and amortisation, excluding adjusting items. Adjusted EBITDA margin demonstrates our ability to convert revenue into profit.	Adjusted EBITDA declined year on year mainly reflecting the decrease in revenue during the year. The adjusted EBITDA margin declined as a result of lower utilisation and lower day rates reflecting challenging trading conditions which was partly offset by effective cost management and a continued focus on operational efficiency.
% – Adjusted EBITDA Margin Bars – Adjusted EBITDA		
Adjusted net profit and adjusted DEPS Adjusted Net Income: 2015: US\$ 85m 2016: US\$ 51m 2017: US\$ 5m Adjusted DEPS: 2015: US\$ 0.24 2016: US\$ 0.14 2017: US\$ 0.01	Adjusted net profit measures the net profitability of the business excluding adjusting items. Adjusted DEPS means fully diluted earnings per share, which measures the level of net profit excluding adjusting items per ordinary share outstanding.	Adjusted net profit declined reflecting the reduction in revenue with operating costs reducing by less than the revenue as vessels that were 'warm stacked' between contracts still incurred certain operating costs to be ready for rapid redeployment. In addition, there was an increase in finance costs mainly relating to increased borrowing rates. The reduction in adjusted DEPS is in line with the decline in earnings for the year.
DEPS – Adjusted DEPS Bars – Adjusted net profit		
Net debt to proforma EBITDA 2015: 2.88 2016: 3.39 2017: 5.55*	Net debt to proforma EBITDA is the ratio of net debt at year end to earnings before interest, tax, depreciation and amortisation, excluding adjusting items, as reported under the terms of our bank facility agreement. This KPI indicates the Group's level of borrowing against operating cash flows.	The net debt to proforma EBITDA ratio increased in 2017 primarily on account of reduced proforma EBITDA which was partly offset by a small reduction in net debt. The Group remained in full compliance with its latest banking covenants at year end.

*The bank facility agreement amended in December 2017 permits the use of proforma EBITDA (see definition in Glossary). The figures shown for 2015 and 2016 are based on the historic covenant levels of net debt to EBITDA and have not been restated as if calculated under the new method

KPI	Description		2017 Performance												
Backlog 2015: US\$ 580m 2016: US\$ 209m 2017: US\$ 161m	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.		The reduction in backlog has occurred from clients generally opting to award shorter term contracts than in previous years as well as certain clients not exercising option periods in 2017 which existed at the end of 2016.												
* The backlog figures shown for 2016 and 2017 are as at 1 March for the following year rather than 31 December of the year indicated on the chart															
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.		Large Class vessel Evolution was delivered on time and within budget against the original design plans. The vessel subsequently underwent modifications to install a well intervention cantilever system, which was commissioned in Q3 2017. The new build programme announced in 2014 has been fully completed and future fleet expansion will be subject to market demand.												
<table><tr><th>Year</th><th>New vessels delivered</th><th>On schedule and budget</th></tr><tr><td>2017</td><td>Evolution (including well intervention cantilever system)</td><td>See 2017 performance description</td></tr><tr><td>2016</td><td>Sharqi</td><td>✓</td></tr><tr><td>2015</td><td>Pepper Shamal Scirocco</td><td>✓ ✓ ✓</td></tr></table>	Year	New vessels delivered	On schedule and budget	2017	Evolution (including well intervention cantilever system)	See 2017 performance description	2016	Sharqi	✓	2015	Pepper Shamal Scirocco	✓ ✓ ✓			
Year	New vessels delivered	On schedule and budget													
2017	Evolution (including well intervention cantilever system)	See 2017 performance description													
2016	Sharqi	✓													
2015	Pepper Shamal Scirocco	✓ ✓ ✓													
Employees Average FTE employees: 2015: 692 2016: 682 2017: 490 Offshore staff retention: 2015: 91% 2016: 88% 2017: 88%	Offshore staff retention shows the percentage of senior officers (masters and chief engineers) who continued to be employees in the year. The percentages shown do not take into account employee redundancies. Average FTE employees means the average number of full time equivalent employees throughout the year which provides an indication of the Group's service capacity and scale of operations.		The Group's continued focus on retention policies for key personnel has enabled it to retain key personnel with the level of offshore staff retention being maintained during the year. Average FTE employees was lowered as the Group continued to rationalise its headcount in the challenging market conditions and as the number of staff involved in construction projects continued to reduce. The number of FTE employees has reduced from 471 at 31 December 2016 to 444 at 31 December 2017. This reduction process has continued into 2018.												
% – Offshore staff retention Bars – Average FTE employees															
TRIR and LTIR TRIR: 2015: 0.18 2016: 0.20 2017: 0.00 LTIR: 2015: 0.05 2016: 0.03 2017: 0.00	TRIR is the total recordable injury rate per 200,000 man hours, which provides a measure of the frequency of recordable injuries. LTIR is the lost time injury rate per 200,000 man hours which is a measure of the frequency of injuries requiring employee absence from work in the year for a period of one or more days. Offshore man hours are calculated based on a 24 hour working period per day.		The Group incurred zero TRIR and LTIR incidents in 2017 which demonstrates our commitment to delivering industry leading standards of safety.												

RISK MANAGEMENT

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



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

Business risks across the Group are addressed in a systematic 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 the responsibility for reviewing the effectiveness of the Group's system of internal control and procedures for the identification, assessment, management, mitigation and reporting of risk.

The internal control process starts with identifying risks, compliance matters and other issues through regular reviews carried out by process owners and facilitated by individual departmental risk assessments where the process owners regularly assess the implications and consequences and determine the likelihood of occurrences. The risks associated with the delivery of the strategy, business plan, annual work programme as well as the associated mitigation measures, are maintained in a series of departmental risk registers which are consolidated and reviewed by the senior management team to formulate the Group risk management process. The outcomes of risk identification and control assessments are formally reported to the senior management team and escalated to the Audit and Risk Committee and Board, as appropriate. The Board regularly reviews all key risks facing the Group as part of the Group risk management process which

ensures that the Board satisfies the UK Corporate Governance Code requirement to perform a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

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

Principal risks and uncertainties

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

Key:  Risk has increased since 2016  No material change in risk since 2016  Risk has reduced since 2016

Risk	Risk profile	Assessment of change in risk	Mitigation, monitoring and assurance
Strategic	The macroeconomic environment influences the demand for our services. Uncertainty over global oil prices could influence the levels of investment or operating expenditures within the industry which could adversely affect 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 major client or a reduction in activity of a major client could impact our performance		Construction and modification flexibility for clients Our vessels are built to be as flexible as possible allowing us to compete for a wide share of the market, helping us to maximise utilisation levels and charter day rates. The Group is capable of modifying assets to satisfy client requirements and can do so in its own yard where appropriate. Focus on low cost of production areas such as MENA A substantial proportion of the Group's client base and revenues are generated in the MENA region, where the cost of oil production is generally lower than in other parts of the world. Growth and expansion We lead the field in technological innovation and continually seek to expand the range of activities our vessels can perform. In 2017 the Group successfully delivered its well intervention cantilever system, significantly expanding its well servicing capabilities. It remains the intention of the Group to further expand its offering, subject to future market demand. The Group has expansion of its geographical footprint as one of its long-term strategic aims as it seeks to diversify into other markets. Where possible we strive to have a geographical balance of our operations by not limiting our portfolio of clients to one country. Opex v capex The Group provides cost-effective services mainly in the opex phase of oil companies' budgets, supporting long-term oil production which historically has tended to be less cyclical than capex phase work. Cost management The Group is focused on controlling costs in order to help achieve appropriate profit margins whilst having the ability to offer competitive pricing to clients.
Commercial	The reliance of the Group on a limited number of blue chip clients may expose us to losses in the event of client relationship disruptions. The Group may not be able to win new contracts or retain existing contracts including clients not opting to exercise contractual option periods because of the actions of competitors. This could lead to lower vessel utilisation or lower charter day rates causing profit margins to fall. The Group may not be able to secure long-term contracts or certain clients could cancel contracts, which may lead to commercial downtime between contracts and lower overall average utilisation.		Flexibility and innovation We seek to continually improve our offering through innovation including new vessel designs and specification improvements by responding directly to client feedback. Market knowledge and operational expertise The Group has a clear record of established long-term relationships in the MENA region and North West Europe, which helps provide a clear understanding of our clients' requirements and operating standards. We believe that the Group continues to have a competitive edge over most other alternative providers of vessels through our operational expertise and the high quality specifications of our offshore solutions. Tender approach We compete in tenders for all vessels nearing the end of their firm contracts, ensuring that, if a client chooses not to exercise their option, other opportunities should not be missed. The Group continually monitors and tracks its pipeline of new contract opportunities. The Group's robust operating standards result in minimal downtime which helps ensure that clients are not given cause to cancel contracts through non-performance.
Investments	Delays in completion or errors in assessing the impact of new strategic expansion projects could result in decreased margins and market share.		Board oversight The Board has oversight of approving and monitoring strategic projects. Project management Extensive project management controls and processes are adhered to throughout project life cycles.

RISK MANAGEMENT CONTINUED

Key:  Risk has increased since 2016  No material change in risk since 2016  Risk has reduced since 2016

Risk	Risk profile	Assessment of change in risk	Mitigation, monitoring and assurance
People	As the market recovers the Group may incur challenges in recruiting and retaining the required calibre of staff which could lead to an increase in operating costs or influence effectiveness. The Group's success depends on our ability to attract and retain sufficiently qualified and experienced personnel, particularly at senior management levels. Failure to attract, develop and retain sufficient competent senior offshore staff to support our clients' needs could result in operational issues on-board vessels.		Succession planning The Group maintains detailed management succession plans for key personnel which are monitored by the Group HR team. The current macroeconomic environment has resulted in a wider external talent pool available for certain roles within the Group. Following completion of the new build programme, key technical personnel who were involved in vessel construction projects were integrated within the Operations Department to assist in vessel modification and maintenance projects. This has enabled the Group to retain key technical skills and expertise in our fleet of high quality vessels. Learning and development The Group is committed to providing bespoke training and development paths for key personnel and invests heavily in learning and development with a major focus on regular training for our safety critical, senior operational and management roles. Competitive remuneration packages The Group has a competitive remuneration structure that aims to attract, motivate and retain suitably qualified personnel through performance-based reward practices.
Financial	Macro and micro economic events, such as a sustained low oil price, may impact our ability to raise finance, achieve forecast, effectively manage our working capital and service our financial obligations. A sustained reduction in charter day rates and/or utilisation levels could lead to a breach in certain debt covenants. Failure of the Group to service its debts and comply with debt covenants could result in negative repercussions for the Group including restriction of funding. The Group may use external funding in financing major projects, and inability to obtain the required funding may hamper the successful undertaking of capital-intensive projects. Banking covenants which place restrictions on capital expenditure and other uses of funding, when leverage is above certain levels, could restrict commercial and investment opportunities for the Group in the near term.		Robust monitoring The Group has robust procedures in place for financial planning and forecasting. Management and the Board regularly monitor the Group's debt obligations and funding requirements which enables careful ongoing assessment of liquidity levels and covenant headroom. Availability of funding We maintain a close working relationship with our banking syndicate and in 2017 we amended our bank facility agreement providing extended repayment terms and increased financial flexibility. The Group's near term focus is on reducing leverage levels. Key performance indicators (KPIs) Transparent KPIs are used for reporting to track progress. The KPIs are reviewed regularly to ensure management has all the necessary information to make timely financial decisions. Policies and procedures We adhere to Group-wide financial and accounting policies which underpin our approach to risk management.
Compliance and regulation	Non-compliance with anti-bribery and corruption regulations could damage stakeholder relations and lead to reputational and financial loss. Failure to appropriately identify and comply with laws and regulations and other regulatory statutes in new and existing markets could lead to regulatory investigations.		Code of conduct The Group has a Code of Conduct with which employees are required to comply when conducting business on behalf of the Group; this includes anti-bribery and corruption policies. Due diligence Prior to venturing into new markets, the Group performs substantial due diligence work and obtains an understanding of the governing laws and regulations. Group legal and external counsel support are utilised as necessary.

Risk	Risk profile	Assessment of change in risk	Mitigation, monitoring and assurance
Health, Safety, Security, Environment and Quality	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 our offshore operations. We have a fundamental obligation to protect our people and recognise the implications of poor safety procedures.		Safety awareness Safety and assurance continues to be a top priority and is underpinned by our HSSEQ management system and strong safety-focused culture. Management ensures appropriate safety practices and procedures, disaster recovery plans and the insurance coverage of all commercial contracts are in place both prior to acceptance and during contract delivery. Training and compliance Our employees undergo continuous training and sensitisation on operational best practices. Scheduled maintenance The Group follows regular maintenance schedules on its vessels and the condition of the vessels is consistently monitored.
Operational	There is a risk that the Group's assets may not be fit for purpose or may fail to operate in the manner intended by management. Failure to deliver the expected operational performance could result in reputational damage, litigation, reduced profit margins or loss of clients. Changes in the political regimes, civil and political unrest or sanctions in the jurisdictions in which we operate could adversely affect our operations. The Group may not be able to deploy stacked vessels timely for new contracts which could limit operational readiness. Also deployment costs of previously stacked vessels could be significant. There is a risk that cybersecurity incidents could lead to financial loss and reputational damage due to a breach of confidential data or technology disruption caused by an internal or external attack.		Vessel monitoring The Group 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 preventative maintenance. Emergency plans and insurance For all our major assets and areas of operation, the Group maintains emergency preparedness plans. We regularly review the insurance coverage over the Group's assets to ensure adequate cover is in place. Constant review The Group remains vigilant to potential changes and risks and may engage with governments and legal counsel to ensure a comprehensive view of our stakeholders is presented. The Group constantly monitors the ever-changing political landscape in the regions that are considered volatile or unpredictable. Readiness for deployment The Group carefully plans the stacking of vessels and maintains detailed deployment plans to ensure vessels can be brought back into operation efficiently. Cybersecurity monitoring and defence GMS operates multi-layer cybersecurity defences which are monitored for effectiveness and to ensure they remain current. Extensive monitoring of attempts to breach IT systems take place with detailed analysis to help ensure potential threats are identified and effectively mitigated.

Other considerations

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

Longer-term viability

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three year period to December 2020. The Board believes that a viability assessment for a period of three years is appropriate for the following reasons:

- it aligns with the Group's annual strategic plan which covers three years,
- the Company has a reasonable ability to forecast its likely contracting

opportunities and successes up to three years; and

- a longer period of assessment is not considered appropriate given that a proportion of the variability in plans and budgets for the Company is influenced by sentiment surrounding oil price.

The Board reviews annually and on a rolling basis the strategic plan for the business which management progressively implements. The Group's business model has proven to be resilient over the long term in previous down turns in the macroeconomic environment

The viability assessment takes into account expected future tender activity levels and the Group's anticipated success in winning contracts. There are inevitably uncertainties attached to this assessment, and the Group's business model was stress tested against a range of significant adverse scenarios, both individually and in combination to validate the robustness of the model and financial position (including consideration of compliance with

banking covenants and loan repayment commitments), together with the effectiveness of mitigating actions available to the business. The assessment took into consideration the potential impact that the Group's principal risks and uncertainties detailed above on pages 17 to 19, could have on the Group's business model, liquidity and future performance over the review period. As part of its assessment the Directors have also considered the robust risk management framework in place to monitor and mitigate its exposure to the principal risks. The scenario analysis performed specifically considered the potential impact on our business of a sustained period of low oil prices, primarily through reducing revenues and cash inflows by incorporating prolonged reductions in charter day rates and utilisation levels.

Based on the results of this analysis the Board has concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

OPERATIONAL REVIEW

The GMS core fleet of 13 SESVs is one of the youngest in the industry, with an average age of just seven years. Further information on the GMS fleet can be found in the GMS at a Glance section on page 4.

SESV charter rates, utilisation and operating costs

While 2017 continued to be a challenging year in our sector, utilisation of our core SESV fleet improved 15 percentage points on Q4 2016, with a rate of 61% delivered for the year. Demand has been relatively good for both the Large Class and Mid-Size Classes, which each achieved utilisation above 70% for 2017.

The Group's business continues to be heavily weighted towards clients' opex-based activities, with 71% of our total 2017 revenue coming from this segment. As shown in the table below, charter rates incurred some downward pressure during the year. Further information on vessel revenue by Class is provided in the Financial Review on page 24. Through the successful implementation of our cost reduction programme from mid-2016, we managed to keep our average daily vessel operating costs for the year at very similar levels to 2016 and it is commendable that these costs have been reduced by around 25% since 2015.

Operational activity was predominantly in the maintenance, accommodation and well servicing sector. We were pleased to deliver a very low technical and operational downtime of less than 1% for our chartered vessels, with 198 rig moves and 41 client wells serviced.

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

	Small Class (6 units*)	
	2017	2016
Average daily charter rate excluding hotel services (US\$'000s)	25	36
Utilisation	53%	65%
Average daily vessel operating costs (US\$'000)	9	9
	Mid-Size Class (3 units)	
	2017	2016
Average daily charter rate excluding hotel services (US\$'000s)	41	51
Utilisation	71%	61%
Average daily vessel operating costs (US\$'000)	13	13
	Large Class (4 units)	
	2017	2016
Average daily charter rate excluding hotel services (US\$'000s)	52	64
Utilisation	70%	91%
Average daily vessel operating costs (US\$'000)	14	14

* This excludes the vessel Naashi after it was reclassified from Small Class vessels to Other vessels following its impairment in 2017.

HSSEQ

Health, safety and the environment continue to be our top priority and we delivered an excellent safety performance in the year, with a total recordable injury rate** of zero (0.20 in 2016) and zero lost time injuries** (one lost time injury in 2016).

The total number of man hours worked was 4.5 million in 2017 (6.0 million man hours in 2016). This reduction in man hours reflects the lower level of activity following the completion of the new build programme in 2016 and reduced vessel utilisation.

While we have scaled down the number of our construction personnel, we have ensured the retention of a small complement of staff with the necessary key technical expertise to support ongoing vessel modification and maintenance projects.

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

Our operations team has extensive operational experience in the global SESV sector and can draw on in-house expertise for vessel construction and modification, technical asset integrity, marine assurance and well operations as it delivers our premium fleet and services to our clients.

A significant achievement in 2017 was the team's completion and installation of our innovative cantilever system for GMS Evolution. We are proud to have developed this industry-first system, which has broadened the scope of well services we can offer to our clients. Further information on the cantilever is provided below.

During the year, we continued to achieve efficient mobilisations and a high level of client satisfaction. We also ensured that GMS is well-positioned to react quickly as the market recovers by keeping our off-hire vessels in a state of readiness, at a relatively low cost, for rapid deployment when new charters are awarded.

** Refer to Glossary.

Expanding vessel capability to deliver bespoke solutions

We continually seek ways to increase the capability and flexibility of our vessels and we use our leading operational and technological expertise to deliver innovative offshore support solutions to our clients. Some of our recent examples are described below.

INNOVATIVE CREW TRANSFER SYSTEM

During the year we also developed an innovative crew transfer system for one of our Large Class SESVs that will be providing mobile accommodation for our client's personnel working on a wind farm project. The system provides a retractable access tower that enables the safe and efficient high volume movement of personnel to and from our vessel to crew transfer vessels that dock against the access tower whilst our SESV remains jacked up on location, which is an industry first. This system helps to deliver a more cost-effective use of the project's offshore accommodation provision and the SESV's working deck by negating the need to frequently jack down to allow the transfer of personnel and equipment to and from the shore.

ENLARGED SPUDCANS FOR GMS SESV PROVIDED A BESPOKE SOLUTION FOR OUR CLIENT

Fitted to the bottom of each of the four legs of a GMS SESV are spudcans. The size and geometry of these substantial inverted cones are the key to securing our vessel to the seabed. In 2017, the specific soil conditions at a new NOC client's offshore location in Europe required a 75% increase in the surface area of the spudcans to ensure the secure installation of our Large Class SESV next to our client's operations. GMS successfully delivered the solution to the client in the form of four innovative removable rings or 'shoes', one for each leg, which extended the surface area of the existing spud cans. The shoes were built with 180 tonnes of steel, much of which is special grade and up to 60mm thick, and can be detached once the offshore project is completed and used elsewhere as required.

WORLD FIRST SESV CANTILEVER SYSTEM

We have expanded our well services capabilities through the development of a cantilever system for our Large Class SESVs. The innovative combination of a self-propelled jackup vessel with a removable cantilever and workover unit is not only the first to achieve ABS Self Elevating Drilling Unit certification, it is also the first mobile offshore drilling unit of its kind in the industry. The system was installed on GMS Evolution, which became fully operational during the year and approval of its Safety Case for well operations has been received from the UK Health & Safety Executive.

The cantilever system allows our vessel to supplant higher cost non-propelled drilling rigs on well workover projects by offering greater operational efficiencies, quicker servicing times and lower costs. This complete system allows

us to perform operations such as plugging and abandonment, light drilling, change out of electric submersible pumps and completions.

GMS Evolution, complete with the cantilever, has now relocated to Europe where it has been chartered by a new client to support a renewable energy project from Q2 this year, however, the cantilever system will become available after completion of this long-term contract. GMS Evolution was transported from Abu Dhabi to the UK on the Norwegian-owned 265 meter, 34,700 tonne heavy transport vessel Albatross. This vast vessel delivered our SESV to the Port of Blyth in Northumberland, where it was being prepared for deployment to the above contract, and was the largest ship to visit the harbour in the history of the Port.

OPERATIONAL REVIEW CONTINUED

ENSURING OUR HIGHLY SPECIALISED CREW IS READY TO DEPLOY ON NEW CHARTERS

GMS already retains critical specialist personnel in the fields of electrical, jacking, crane and dynamic positioning, and our managers have extensive industry experience as naval architects, oil and gas specialists, *marine engineers and master mariners*. As the industry recovers, we will need to recruit more offshore personnel as new contracts are secured and our off-hire vessels are re-chartered. Our GMS Training Academy is of great benefit to the Group as it allows us to efficiently equip our newly recruited experienced and qualified mariners with the additional, highly specialised skills needed to operate our SESVs. We have already recruited a number of Saudi nationals in recognition of our client Saudi Aramco's nationalisation targets and to support our increasing operations in the country, and these are receiving training through our Academy. This in-house training resource ensures we can mobilise our vessels in a timely manner as new contracts are awarded.

Setting the industry benchmark for SESV training

In 2017 GMS designed and developed the SESV *Move and Positioning Course* in 2017. It is a testament to the expertise and experience of all GMS personnel involved that the course has been adopted by the International Jack-up Barge Operators Association (IJUBOA) and assured by the Scottish Qualifications Authority (SQA) as an industry training standard and is being provided to operators of jackup barges through third party international marine and offshore training providers.

Markets

Middle East

We are seeing improvements in levels of enquiries and tender activity for all our vessel classes in the Middle East, with this region being our largest market in 2017. It is now reassuring to see a re-emergence of longer-term charter requirements from our NOC clients, as over the past few years the majority of contracts have been of a shorter term nature and originated from EPC contractors. We commenced two long-term charters in the region in H1 2017 and a further two new charters that were secured during the year are scheduled to commence in Q2 2018. In 2017 we expanded our operational base in Saudi Arabia to support increased activities there.

Europe

We have been encouraged by the demand for our SESVs in Europe. One of our Large Class SESVs commenced a new contract in Q2 2017 to support maintenance work in the oil and gas sector in Europe. We were also pleased to secure two long-term contracts for Large Class vessels for wind farm projects in the region, with these scheduled to commence in Q2 2018.

We believe there will be more opportunities for GMS in the offshore renewable energy sector. As wind farms are increasingly being located further offshore, there will be a requirement for mobile accommodation for the workforce located close to the work site, during both the construction and maintenance phases. Our SESVs are ideal as they provide a stable platform on which our clients' personnel are accommodated and can remain on location throughout the entire project. The vessels can also move rapidly between in-field locations, which

helps to increase our clients' operational uptime. In addition, we have developed a solution for our renewable energy client in Europe that reduces the time needed to safely board their personnel (as described above). We will continue to use our technical capabilities to differentiate GMS as a key service provider for this market.

Decommissioning in the North Sea remains a significant source of potential demand for GMS and we remain ready to work within this sector, as our cantilever systems for our Large Class SESVs lend themselves particularly to the cost-effective plug and abandonment of old wells, a key step in the decommissioning process.

Rest of World

We are continuing to promote the benefits of our fleet to potential clients outside our current core markets where we believe we are well-placed to win new business in the mid to longer-term. For example, our vessels are ideally suited to support asset life extension projects on ageing oil producing infrastructure in South East Asia, where factors such as water depth and weather conditions present no difficulties for our fleet.

Summary

We are seeing increasing utilisation of our vessels, the majority of which were chartered during the year, and have maintained our service quality and focus on cost management in what was another challenging year for our industry. We have continued to broaden our markets and have expanded our services offering. With the market environment showing signs of improvement, we are well-placed, with a young and flexible fleet, to maximise new opportunities for GMS.

FINANCIAL REVIEW

US\$ million	2017	2016
Revenue	112.9	179.4
Gross profit	36.0	74.3
Adjusted gross profit*	43.3	95.6
Adjusted EBITDA*	58.5	106.8
(Loss)/profit for the year	(18.2)	29.4
Adjusted net profit*	4.8	50.7
Diluted (loss)/earnings per share (US cents)	(5.31)	8.34
Adjusted diluted earnings per share (US cents)*	1.26	14.35
Final dividend per share (pence)	Nil	1.20

* Alternative performance measure. Refer to Glossary for further details and definitions.

Overview

The Group's results for 2017 reflect the continued challenges within the oil and gas industry. Revenue for the year was lower at US\$ 112.9 million (2016: US\$ 179.4 million) with adjusted EBITDA of US\$ 58.5 million (2016: US\$ 106.8 million). The decrease in revenue reflects the deferral of certain contracts in 2017, along with a reduction in utilisation levels and overall lower charter day rates. Our continued focus on cost management helped achieve an adjusted EBITDA margin of 52% (2016: 60%). Adjusted net profit reduced to US\$ 4.8 million (2016: US\$ 50.7 million) and adjusted diluted EPS was 1.26 cents (2016: 14.35 cents). The loss for the year of US\$ 18.2 million (2016: net profit of US\$ 29.4 million) includes a non-cash impairment charge of US\$ 7.3 million on a 35-year old vessel (Naashi), and the expensing of US\$ 15.6 million of debt modification costs with US\$ 9.7 million of these costs representing the expensing of unamortised costs paid in previous years relating to the former bank facility. The loss incurred in 2017 reflects the first full year of trading in this more challenging market environment, with the comparative results having the benefit of the unwinding of contracts secured prior to the market downturn.

The Group continues to generate positive operating cash flows. The total capital expenditure for 2017 was US\$ 29.7 million (2016: US\$ 106.0 million). This was primarily invested on the completion of the Large Class vessel GMS Evolution including the new well intervention cantilever system

(which was commissioned in Q3 2017).

The Group has now concluded the new build programme, commenced in 2014, and we currently expect no significant capital expenditure in 2018 and beyond.

The Group amended its bank facilities in 2017 to increase liquidity and financial flexibility. The net bank debt level (total bank borrowings less cash) was US\$ 372.8 million at the year end (2016: US\$ 373.5 million).

We continued our emphasis on maintaining a stable financial structure. Dividend payments have been suspended while we focus on reducing our bank debt. We will continue to manage our costs appropriately with cash conservation and deleveraging being key priorities.

The following sections discuss the Group's adjusted results as the Directors consider that they provide a useful indicator of underlying performance. The adjusting items are discussed below in this review and a reconciliation between the adjusted and statutory results is contained in note 6. It is noted that the 2016 comparative figures presented reflect better trading levels compared to more recently as a significant portion of revenue in 2016 (H1 2016 in particular) was derived from contracts that had been signed prior to the market downturn and lower oil prices.

Revenue and segmental profit

Revenue decreased by 37% in 2017 to US\$ 112.9 million (2016: US\$ 179.4 million). The decrease in revenue primarily reflects the reduction in the core SESV fleet utilisation to 61% (2016: 70%) and overall lower charter day rates during the year.

During the year 70% of total Group revenue was derived from customers located in the MENA region (2016: 74%) while the remaining 30% of revenue was earned from customers in Europe (2016: 26%). We diversified our revenue mix within the MENA region in 2017 with 53% of revenue being earned in Saudi Arabia, 25% earned in the UAE and 22% earned in Qatar (2016: 82% in the UAE, 11% in Qatar, 7% in Saudi Arabia). Within Europe in 2017 49% of revenue was derived in the UK, 41% in the Netherlands and 10% in the rest of Europe (2016: 53% in the UK, 36% in the Netherlands, 11% in the rest of Europe).

The table below shows the contribution to revenue and segment adjusted gross profit or loss (being gross profit excluding depreciation, amortisation and impairment) made by each vessel class during the year. The Large Class vessels segment again made the largest contribution to Group revenue. The composition of the Other vessels segment, which are non-core assets, was amended during the year following the sale of two anchor handling tugs, and the reclassification of the vessel Naashi from Small Class vessels to Other vessels following its impairment (comparative figures have also been adjusted to reflect this).

Vessel Class	Revenue (US\$'000)		Adjusted gross profit/(loss)* (US\$'000)	
	2017	2016	2017	2016
Small Class vessels	35,337	69,704	22,024	51,118
Mid-Size Class vessels	34,990	32,959	22,800	18,041
Large Class vessels	42,549	68,701	29,074	53,202
Other vessels	5	8,046	(113)	4,614
Total	112,881	179,410	73,785	126,975

* Refer to Glossary.

Cost of sales and general and administrative expenses

We maintained our focus on cost management throughout 2017. We delivered on our annualised cash cost saving targets previously announced in 2016, realising the full benefits from headcount reductions and efficiencies within our supply chain and operations that were implemented from mid-2016.

Cost of sales, excluding impairment charges, decreased by 17% to US\$ 69.6 million (2016: US\$ 83.8 million). Cost of sales reduced less than the decrease in revenue, as vessels that were 'warm stacked' between contracts at our own yard still incur certain operating costs to be ready for rapid redeployment. These warm stacking costs, of approximately US\$ 2,000 per day, are significantly lower than those of peers who use third party facilities.

Cost of sales for the year on a cash basis (excluding depreciation, amortisation, impairment and LTIP charges) reduced by 25% to US\$ 38.9 million (2016: US\$ 52.0 million) primarily reflecting the reduction in utilisation rate of the core SESV fleet together with the achievement of operational efficiencies in the year. There was a small reduction in cost of sales on a cash basis (excluding depreciation, amortisation, impairment and LTIP charges) as a percentage of revenue, which decreased from 36% in H2 2016 to 34% in 2017.

General and administrative expenses required to support our level of operations in 2017 were US\$ 16.7 million (2016: US\$ 21.6 million), a reduction of 23% on 2016. We would expect general and administrative expenses to be at a higher level going forward as operating levels increase. Certain costs previously capitalised through our new build programme activity will now also be expensed and there will be increased costs arising from the expansion of our operations in both Saudi Arabia and Europe.

During the year the Group undertook an impairment assessment of its entire fleet. At the 2017 interim results an impairment loss of US\$ 7.3 million was identified on the Group's oldest SESV (Naashi) as the outlook for it had deteriorated due to its age in the prevailing market conditions. The non-cash impairment charge was recognised in cost of sales in the statement of comprehensive income. There were no other impairments required on the Group's assets.

Adjusted EBITDA

Adjusted EBITDA for the year was US\$ 58.5 million (2016: US\$ 106.8 million) primarily reflecting the reduction in revenue through a lower level of utilisation across the core SESV fleet. The Group's adjusted EBITDA margin in 2017 was 52% (2016: 60%) with the reduction in revenue contribution being partly offset through ongoing cost management initiatives.

Finance costs and foreign exchange

Net finance costs in 2017 were US\$ 38.9 million (2016: US\$ 20.1 million). US\$ 15.6 million of the increase in finance costs arose from the expensing of costs incurred of US\$ 14.2 million following the debt modification in December 2017 (with US\$ 8.3 million of these costs representing the expensing of unamortised costs relating to the former bank facility), and the expensing of unamortised commitment fees of US\$ 1.4 million which relates to the voluntary early cancellation of an undrawn US\$ 95.0 million capex loan facility in June 2017. Bank finance expenses increased in 2017 as the LIBOR rate increased and the cost of borrowing from banks is based on a variable rate dependent on net leverage levels. The Group is currently paying an interest rate of approximately 7% on its bank borrowings.

During the year US\$ 3.3 million (2016: US\$ 2.4 million) of finance costs were capitalised as part of the new build programme as directly attributable costs.

Following the return of a previously leased Small Class vessel to its owner in August 2017, at the end of its five-year lease term, the Group holds no vessels under leases. Net borrowings reduced by US\$ 40.1 million as a result.

In 2017 there was a net foreign exchange gain of US\$ 1.9 million (2016: loss of US\$ 1.0 million) arising mainly from the movement in foreign exchange rates, with the Pound Sterling strengthening against the US Dollar during the year.

Taxation

The net tax credit for the year was US\$ 0.2 million (2016: tax charge of US\$ 1.4 million). The net tax credit in 2017 includes a deferred tax credit of US\$ 0.7 million arising from unused trading losses, and a tax refund of US\$ 2.4 million arising from a change in UK legislation. Excluding these tax credits, there was an increase in overall tax charge mainly resulting from a higher proportion of Group

revenue being derived in Saudi Arabia and Qatar which attract corporate tax. The underlying tax charge relating to 2017 trading was US\$ 2.9 million.

Earnings

The loss for the year of US\$ 18.2 million (2016: net profit of US\$ 29.4 million) includes the non-cash impairment charge of US\$ 7.3 million described above, and the expensing of US\$ 15.6 million of debt modification costs with US\$ 9.7 million of these costs representing the expensing of unamortised costs paid in previous years relating to the former bank facility.

Adjusted net profit decreased in 2017 to US\$ 4.8 million (2016: US\$ 50.7 million) mainly arising from the reduction in revenue in the year. The fully diluted adjusted earnings per share (DEPS) for the year decreased to 1.26 cents (2016: 14.35 cents). Adjusted DEPS is calculated based on adjusted net profit and a reconciliation between the adjusted net profit and statutory loss, is provided in note 6.

Dividends

As discussed in the Chief Executive's Review, dividend payments have been suspended while we focus on reducing our bank debt.

Capital expenditure

The Group's capital expenditure during the year was US\$ 29.7 million (2016: US\$ 106.0 million). The main area of investment was the completion of the final new build vessel Evolution including the new well intervention cantilever system which was commissioned in Q3 2017. No significant capital expenditure is currently planned in 2018 and beyond with ongoing planned capital expenditure limited to necessary fleet maintenance. Any further capital expenditure would relate to contract specific requirements that may be required as new work is secured.

Cash flow and liquidity

The Group's net cash flow from operating activities was a net inflow of US\$ 56.3 million in 2017 (2016: net inflow of US\$ 126.3 million) with the reduction in cash inflow reflecting the decrease in revenue in the year. The net cash outflow from investing activities for 2017 reduced to US\$ 21.7 million (2016: net outflow of US\$ 149.2 million) as new build construction activities ceased. The Group's net cash flow relating to financing activities was an outflow of US\$ 57.2 million (2016: net inflow of US\$ 23.7 million) as there were no drawdowns of bank borrowings during the year.

FINANCIAL REVIEW CONTINUED

Net bank debt and borrowings

The net bank debt position (total bank borrowings less cash) as at 31 December 2017 was US\$ 372.8 million (2016: US\$ 373.5 million). The net debt* level reported under IFRS, which includes unamortised loan arrangement fees and finance lease obligations, reduced from US\$ 402.1 million in 2016 to US\$ 372.8 million at year end. Undrawn committed bank facilities were US\$ 50.0 million at year end (2016: US\$ 145.0 million) following the voluntary cancellation, described above, of a capex loan facility no longer required. During 2017 the Group agreed various amendments to its bank facilities to secure increased liquidity and financial flexibility. The amendments include an increase in tenure of the loan facility by two years with maturity revised to 2023, a reduction in scheduled loan repayments by two-thirds in both 2018 and 2019; and a relaxation of certain covenants (as announced on 9 August 2017).

As part of the amendments, certain restrictions on capital expenditure and dividend payments were agreed; as well as establishing a cash sweep mechanism from 2018, that is effective when the net leverage ratio exceeds 4 times EBITDA, where up to 75% of surplus free cash flows (after adjustment for permitted payments and maintenance of a minimum cash balance level) will be applied towards repayment of bank debt. In addition, EBITDA based covenants are now to be calculated on a proforma EBITDA basis (further explanation is contained within the Glossary) with the intention to provide a more forward-looking assessment of trading rather than reporting on an historic basis.

At the year end the Group was in full compliance with all its banking covenants and expects to remain so.

Balance sheet

Total current assets at 31 December 2017 were US\$ 57.4 million (2016: US\$ 85.5 million). This movement is mainly attributable to a decrease in cash and cash equivalents to US\$ 39.0 million (2016: US\$ 61.6 million) and a decrease in trade and other receivables to US\$ 18.5 million (2016: US\$ 23.9 million). The reduction in cash balance primarily reflects the lower revenues during the year combined with the capital expenditure incurred on the completion of the new Large Class well intervention cantilever system. Debt repayments and interest expenses paid during the year have also reduced the cash balance.

During the year receivable collection days improved to 56 days (2016: 78 days). As the Group's customers comprise mainly of NOCs, IOCs and international EPC companies, the credit quality of the outstanding receivables is considered to be good. Payable days outstanding increased to 50 days during the year (2016: 40).

Total current liabilities at 31 December 2017 were US\$ 49.8 million (2016: US\$ 93.7 million), the principal movement being the decrease in the current portion of obligations under finance leases to nil (2016: US\$ 40.1 million) arising from the decision to return the previously leased Small Class vessel to its owner in August 2017, as well as a decrease in the current portion of bank borrowings to US\$ 20.3 million (2016: US\$ 22.0 million) following the amendments to bank facilities discussed above.

The combined effect of the changes in current assets and current liabilities described above resulted in an increase in the Group's working capital and cash balance to US\$ 7.6 million at 31 December 2017 (2016: deficit US\$ 8.2 million).

Total non-current assets at 31 December 2017 were US\$ 808.4 million (2016: US\$ 857.2 million). This decrease is primarily attributable to the US\$ 47.9 million decrease in the net book value of property, plant and equipment, arising mainly from the leased Small Class vessel being returned to its owner and the impairment charge on Naashi. Total non-current liabilities at 31 December 2017 were US\$ 394.7 million (2016: US\$ 404.8 million). This decrease reflects the repayments of bank borrowings during the year.

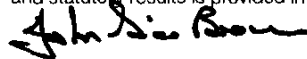
Equity

Shareholders' equity decreased to US\$ 420.7 million at year end from US\$ 443.7 million at 31 December 2016. The movement is mainly attributed to the 2016 final dividend of US\$ 5.2 million and the loss incurred during the year.

The number of issued ordinary shares in the Company increased to 349,703,973 following the issue of 176,169 shares on 6 July 2017 awarded under the Company's 2014 Long-Term Incentive Plan. No grants of share awards were made in 2017 under the Long-Term Incentive Plan.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In 2017 these comprised of a non-cash impairment charge on one vessel of US\$ 7.3 million, the expensing of costs incurred of US\$ 14.2 million following the debt modification in December 2017 and the write-off unamortised commitment fees of US\$ 1.4 million relating to the cancelled capex loan facility which have been discussed above. In 2016 the adjusting items comprised non-cash impairment charges on the non-core assets and a leased vessel, amounting to US\$ 21.3 million. A reconciliation between the adjusted and statutory results is provided in note 6.



John Brown
Chief Financial Officer
26 March 2018

* Refer to Glossary

CORPORATE SOCIAL RESPONSIBILITY

We are committed to working responsibly across all aspects of our business.

Ethical practice

We seek to uphold high ethical standards throughout our global business. Our core values of Responsibility, Excellence and Relationships are embedded in our culture and are integral to the way we work. Further information on our core values can be found on our website.

GMS operates responsibly in accordance with the formal legal and regulatory disclosure requirements expected of a UK listed company. Our corporate governance structure is designed to ensure we are well-positioned to conduct our business appropriately as we seek to deliver the best value for our shareholders. Further discussion on our stakeholders can be found below.

The GMS Code of Conduct ('Code') sets out the basic rules of the Group and its purpose is to ensure we work safely, ethically, efficiently and within the laws of the countries in which we operate. All our staff receive Code of Conduct training as part of their induction and our reputation and success is dependent on our staff putting the Code into practice in all our dealings with our stakeholders. GMS also maintains an awareness of human rights issues, which is reflected in our suite of Group policies including our Anti-Corruption and Bribery Policy, Anti-Slavery Policy, Social Responsibility Policy and Whistleblowing Policy.

Our stakeholders

Clients

We value 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 spanning more than 40 years.

Shareholders

We communicate with our shareholders in a variety of ways such as through meetings, presentations and roadshow events (mainly results-oriented) and through participation in investor conferences in Europe and the Middle East. We are committed to the clear and comprehensive communication of our financial and non-financial performance to our shareholders, and our other stakeholders, via regulatory reporting, including press announcements, and through our website and selected social media. Further information on our shareholder engagement can be found on page 37.

Employees and subcontractors

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

We encourage an honest and open dialogue with our entire workforce and host a variety of formal and informal communications initiatives. In addition, our offshore performance coaches act as a sounding board for any issues our crews wish to raise, with feedback passed to the GMS senior management team for appropriate action. We support the personal and professional development of all our employees, so they can reach their full potential within GMS.

Community

GMS understands how important it is to contribute to the local communities where we work. We encourage a healthy living lifestyle, both within the Group and the wider community, through our support of various sports activities and charity events.

During the year, we were pleased to visit the Rashid Centre for the Disabled in Dubai, and to present a donation to support their work in providing high quality integrated education services and therapies for children with special needs. GMS staff participated in a charity walk in Abu Dhabi in support of World Diabetes Day and donations were made to the Emirates Red Crescent. We are also pleased to provide student placements at our head office in Abu Dhabi as part of our commitment to the development and promotion of work opportunities for young people in the UAE.

Diversity

The Group employs 474 personnel from more than 35 countries and we are very proud of our cultural diversity. Our international staff and offshore employees bring significant experience and skills to GMS, and this helps to ensure we conduct our business from a global perspective.

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

operate in the Middle East. The charts below provide information on the number of male and female staff employed by GMS. As the provisions of the UK Government's Equality Act 2010 relating to gender pay gap disclosure are not applicable to GMS, this information has not been provided.

The charts below provide details of the gender diversity and country of origin of our personnel as at 31 December 2017.

Land-based management*

Total of 33** (30 male, 3 female)

Africa	0
Asia	3
Europe	26
MENA	2
Other (America, Australia, New Zealand, etc.)	2

Land-based staff*

Total of 71 (44 male, 27 female)

Africa	1
Asia	54
Europe	11
MENA	4
Other (America, Australia, New Zealand, etc.)	1

Offshore employees*

Total of 370 (all male)

Africa	9
Asia	224
Europe	117
MENA	15
Other (America, Australia, New Zealand, etc.)	5

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

** Of the 33 land-based management, seven were members of the senior management team (all male). The Board of Directors comprised five members (all male), further information on the diversity of the Board can be found in the Report of the Nomination Committee on page 57.

Greenhouse Gas Emissions Statement

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

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

In calculating our GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), the Climate Registry 2014, the IEA CO₂ Emissions from Fuel combustion 2017 and emission factors from the UK Government Conversion Factors for Company Reporting 2017.

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

The consumption of fuel during the operation of our vessels is the largest contributor to our GHG emissions. Although our vessels are usually leased to our clients on a long-term basis, we have chosen to account for their GHG emissions within our footprint, in accordance with the 'operational control' approach to developing our GHG footprint.

Global GHG emissions data

Emissions from	Tonnes of CO ₂ e 2017	Tonnes of CO ₂ e 2016
Combustion of fuel and operation of facilities	48,405*	33,298
Electricity, heat, steam and cooling purchased for own use	767	1,043
Total	49,172	34,341
Total revenue (US\$'000)	112,881	179,410
Company's chosen intensity measurement: Emissions reported above normalised to the ratio of tonnes of CO ₂ e per US\$ 1,000 of Group revenue	0.4	0.2

* The increase in emissions from fuel since the previous year is due to an increase in overall vessel mileage during contracted charters and activities that are not part of client operations.

On behalf of the Board

Duncan Anderson
Chief Executive Officer
26 March 2018



CHAIRMAN'S INTRODUCTION

Dear Shareholders,

At GMS, we seek to operate with integrity at all times, recognising that in doing so the Company will help maintain the trust of its stakeholders. This Corporate Governance Report explains key features of the Company's governance structure, to provide an understanding of how the main principles of the UK Corporate Governance Code ("the Code") have been applied and to highlight key areas of focus during the year. The Board considers that the Company has complied in all respects with all the relevant recommendations of the Code throughout the year.

As of 1 January 2018, the Board continues to comprise a majority of non-executive Directors with an independent Chairman, two independent non-executive Directors, an executive Director, and a non-executive Director who is considered to not be independent because of his relationship with Gulf Capital, a substantial shareholder in the Company. The Board has three Committees: the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee, all of which are compliant with the Code. The reports from the Chairman of each of these committees can be found in the pages that follow.

The Board is committed to promoting high standards of corporate governance and understands that an effective and challenging Board is essential to enable the Company to deliver its strategy and shareholders' long-term interests, whilst also generating investor confidence that the business is conducting itself in a responsible manner. The Company continues to maintain a robust governance structure through its corporate governance policies. Further information on our governance, values, strategy and business model, can be found in the Strategic Report section of this Annual Report.

The Remuneration Committee focused during 2017 on preparing for the Company's second shareholder vote on our Directors' Remuneration Policy. Accordingly, the Committee undertook a review of our executive Director remuneration arrangements. Consideration throughout the process was given to alignment with strategy and delivery of shareholder value, simplicity and balance, and effectively linking pay to performance.

The Board strives to improve its effectiveness and recognises that our annual performance evaluation process represents an opportunity to enhance overall Board effectiveness. As we noted in our 2016 Annual Report, this year's Board evaluation process would be externally facilitated. Details of the process undertaken can be found in the report of the Nomination Committee. In all Board positions, objectivity and integrity, as well as ability and diversity, assist the Board in its key functions and are prerequisites for appointment. These also apply to senior management appointments below Board level as well as the Company's succession planning.

The governance focus for 2018 is on maintaining the development of the Company's framework whilst providing independent oversight and effective risk management in order to build long-term value for our shareholders. I am confident we have a strong Board to take the Group forward and I trust that you will find this Governance Report helpful and informative.

Simon Heale

Chairman
26 March 2018

Governance calendar for 2017

The overall calendar of meetings of the Board and its Committees for 2017 is shown below.

	Further information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board (Main Meetings)	Page 36	○		○		○		○		○	○		○
Audit and Risk Committee	Page 38	○		○				○	○				○
Remuneration Committee	Page 42			○									○
Nomination Committee	Page 56												○
Annual General Meeting	Page 112					○							

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

Meeting attendance by Directors in 2017

The attendance of the Directors at the meetings of the Board and its Committees during 2017 is shown below.

○ Attended

– Attended all or part of meeting as an invitee

X Apologies

	Board	Audit & Risk	Remuneration	Nomination
Simon Heale	○ ○ ○ ○ ○ ○ ○ ○	– – – – –	– –	○
Duncan Anderson	○ ○ ○ ○ ○ ○ ○ ○		–	
Simon Batey	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○	○
Dr Karim El Solh*	○ ○ ○ X ○ X ○			○
W. Richard Anderson	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○	○

* Christopher Foll, a Chartered Accountant and Chief Financial Officer of Gulf Capital, has been appointed as an alternate Director for Dr Karim El Solh; further details can be found in the Directors' Report on page 59. As Dr Karim El Solh was unable to attend the July and October Board meetings, he was represented by the alternate Director Christopher Foll

BOARD OF DIRECTORS

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

Simon Batey

Senior independent
non-executive Director

February 2014

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

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

Capital programme consultancy work.

W. Richard Anderson

Independent
non-executive Director

February 2014

Has 39 years' experience in the oil and gas industry and related finance and management. Previously chairman of the board at Vanguard Natural Resources LLC from 2007 to 2017. Chief financial officer at Eurasia Drilling Company from 2008 to 2015. President and chief executive officer at Prime Natural Resources Inc from 1999 to 2007. Partner from 1989 to 1995 and then managing partner from 1995 to 1998 at Hein & Associates LLP. Served on the boards of Calibre Energy Inc from 2005 to 2007, Transocean Ltd from 2007 to 2011 and Boots & Coots Inc from 1999 to 2010.

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

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

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 in excess of US\$ 4 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.

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.

CORPORATE GOVERNANCE

Corporate Governance Report

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

The Company has complied with all the relevant provisions set out in the Code during the year under review. A copy of the Code is available from the Financial Reporting Council's website.

Governance overview

The role of the Board and its Committees are summarised in the diagram below.

Board of Directors

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



Audit and Risk Committee

Monitors the integrity of the Group's financial statements, financial and regulatory compliance, and the systems of internal control and risk management, including viability assessment. Reviews the effectiveness of the internal and external audit processes.

See pages 38 to 41 for the Report of the Audit and Risk Committee.



Remuneration Committee

Determines the reward strategy for the executive Directors and senior management to align their interests with those of shareholders.

See pages 42 to 55 for the Report of the Remuneration Committee.



Nomination Committee

Ensures the Board and senior management team have the appropriate skills, knowledge and experience to operate effectively and to deliver the Group's strategy.

See pages 56 to 57 for the Report of the Nomination Committee.



Senior Management

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

Board membership

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

The composition, qualifications, experience and balance of skills on the Board are regularly reviewed by the Board to ensure there is the right mix on the Board itself and its Committees, and that these are working effectively. The aim is to bring relevant experience and independence to the Board while at the same time ensuring continuity and stability. The current members of the Board have a wide range of appropriate skills and experience and their biographies can be found on pages 32 to 33.

Non-executive Director independence

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

Following the annual review for 2017, the Board concluded that each of the independent non-executive Directors continue to demonstrate those behaviours and continue to be considered by the Board as independent.

Division of responsibilities

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

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

Roles and responsibilities of Directors

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

Division of Board responsibilities

Chairman	Chief Executive Officer
• Providing strategic insight from his wide-ranging business experience and contacts built up over many years. • Ensuring that the Board plays a full and constructive part in the determination and development of the Group's strategy. • Meeting major shareholders on governance matters and is an alternate point of contact instead of the Chief Executive Officer for shareholders on other matters. • Providing a sounding Board for the Chief Executive Officer on key business decisions, challenging proposals where appropriate. • Agreeing with executive Director's subjects for particular consideration by the Board during the year at Board meetings, ensuring that adequate time is available to discuss all agenda items. • Leading the Board in an ethical manner and promoting effective relations between the non-executive Directors and senior management. • Building a well-balanced Board, considering Board composition and Board succession planning. • Overseeing the annual Board evaluation process and acting on its results.	• Bringing matters of particular significance or risk to the Chairman, for discussion and consideration if appropriate. • Representing the Group to its shareholders and other stakeholders such as its clients and suppliers, and the general industry. • Leading the business and the rest of the management team and ensuring effective implementation of the Board's decisions. • Driving the successful and efficient achievement of the Group's KPIs and objectives. • Leading the development of the Group's strategy with input from the rest of the Board and our advisers. • Working with the Chairman in agreeing subjects for particular consideration by the Board during the year. • Providing strong and coherent leadership of the Company and effectively communicating the Company's culture, values and behaviours internally and externally.

Effective division of responsibilities and Board operation

Senior Independent Director	Company Secretary
• Serving as an intermediary for the other Directors with the Chairman when necessary. • Making himself available to shareholders if they have concerns that cannot be addressed through normal channels. • Acting as an internal sounding Board for the Chairman. • Ensuring a balanced understanding of major shareholder issues and concerns. • Meeting with the other non-executive Directors without the Chairman present, at least annually, in order to help appraise the Chairman's performance.	• Secretary to the Board and each of its Committees, reporting directly to their Chairman. • Assisting the Chairman to ensure that Board papers are clear, accurate, timely, succinct and of sufficient quality to enable the Board to discharge its duties effectively. • Providing advice to the Board and each of its Committees through the Chairman concerning Board and governance matters.

CORPORATE GOVERNANCE CONTINUED

Board calendar for 2017

	January	March	May	July	September	October	December
At specific meetings	Capital structure	Review and approval of 2016 annual results	Equity capital markets update from brokers	2017 Half Year Forecast	Review and approval of 2017 Half Year Results	Review of Group business strategy	Review and approval of 2018 budget
	Update on cost management initiatives	Nomination Committee Report. Board evaluation process				Group risk review deep dive	Approval of 2018 Group KPIs
		Group dividend policy and gearing				Capital structure	Succession planning Safety and assurance
At each main meeting	Review and discussion of:		Review of reports on:		Review of reports from Board Committees as relevant		
	- fleet performance and operational matters - strategic opportunities - competitive landscape and market - legal and corporate governance matters - investor relations and feedback		- finance and accounting matters - health, safety and the environment - personnel and support services - risk management and key risks facing the Group - trading and forecast update				

How the Board operates

The Board and its Committees

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

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition and role of each Committee is summarised on pages 38 to 57 and their full terms of reference are available on the Company's website.

The Board processes

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

- the Chairman, Chief Executive Officer and Company Secretary meet towards the beginning of each year to agree an overall calendar of subjects to be discussed by the Board during the year;
- Board meetings are timetabled to ensure adequate time for open discussion of each agenda item allowing for questions, scrutiny, constructive challenge and full debates on key matters for decisions to be taken by consensus (although any dissenting views would be minuted accordingly);

- the development of Group strategy is led by the Chief Executive Officer, with input, challenge, examination and ongoing testing and review by the non-executive Directors throughout the year;
- good working relationships exist between non-executive Directors and non-Board members of the senior management team;
- members of the senior management team draw on the collective experience of the Board, including its non-executive Directors;
- comprehensive reporting packs, which are designed to be clear, accurate and analytical, are normally distributed in advance of Board meetings allowing sufficient time for their review, consideration and clarification or amplification of reports in advance of the meeting;
- once goals have been set and actions agreed, the Board receives regular reports on their implementation;
- comprehensive management accounts with commentary and analysis are distributed to the Board on a monthly basis;
- the Board reviews the Group's risk register at each of its main meetings and challenges this where appropriate;
- the Board visits the Group's major business locations both to review its operations and to meet with local management; and
- all Directors have open access to the Group's key advisers, including management and the Company Secretary, and are also entitled to seek independent professional advice at the Group's expense where appropriate.

Appointment and tenure

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

The non-executive Directors are appointed for a term of three years, subject to earlier termination, including provision for early termination by either the Company or the non-executive Director on three

months' notice. The non-executive Directors signed new three year letters of appointment in 2017. In accordance with the Company's Articles of Association, all Directors must retire by rotation and seek re-election by shareholders every three years, however, it is intended that the Directors will each retire and submit themselves for re-election by shareholders annually.

Director induction and training

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

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

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

Re-election of Directors

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. In accordance with the provisions B.7.1 of the UK Corporate Governance Code, all Directors wishing to continue serving, will be subject to annual re-election. Accordingly, all Directors elected in 2017, will seek re-election at the Company's 2018 Annual General Meeting ("AGM") as set out in the Notice of the Annual General Meeting (see page 112 for resolutions relating to re-election of Directors).

Conflicts of interest

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

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

Board evaluation and effectiveness

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

The performance evaluation of the Board and its Committees in 2017 was conducted with support from Lintstock, a London-based advisory firm that is independent to the Company. Further details can be found within the Report of the Nomination Committee on pages 56 to 57. As part of the evaluation process, the Chairman and non-executive Directors also met twice during the year in the absence of the executive Director.

The Board and its Committees have assessed the results of the evaluation process and concluded that the Directors continue to be effective and demonstrate commitment to their roles. The Directors are satisfied that the Board and its Committees are continuing to operate effectively.

Engagement with shareholders and other stakeholders

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

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

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

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

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

Annual General Meeting (AGM)

The AGM is the Company's principal forum for communication with private shareholders. In addition to the formal business, there is a presentation by the Chief Executive Officer on the recent performance of the Group and its future development. The Chairman of the Board and the Chairman of each Board Committee, together with members of senior management, are available to answer shareholders' questions at the AGM. Our next AGM will be held in London on 22 May 2018, full details can be found on pages 112 to 117.

REPORT OF THE AUDIT AND RISK COMMITTEE

Committee Members

Simon Batey (Chairman)

Senior independent non-executive Director

W. Richard Anderson

Independent non-executive Director

Dear Shareholders,

I am pleased to present the report of the Audit and Risk Committee for 2017 which provides insights into our work during the year. The Audit and Risk Committee's activities continue to focus on the effectiveness of the internal and external audit processes, the integrity of the Group's financial reporting, and the effectiveness of the Group's risk management process and other governance related matters. These areas are important to the way the Group's business is operated and are vital in enabling the Group to achieve its strategy, as described on page 12, in a controlled and sustainable manner.

The Committee's membership consists of two independent non-executive Directors, as shown above. This Committee composition is compliant with the Code which recommends that, as the Group is classified as a "smaller company", the Committee have at least two members, both of whom should be independent non-executive directors. All Committee members have recent and relevant senior financial experience given that both Simon Batey and W. Richard Anderson are qualified accountants, and have comprehensive industry knowledge and expertise, providing independent experience and understanding of the issues under consideration.

The Audit and Risk Committee's responsibilities include:

Financial statements	• monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance, and reviewing any significant financial reporting judgements contained in them, • reviewing accounting policies, accounting treatments and disclosures in financial reports; and • providing advice to the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable.
External audit	• advising the Board on the policy with regards to audit tendering, taking into account relevant regulatory requirements and making recommendations to the Board as to the appointment, re-appointment or removal of the external auditor; • making recommendations to the Board as to the remuneration of the external auditor; • reviewing the terms of engagement, independence, objectivity and effectiveness of the external auditors; and • assessing the external audit process and the appropriateness of the external auditors to supply non-audit services, in accordance with Group policy.
Internal audit	• reviewing the Group's internal financial controls and internal control and risk management systems, and • monitoring and assessing the effectiveness of the Group's internal audit function.
Whistleblowing and related policies	• reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial and other matters, for appropriate follow-up action.

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 five times during the financial year and attendance at those meetings is set out on page 31. 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. The internal auditor attends and presents at the majority of meetings. In addition, the external auditor attended three of these meetings.

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

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. In 2017, this included an assessment of whether the Annual Report taken as a whole was fair, balanced and understandable.

Audit and Risk Committee calendar for 2017

	January	March	July	August	December
At specific meetings	Review of progress in preparation of 2016 Annual Report	Reviews of: • 2016 Annual Results • Report from the external auditors • Performance and independence of external auditors	2017 Half Year Results process update	Reviews of: • 2017 Half Year Results • Report from the external auditors	Update on 2017 Annual Report process
	Plans for assessing the effectiveness of the external auditors	• Performance and independence of external auditors Recommendations to the Board on: • 2016 Annual Results • Re-appointment of the external auditors Review of the work supporting Long-term Viability Statement and the Group's vessel impairment assessment	Review of internal audit plans Approval of 2017 Group audit fees	Recommendation to the Board on 2017 Half Year Results	Review of Group external audit plan
At each main meeting	Reviews of financial reporting, including: • Any proposed changes to accounting policies • Developments in reporting and accounting requirements affecting the Group • Key assumptions, estimates and judgements proposed by management		Review and discussion of: • New and revised regulatory reporting requirements • Risk management systems and internal controls, including a discussion of the risk on management process • Whistleblowing and related policies		Consideration of internal audit: • Internal audit reports and recommendations

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

Significant issues

The Audit and Risk Committee pays specific attention to matters it considers important based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application. The Committee considered the matters shown below as significant issues in 2017. The Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures have been included in the financial statements.

Significant issue	How addressed
Impairment of property, plant and equipment	The Committee evaluated management's approach in determining the recoverable value of the Group's vessels.
IAS 36 requires that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.	The assumptions used in the computation of the value in use of the vessels were assessed. Consideration was given to both the feasibility of the long-term business plan and the appropriateness of the weighted average cost of capital which formed an initial basis for determining the discount rate.
The continuing low oil price environment may impact the value in use of the vessels.	An impairment loss of US\$ 7.3 million was identified during the year on a 35-year-old Small Class vessel.
Impairment assessments are judgemental and careful consideration of the assumptions used in the determination of the value in use of the assets is required.	

Internal controls and risk management

The Group's systems of internal control and in particular our risk management process have been designed to support our strategic and business objectives as well as our internal control over financial reporting. The Board has an established ongoing process for identifying, evaluating and managing the significant risks faced by the Group that have been in place for the period under review and up to the date of the Annual Report. The process is regularly reviewed by the Board and is in accordance with the 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. Further details of the Group's risk management process can be found on pages 16 to 19.

Internal audit

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

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

External audit

Appointment and independence

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

The Committee considers formally the re-appointment of the external auditor each year, as well as assessing their independence on an ongoing basis. In accordance with UK regulations and to help ensure independence, our auditors adhere to a rotation policy based on the FRC's Ethical standard that requires the Group audit partner to rotate every five years. The 2017 year-end is the fourth year the current lead audit partner, David Paterson, has been involved in the audit of the Group but, due to his role as reporting accountant at the time of the IPO in 2014, he will be rotating off following the completion of the 2017 audit. He is assisted in his Group auditor role by a partner in the Middle East firm of Deloitte, who has also acted as audit partner for one of the Group's material subsidiaries in the Middle East since 2012 and is therefore considered by the FRC to be a "key audit partner" under the relevant Ethical Standard. In order to maintain audit quality during the transition to a new lead audit partner in 2018, we have agreed that the Middle East partner referred to above can remain in place until the completion of the 2018 audit, notwithstanding that this would represent a period in excess of the usual 5 year limit for key audit partners. However, in order to ensure that the independence of Deloitte is not adversely impacted, they have implemented an additional safeguard whereby the engagement quality review partner based in the UK has performed specific additional reviews on areas of the audit that are under the direct supervision of the Middle East partner.

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

Deloitte LLP was appointed as external auditor of the Company in 2014 and the audit has not been put out to tender since that date. The Committee is aware of the legal requirements for external auditor selection and rotation. Whilst we do not consider it necessary to have a policy for mandatory rotation of external audit firms, we plan to provide consideration to placing future audits out to tender over the coming years.

Assessment of external audit process

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

- A review of the audit plan including the materiality level set by the auditors and the process they have adopted to identify financial statement risks.
- A review of the Audit Quality Inspection (AQI) Report on our auditors published by the Financial Reporting Council with particular emphasis on those key messages applicable to the Company.
- A review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached (summarised in the Independent Auditor's Report on pages 62 to 68).
- A formal questionnaire issued to all members of senior management who are involved in the audit covering the robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice.

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

The Committee has determined that Deloitte LLP was effective in providing its services to the Group. As a result, the Committee has recommended to the Board that the re-appointment of Deloitte LLP as the Company's external auditor be proposed to shareholders at the 2018 AGM.

Provision of non-audit services

The Committee believes that it may be appropriate for the Company to engage its external auditor to provide non-audit services in certain circumstances. Given the knowledge of a company's market, systems and operations which an external auditing firm gains through the audit process, together with effective working relationships developed with senior management, the Committee believes that on occasion appointing the Company's external auditor to provide non-audit services can represent an effective and cost-efficient process which is in the best interests of shareholders. However, to ensure the continued objectivity and independence of the external auditor are not compromised, the Committee has 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% or more of the overall Group audit fee in any financial year, then any further non-audit services carried out by the external auditor would be regarded as exceptional and will require the Committee's prior approval. The Committee receives quarterly reports of any non-audit services undertaken. The Committee must be satisfied that the external auditor's objectivity and independence would not be compromised in any way as a result of being instructed to carry out those services.

Total 2017 audit fees were US\$ 249,000 (2016: US\$ 244,000). The total non-audit services provided by the Group's external auditor Deloitte LLP for the year ended 31 December 2017 were US\$ 100,000 (2016: US\$ 124,000) which comprised 29% (2016: 34%) of total audit and non-audit fees. The most significant non-audit fee was US\$ 80,000 (2016: US\$ 92,000) in relation to the interim review. The Committee is satisfied that the quantum and nature of the non-audit services provided by Deloitte LLP during the current year are such that the objectivity and independence of the external auditor have been safe guarded. Further details of the remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in note 26 to the financial statements.

Ethical conduct

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

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

Simon Batey

Audit and Risk Committee Chairman
26 March 2018

REPORT OF THE REMUNERATION COMMITTEE

Committee Members

W. Richard Anderson (Chairman)
Independent non-executive Director

Simon Batey
Senior independent non-executive Director

Dear Shareholders,

On behalf of the Remuneration Committee ("the Committee"), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017. This Remuneration Report contains details of the proposed Remuneration Policy (pages 44 to 49) which will be submitted to a binding shareholder vote in the AGM on 22 May 2018. As this is the third anniversary from the approval of the Remuneration Policy in 2015, shareholders will be asked to approve the new Directors' Remuneration Policy at the AGM and it will, if approved, apply to payments made from this date. Until then the 2015 policy will continue to apply.

This report also contains a section on the Annual Remuneration Report (pages 49 to 55) which sets out details of how the Remuneration Policy was implemented for the year ended 31 December 2017 and how we intend to apply it for the year ending 31 December 2018. It will be subject to an advisory vote at this year's AGM.

The oil and gas industry challenges continued in 2017 with market recovery slower than previously anticipated. The Committee decided, based on management's recommendation, to neither increase salaries nor grant any awards under the Long-term Incentive Plan (LTIP) during 2017. The Committee appreciates the commitment and dedication shown by all members of staff during this challenging period.

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

Our aim is to ensure that remuneration arrangements appropriately and responsibly incentivise the executive Director and members of senior management to achieve the Group's strategic objectives, in turn creating value for the Company's shareholders. Our remuneration structure comprises a significant proportion of variable pay based on individuals achieving KPIs which are directly linked to the fulfilment of the Group's strategic objectives. The overall remuneration structure for the executive Director typically 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 LTIP – based on growth in a financial measure such as earnings per share (EPS) and/or total shareholder return (TSR).

Performance and remuneration for 2017

For 2017, the adjusted EBITDA, being 20% of the total annual bonus opportunity, was below the threshold required for a payment under this part of the annual bonus scheme. However, the adjusted EBITDA margin, Total Recordable Injury Rate, adjusted Net Profit and progress against strategic, financial and operational objectives were achieved within or in excess of the target ranges. As such the bonus payable to the CEO constituted 51% of base salary – for further details, see page 51.

No awards vested on the LTIP granted in May 2014 as the scheme came to an end in May 2017 and the performance conditions were not achieved. Similarly, no awards vested on the LTIP granted in March 2015 as the scheme came to an end in March 2018 and the performance conditions were not achieved.

Review of the Remuneration Policy

The current Directors' Remuneration Policy was strongly supported by shareholders when it was approved at the 2015 AGM. This year we have reviewed the Remuneration Policy which will be put to shareholders for approval in a binding vote at the 2018 AGM. The review confirmed that the policy continues to appropriately align the interests of the executive Director to those of our shareholders and the wider Company strategy and does not require change. We will continue to review our Remuneration Policy and targets for future variable pay awards so that we can remain confident that our policy reflects the Company's strategic objectives and to take account of any feedback received from shareholders.

The Remuneration Policy has been included in full on pages 44 to 49, alongside the Annual Remuneration Report.

Remuneration arrangements for 2018 and beyond

The Committee regularly reviews current market conditions within the industry and aligns remuneration levels as appropriate. The Committee has been mindful of the continuing challenging market conditions in the industry when considering the remuneration for 2018.

The Annual Remuneration Report will be subject to an advisory shareholder vote at the 2018 AGM. The Committee is dedicated to ensuring that our shareholders understand and support our policy and therefore we welcome questions and feedback regarding our remuneration structures.

The Annual Remuneration Report describes how the Remuneration Policy has been implemented, particularly in relation to rewards for 2017. The financial performance of the Group in 2017 reflected lower utilisation and pricing pressures on certain contracts. The impact on adjusted EBITDA was partially offset by our continued focus on managing costs including with regard to the remuneration of our Directors.

For the second consecutive year there will be no increase in salary in 2018 for the executive Director or members of senior management. This follows Group-wide salary reductions that were implemented in 2016.

We will be operating the same bonus framework for 2018. This means the maximum opportunity will therefore remain at 100% of base salary, with performance measured against financial targets (50%) and a balanced scorecard of strategic, financial and operational objectives (50%). As a Committee, we have focused on establishing appropriately stretching objectives, with tangible performance outcomes focused on the delivery of the Group's short term strategic plans.

The Committee intends to grant an LTIP award to the CEO in 2018 over shares with a value of 150% of base salary. The award will vest three years after grant, subject to performance measured over the three year period.

Conclusion

The Committee continues to ensure that pay is linked to performance and that the annual bonus and LTIP provide an incentive to deliver superior performance over the short and longer term. We believe our Remuneration Policy achieves these objectives.

On behalf of the Committee and the Board, I recommend this Remuneration Report to you and I hope that you find it clear, concise and understandable. We shall be seeking your support for each part of this report at the forthcoming AGM on 22 May 2018.

W. Richard Anderson

Remuneration Committee Chairman
26 March 2018

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Directors' Remuneration Policy Report

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

Policy overview

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

The Company's policy is to provide remuneration to executives to reflect their contribution to the business, the performance of the Group, the complexity and geography of the Group's operations and the need to attract, retain and incentivise 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.

The following table sets out the Directors' Remuneration Policy.

Summary of the Directors' Remuneration Policy

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
Base salary	To attract, reward and retain individuals of the necessary calibre to execute the Group's strategy and to recognise their skills, experience and contribution to Group performance	- Normally reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities - The level of base salary reflects the experience and capabilities of the individual as well as the scope and scale of the role - Any increases to base salary will take into account individual performance as well as the pay and conditions in the workforce	- 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
No changes are proposed to the current approved policy				
Annual bonus plan	To encourage and reward delivery of the Group's annual strategic, 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 base salary (exceptional limit 150% of base 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
No changes are proposed to the current approved policy				

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
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 out-performance - 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 salary (exceptional limit of 300% of base salary)	- Performance is assessed against metrics which will normally include a financial measure, such as earnings per share (EPS), and/or a measure linked to the Company's total shareholder return (TSR) against an appropriate group of peers. Measures are captured independently 30% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for achievement of maximum performance targets
No changes are proposed to the current approved policy				
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 pay out to an employee is limited by UAE Labour Law to two years' base salary	N/A
No changes are proposed to the current approved policy				
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
No changes are proposed to the current approved policy				
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 relating to air travel and transport	N/A	N/A
No changes are proposed to the current approved policy				
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
No changes are proposed to the current approved policy				

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Notes to table

Annual bonus performance measures

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

LTIP performance measures

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

Discretion

The Committee operates annual bonus and long term incentive arrangements for the executive Director 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 including in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Remuneration scenarios for the CEO

The table below shows an estimate of the potential future remuneration payable for the CEO in 2018 at different levels of performance. The table 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 Officer

US\$'000

	Minimum	On-target	Maximum
Fixed Pay	100%	61%	37%
Annual Bonus		21%	25%
LTIP		18%	38%
Total	US\$617	US\$1,012	US\$1,657

1. Duncan Anderson's remuneration is paid in UAE Dirhams and shown above in US\$ using an exchange rate of US\$ 1/AED 3.67.
2. Minimum remuneration represents base salary and allowance levels applying as at 1 January 2018. 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 52) for the year ended 31 December 2017.
4. The end of service gratuity is based on the provision accrued (as disclosed in the Annual Report on Remuneration on page 52) for the year ended 31 December 2017 in line with the UAE Labour Law limit.
5. Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP. At on-target, half of the annual bonus is earned (i.e. 50% of base salary) and 30% of the maximum LTIP opportunity (150% of base salary) is achieved (i.e. 45% of base 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 the executive Director differs from employees generally, and how their views are taken into account in setting remuneration policy

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

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 AGM in 2018, 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.

Directors' recruitment and promotions

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

Base salary	The base salary for a new appointment will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the base salary for a new executive Director at a level which is below market (for example, to allow them to gain experience in the role) their base salary may be increased to achieve the desired market positioning by way of a series of phased above inflation increases. Any increases will be subject to the individual's continued development in the role.
End of service gratuity, benefits and allowances	End of service gratuity, benefits and allowances will be set in line with the policy above, reflective of typical market practice and the Labour Law for the UAE. The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual. In the event of an executive Director being recruited to work outside the UAE, alternative 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 reflects best practice.

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

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

External appointments

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

Non-executive Directors' Remuneration Policy and terms of engagement

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

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

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

The dates of the letters of appointment of the Chairman and non-executive Directors are:

Simon Heale	Chairman	27 February 2017
Dr Karim El Solh	Non-executive Director	27 February 2017
Simon Batey	Independent non-executive Director	27 February 2017
W. Richard Anderson	Independent non-executive Director	27 February 2017

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 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2018 AGM. Sections of this report that are subject to audit, on pages 51 to 53 have been indicated.

Responsibilities of the Committee

The Remuneration Committee's responsibilities include

- setting the strategy, structure and levels of remuneration of our executive Director and senior management, ensuring compliance with internal policies whilst also adhering to legislative regulations; and
- aligning the financial interests of the executive Director and other management and employees with the achievement of the Group's objectives.

The Remuneration Committee will assist the Board in fulfilling its responsibilities regarding all matters related to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration. In reviewing executive remuneration, the Committee may set the over-arching principles, parameters and governance framework of the Group's Remuneration Policy and determine the individual remuneration and benefits package of the executive Director 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 composition of the Remuneration Committee is in compliance with the Code which provides that all members of the Committee should be independent non-executive Directors.

The members of the Committee during 2017 were W. Richard Anderson (Chairman) and Simon Batey. Both members were independent non-executive Directors. The Chief Executive Officer, Chief Financial Officer and Human Resources Director are normally invited to attend for at least part of each meeting to allow the Committee to benefit from their contextual advice. The Group Chairman also normally attends meetings by invitation. The Human Resources Director acts as Secretary to the Committee. These individuals are not present when their own remuneration is discussed.

The Committee held two formal meetings during the year and each member of the Committee attended both. The Committee also held informal discussions as required.

Performance evaluation of the Committee

In 2017, the performance evaluation of the Committee was conducted in conjunction with the main Board evaluation process, further details of which are included on pages 56 to 57. The Committee has assessed the results of the evaluation process and concluded that the Directors continue to be effective and demonstrate commitment to their roles.

External advice received

In carrying out its responsibilities, the Committee seeks external remuneration advice as necessary. During the year, the Committee received independent advice on remuneration matters from New Bridge Street, an AON plc company. New Bridge Street is a signatory of the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code. The fees paid to New Bridge Street in 2017 were US\$ 46,208.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Shareholder voting at AGM

The 2017 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2018 AGM. At the AGM held in 2017, votes cast by proxy and at the meeting in respect of the Directors' remuneration were as follows:

Resolution	Votes for	% of votes for	Votes against	% of votes against	Votes withheld	Total votes cast
To approve the Directors' Remuneration Report for the year ended 31 December 2016	241,814,449	90.29	25,995,827	9.71	2,008,354	269,818,630

Directors' Remuneration Policy

At the AGM held in 2015, votes cast by proxy and at the meeting in respect of the Directors' remuneration policy were as follows:

Resolution	Votes for	% of votes for	Votes against	% of votes against	Votes withheld	Total votes cast
To approve the Directors' Remuneration Policy	262,212,314	99.24	2,021,422	0.76	213,680	264,447,416

Statement of implementation of the Remuneration Policy for 2018

The Remuneration Policy subject to shareholder approval at the 2018 AGM will be implemented during 2018 as follows:

Executive Director

Base salary

The CEO's base salary was reviewed when the Group Listed in March 2014 and also at the end of each subsequent year including 2017, to determine the appropriate base salary for the coming year. The CEO's base salary reduction of 10% which was effective from 1 May 2016 continued throughout 2017. No increase in base salary is proposed for 2018. The CEO's base salary is set out below:

	Base salary from 1 January 2018 US\$'000	Base salary from 1 January 2017 US\$'000	% change
Duncan Anderson ¹	416	416	0%

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

Allowances and benefits for 2018

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

	Allowances from 1 January 2018 US\$'000	Allowances from 1 January 2017 US\$'000	% change
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/AED 3.67.

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

Annual bonus for 2018

For 2018 the maximum 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
Adjusted EBITDA	20%
Adjusted EBITDA margin	20%
Net income	10%
Total Recordable Injury Rate (TRIR)	10%
Strategic, financial and operational objectives	40%
Total	100%

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

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 plan to be granted in 2018

The Committee intends to grant an LTIP award to the CEO in 2018 over shares with a value of 150% of base salary. The award will vest three years after grant, subject to performance measured over the three year period. Vesting of 50% of the award will be based on the compound annual growth rate (CAGR) of EPS and the other 50% 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. The weighting of the EPS and TSR performance conditions remain the same as the LTIP awarded in 2016 and the intention is that this weighting will continue for the foreseeable future.

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, up to a limit of two years' total wages

Performance against annual bonus targets for 2017 (audited)

For 2017 the maximum annual bonus opportunity was set at 100% of base salary. The annual bonus was assessed against the following financial and personal objectives:

Measure	Weighting	Performance range (from zero to maximum pay-out)*	Result	% of base salary paid in cash
Adjusted EBITDA	20%	Less than US\$ 60.4m – greater than US\$ 80.9m	US\$ 58.5m	0%
Adjusted EBITDA margin	20%	Less than 45.6% – greater than 55.6%	52%	11%
Adjusted net profit	10%	Less than US\$ 0.99m – greater than US\$ 12.7m	US\$ 4.8m	3%
Total Recordable Injury Rate (TRIR)	10%	Greater than 0.3, 0.3 – 0.23, 0.22 – 0	0	10%
Strategic, financial and operational objectives	40%	**	**	27%
Total	100%			51%

* Zero to maximum pay-out is not linear as bands operate within the performance ranges shown

** Objectives set related to key strategic, financial and operational objectives, with targets for each aligned with delivery of the Company's annual corporate objectives and long-term financial plan. The details of these objectives are commercially sensitive, however in 2017 they included the delivery of a new build SESV with cantilever system on schedule and on budget and the development and implementation of a strategic plan for the Group. A large majority of these measures were fully achieved, which the Committee considers to be reflective of strong performance overall, and therefore this resulted in a payment of 27% out of a possible 40%

Accordingly, the total payments under the annual bonus plan were US\$ 213,000. The bonus will be paid wholly in cash. Clawback provisions apply in the event of a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback provisions can be applied for three years from the end of the financial year to which a payment relates.

LTIP awards vesting for 2017 (audited)

LTIP awards were granted on 8th May 2014 over 184,327 ordinary shares. No awards vested in the year on the LTIP granted on 8th May 2014 as the performance conditions were not achieved during the period. The LTIP was assessed against the following financial objectives:

Measure	Weighting	Performance range (from zero to maximum pay-out)	Result	% of award vesting	Number of shares vesting
EPS growth ¹	75%	Less than 15% – greater than 21.5%	Less than 15%	0%	0
TSR ²	25%	Less than Median – Upper Quartile	Less than median	0%	0
Total	100%			0%	0

1 EPS Compound Annual Growth Rate (CAGR) is measured against a baseline for EPS at 31 December 2013.

2 TSR compared to the FTSE 250 Index, excluding financial services companies

Long term incentive awards granted during the year and Director 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. The award vested in May 2017 and subsequently lapsed. In March 2015 the Committee granted an LTIP award to the CEO over shares with a value of 150% of base salary. The award vested in March 2018 and subsequently lapsed. In March 2016 the Committee granted an LTIP award to the CEO over shares with a value of 150% of base salary. Awards will vest, subject to the achievement of specific performance conditions and continued employment, in March 2019. No LTIP award was granted to the CEO in 2017. A summary of the LTIP awards currently granted is provided in the tables below. The LTIP awards granted do not include consideration for accrued dividends during the performance period.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

	Date of grant	Number of shares	Face value	Face value as a percentage of base salary	End of performance period	Performance conditions
Duncan Anderson ¹	22 March 2016	677,168	US\$ 653,873	150%	31 December 2018	See table below

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

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

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

¹ FTSE 250 Index 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 as at 31 December 2017 comprise:

Grant date	Number of shares 1 January 2017	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	Number of shares 31 December 2017	End of performance period	Vesting date
22 March 2016	677,168	–	–	–	–	677,168	31 December 2018	22 March 2019
Total awards outstanding						677,168		

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 2018 are set out below; however the Committee ensures that the remuneration package remains competitive in line with current market levels. Please note that fees are determined in Pound Sterling.

	Annual fee 2018 £'000	Annual fee 2017 £'000	% change
Chairman	158	158	0%
Non-executive Director base fee	45	45	0%
Additional fees:			
Senior independent Director	5	5	0%
Audit and Risk Committee Chair	5	5	
Remuneration Committee Chair	5	5	0%

Directors' single total figure of remuneration earned in 2017 (audited)

The table below summarises Directors' remuneration received in 2017.

		Fixed element of pay			Pay for performance		Other remuneration US\$'000	Total remuneration US\$'000
		Base salary US\$'000	Allowances and benefits ¹ US\$'000	End of service gratuity ² US\$'000	Annual bonus ⁴ US\$'000	Long-Term Incentives ⁵ US\$'000		
Executive Director								
Duncan Anderson ³	2017	416	166	35	213	–	–	830
	2016	431	168	48	323	–	–	970

	Fees 2017 US\$'000	Fees 2016 US\$'000	Total remuneration 2017 US\$'000	Total remuneration 2016 US\$'000
Chairman*				
Simon Heale	203	222	203	222
Non-executive Directors*				
Dr Karim El Solh	58	63	58	63
Simon Batey	71	77	71	77
W. Richard Anderson	65	70	65	70
Mike Straughen ⁷	–	63	–	63
H. Richard Dallas ⁷	–	63	–	63
Non-executive Director total	397	558	397	558

- 1 Allowances include fixed cash allowances for air travel and transport. Other benefits include accommodation (US\$ 87,094), private medical insurance for the executive and immediate family, death in service insurance, disability insurance and payment of children's school fees.
- 2 End of service gratuity is the provision accrued for in the year in accordance with UAE Labour Law. Pension provision is not a feature of UAE remuneration packages.
- 3 Duncan Anderson's remuneration is paid in UAE Dirhams and reported in US\$ using an exchange rate of US\$ 1/AED 3.67.
- 4 Annual bonus for the financial year.
- 5 Share plans vesting represent the value of LTIP awards where the performance period ends in the year.
- 6 The Chairman and non-executive Directors' remuneration is paid in Pound Sterling and reported in US\$ using an exchange rate of US\$ 1.29/£ 1 for 2017.
- 7 Independent non-executive Director Mike Straughen and non-executive Director H. Richard Dallas stepped down from the GMS Board on 31 December 2016.

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

Directors' interests in ordinary shares (audited)

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

As set out in the Directors' Remuneration Policy, 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. A new appointment will be expected to reach this guideline in three to five years post-appointment. The Chairman and non-executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2017 were as follows.

	Shareholding ownership requirement met?	Beneficially owned at 31 December 2017	Beneficially owned at 31 December 2016	Outstanding LTIP awards as at 31 December 2017	Outstanding LTIP awards as at 31 December 2016
Duncan Anderson	Yes	2,014,622	2,014,622	1,023,740	1,208,067
Simon Heale	N/A	74,074	74,074	–	–
Dr Karim El Solh	N/A	296,296	296,296	–	–
Simon Batey	N/A	37,037	37,037	–	–
W. Richard Anderson	N/A	153,453	153,453	–	–

- 1 There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2018 to 26 March 2018.
- 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 shares, share option schemes or outstanding share awards other than LTIP awards.

Director's pension entitlement (audited)

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

Payments to former Directors (audited)

No payments were made to past executive Directors during the year ended 31 December 2017.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2017.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Percentage change in remuneration levels

The table below shows the variance in base salary, allowances and benefits, and annual bonus for the CEO in the 2017 financial year, compared to that for the average employees.

	% change
Chief Executive Officer	
Base salary	-3%
Allowances and benefits	-1%
Bonus	-34%
All employees	
Base salary	0%
Allowances and benefits	3%
Bonus	-11%

Relative importance of the spend on pay

The table below shows overall expenditure on pay in the whole Group in 2016 and 2017 financial years, compared to returns to shareholders through dividends:

	2017 US\$'000	2016 US\$'000	% change
Overall expenditure on pay	31,088	38,254	-19%
Dividends proposed	–	7,130	-100%

The total remuneration figures for the CEO during the 2017 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 as a percentage of the total remuneration is shown for this year as well as the annual bonus payout and LTIP award vesting as a percentage of the maximum opportunity.

	2014	2015	2016	2017
Total remuneration (US\$'000)	1,003	911	970	830
Annual bonus as a % of total remuneration	35%	28%	33%	26%
Annual bonus as a % of maximum bonus opportunity	85%	58%	75%	51%
LTIP vesting as a % of maximum LTIP opportunity	–	–	–	–

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including the Annual Report on Remuneration, was approved by the Board on 26 March 2018 for presentation to shareholders at the AGM.



W. Richard Anderson

Remuneration Committee Chairman
26 March 2018

REPORT OF THE NOMINATION COMMITTEE

Committee Members

Simon Heale (Chairman)

Independent non-executive Director

Simon Batey

Senior independent non-executive Director

W. Richard Anderson

Independent non-executive Director

Dr Karim El Solh

Non-executive Director

Dear Shareholders,

I am pleased to present the report of the Nomination Committee for 2017. Our role is to assist the Board in the key areas of composition and succession planning for the Board and the senior management of the Group. Having an appropriate range of high-calibre Directors on our Board with the necessary skills and expertise continues to be key to determining and maximising success in the Group's strategic objectives. Establishing appropriate succession planning for the existing Board and senior management is essential to ensuring that this success can be sustained over the long term. The composition of the Nomination Committee continues to be in compliance with the Code which provides that independent non-executive Directors should comprise the majority of the Committee.

Key responsibilities

The Nomination Committee's responsibilities include:

- regularly reviewing the composition, structure and size of the Board and its Committees;
- considering succession planning for Directors and other senior executives;
- evaluating the appropriate skillsets, diversity, experience, knowledge and independence on the Board; and
- leading the process for Board appointments and making recommendations to the Board in respect of new appointments.

External Board and Committee evaluation

Critical to the success of our Board and its Committees in achieving their aims is the effectiveness in which they operate and accordingly, we take our annual Board evaluation very seriously. The Committee also identifies the future training requirements of the Board, as part of the Board's ongoing development programme.

The Board and Committee evaluation process in 2017 was led by the Nomination Committee with support from Lintstock, a London-based advisory firm that specialises in the facilitation of Board performance reviews. Lintstock has no other connection with the Company.

Lintstock engaged with the project sponsors to set the context for the evaluation, and tailor content to the specific circumstances of GMS. All Board members were then requested to complete an online survey addressing the performance of the Board, its Committees and the Chairman, as well as their own individual contribution to the Board. The anonymity of the respondents was ensured throughout the process in order to promote an open and frank expression of views.

Lintstock subsequently produced a report addressing the following areas of Board performance:

- The appropriateness of the Board's size and composition was assessed, and respondents were asked to identify any changes that ought to be made to the profile of the Board.
- The Board's understanding of the views of key stakeholders and market environment in which the Company operates was considered, and the Board's oversight of relevant technological developments, and the culture and behaviours throughout the Company, was reviewed.
- The relationships between Board members and management, and the atmosphere in and management of meetings, were assessed, as was the quality of the Board packs and management presentations.
- The effectiveness of the Board in reviewing the Company's current performance, and influencing future performance, was considered, and respondents were asked to identify areas upon which they feel the Board should spend more or less time focusing over the coming year.
- The Board's oversight of strategy and progress against each of the Company's strategic priorities was considered, as was the Board's understanding of the capacity of the organisation to deliver the strategy. Respondents' views as to the top strategic issues facing the Company were also identified.
- The Board's focus on risk and HSE performance was assessed, as was the adequacy of succession plans for members of top management. Respondents were asked to consider the top Human Resources priorities facing the Company over the coming years.

Following the review, the Board agreed to increase the number of operational and vessel visits carried out by the Board and to increase the number of Board meetings that members of management attend and present at.

The Committee has assessed the results of the Board evaluation process and, 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 that these Directors demonstrate commitment to their roles, including commitment of time for Board and Committee meetings and any other duties.

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

Re-election of Directors

The biographical details of the Directors can be found on pages 32 to 33. All of the Company's current Directors will stand for re-election at the 2018 Annual General Meeting.

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

Diversity

Currently all members of the Board are male however the Nomination Committee very much takes into account the benefits of diversity on the Board, including gender and variety of experience. The Board remains diverse in terms of the range of nationality and international experience of its members. The Directors' broad range of experience and expertise covers relevant technical, operational, financial, governance, legal and commercial expertise as well as the valuable experience of operating in the energy industry on an international basis.

The Company aspires to diversify its Board further as part of its succession planning process. Whilst seeking to achieve this aim, the Company will not appoint an individual to the Board unless they are considered the best candidate for the role, whether male or female. The Corporate Social Responsibility section on pages 28 to 29 provides further information on the Group's workforce.

Succession planning

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

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

Simon Heale

Nomination Committee Chairman
26 March 2018

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 2017. 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 4 to 29 of this document, which forms part of this report by reference.

Corporate Governance

The Company's Corporate Governance Statement is set out on pages 30 to 57 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 32 to 33.

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. All our Directors must be approved by the Board before they stand for re-appointment by shareholders.

Directors wishing to continue to serve will seek re-election annually in accordance with provision B.7.1 of the 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 2017 can be found in note 13 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 2017 or in the period between the year end and the date of this report.

The Company was granted a general authority by its shareholders at the 2017 AGM to allot shares up to 33% of the Company's issued share capital as at 27 March 2017. The Company also received authority to allot shares for cash on a non-pre-emptive basis up to 5% of the Company's issued share capital as at 27 March 2017. As at the date of this Report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2018 AGM. Resolutions will be proposed at the 2018 AGM to renew these authorities.

The Company did not buy back any shares during the year, therefore the outstanding authority is 34,970,397.

The Company is due to have its 2018 AGM on 22 May 2018 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 2019 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 112 to 117.

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 2017 Number of shares	As at 31 December 2017 % voting rights	As at 09 March 2018 Number of shares	As at 09 March 2018 % voting rights
Green Investment Commercial Investments	97,109,602	27.77	97,109,602	27.77
Aberforth Partners	44,562,088	12.74	44,562,088	12.74
Horizon Energy	21,136,703	6.04	21,136,703	6.04
Al Ain Capital	21,136,703	6.04	21,136,703	6.04
Standard Life Investments	16,536,570	4.73	16,831,243	4.81
M&G Investment Mgt	12,036,785	3.44	13,686,785	3.91
Merrill Lynch	11,737,533	3.36	11,796,096	3.37
Citibank (Switzerland)	9,301,269	2.66	10,450,000	2.99
FIL Investment International	6,432,222	1.84	9,604,289	2.75
Abu Dhabi Islamic Bank	8,727,958	2.50	8,727,958	2.50

Significant agreements

As at 31 December 2017 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 relevant Principal Shareholder has appointed a single Director to the Board, 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 that 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.

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

Share incentive schemes

All of the Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on pages 42 to 55 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.

Risk regarding the use of financial instruments

The Group's financial risk management objectives and policies including the use of financial instruments are set out in note 34 to the consolidated financial statements on pages 98 to 100.

Post balance sheet events

There have been no events subsequent to 31 December 2017 for disclosure.

Likely future developments

Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 4 to 29 and forms part of this report by reference.

Research and development

The Group did not undertake any research and development activities during the year (2016: none).

Political donations

The Group made no political donations during the year (2016: nil).

The existence of branches outside the UK

The Group has a branch in the Netherlands.

DIRECTORS' REPORT CONTINUED

Employees and policies

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

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

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

Health and safety

Information on health and safety is provided on pages 11, 15, 19 and 20, and forms part of this report by reference.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on pages 28 to 29 and forms part of this report by reference.

Dividends

No dividend is to be paid for 2017. The Board believes the cash generated by the business is better utilised for the reduction of bank debt at this time.

Going concern

The Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and has access to a committed working capital facility of US\$ 50 million, the total facility remained undrawn at 26 March 2018.

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 and appropriate mitigating actions, 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. Details of the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk can be found in note 34 to the consolidated financial statements on pages 98 to 100. The principal risks and uncertainties facing the Group are set out on pages 17 to 19.

Information on the Group's longer-term viability is provided within the risk management section on pages 16 to 19.

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 62 to 68) 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.

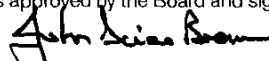
Auditors

Deloitte LLP, the Group's auditors, have indicated their willingness to continue in office and in accordance with Section 489 of the Act, a resolution to re-appoint them will be put to the 2018 Annual General Meeting.

Annual General Meeting (AGM)

The Company's 2018 AGM will take place at 10.00am (UK time) on Tuesday 22 May 2018 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 112 and on the Company's website. The Notice of AGM sets out the business of the Meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

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



John Brown
Company Secretary
26 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

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

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

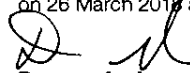
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 26 March 2018 and is signed on its behalf by:


Duncan Anderson
 Chief Executive Officer
 26 March 2018


John Brown
 Chief Financial Officer
 26 March 2018

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Gulf Marine Services plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

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

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of the group's vessels, and • Revenue recognition The risks included within our report are consistent with those included in our 2016 audit report.
Materiality	The materiality that we used for the group financial statements was \$2.7 million, which was determined on the basis of 5.6% of normalised average pre-tax profit for the 2015-2017 period, adjusted to exclude impairment charges and the expensing of refinancing costs.
Scoping	We identified the group's business to be a single component, and therefore all operations of the group were subject to a full scope audit. All audit work for the group was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach compared to the prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern	We have reviewed the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement	Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 16 to 19 that describe the principal risks and explain how they are being managed or mitigated, • the directors' confirmation on page 16 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on page 19 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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

Key audit matters

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

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

Impairment of the group's vessels

Key audit matter description	The group's vessels are its sole revenue generating assets, with a carrying value of \$748.1 million at 31 December 2017 (2016: \$730.3 million) which represents 86% 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 significant and prolonged fall in prevailing oil & gas prices, due to the resultant impact on the group's customer base in the oil & gas industry. Due to the high level of judgements involved, we have also determined that there was a potential for fraud through possible manipulation of the recoverable amount. Management has assessed recoverable amount based on the estimated value in use of each vessel, which in <i>all cases was higher than fair value less costs to sell. The key assumptions utilised in these calculations include, on a vessel by vessel basis:</i> • forecast utilisation; • forecast day rates; • cost assumptions; and • discount rate. As referenced in note 4 of the financial statements the carrying value of the group's vessels is considered by management as a critical accounting judgement and key source of estimation uncertainty. The group has recorded a \$7.3 million impairment charge in respect of one vessel. Further details of the group's vessels and the current year impairment charge is provided in note 8 to the financial statements and in the Audit and Risk Committee Report on page 40.
How the scope of our audit responded to the key audit matter	We challenged the assumptions made by management on a vessel by vessel basis by reference to publicly available information, our knowledge of the group and industry and the group's most recent budget. This included • understanding the process by which management has derived its value in use estimates; • evaluating the design and implementation of management's controls to address the risk of impairment of the group's vessels; • 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 tailored to each vessel demonstrating an impairment indicator as at 31 December 2017, using more conservative assumptions for future day rates and utilisation levels to take into consideration the current market conditions described above, and • testing the clerical accuracy of the calculations.
Key observations	We are satisfied that the impairment charges recorded by management are appropriate and that no additional impairments have arisen during the year.

Revenue recognition

Key audit matter description

Each of the group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as a standby rate for when the vessel is available for use but not operational. Certain contracts also include amounts payable to the group in respect of mobilising the vessel at the inception of the contract and/or demobilising the vessel at the end of the contract term. As disclosed in the accounting policies in note 3 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 related equipment modifications or upgrades are capitalised and depreciated in accordance with the Group's fixed asset capitalisation policy. Demobilisation revenue at the end of the contract is recognised when received.

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 (to achieve both completeness and accuracy);
- apply the correct contractual rates, net of any discounts, to the number of days in each of these categories (to ensure accuracy); and
- ensure mobilisation and demobilisation revenue has been appropriately recorded in accordance with the terms of the contract and the accounting policies above.

Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete and accurate recording of revenue as a key audit matter.

Further details of revenue arising in the year is provided in note 23 to the financial statements.

How the scope of our audit responded to the key audit matter

We have obtained a detailed schedule analysing the revenue earned by month and by vessel, which specifies both the number of days on hire/on standby and the relevant contractual rate, and agreed this to the general ledger. We have:

- performed an analytical review in respect of the number of days on hire/standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the period;
- on a sample basis, agreed the day rate to the underlying contract;
- on a sample basis, recalculated the revenue figure based on the days on hire/standby and the day rate and agreed both the revenue amount and days on hire/standby to invoice;
- on a sample basis, agreed the on hire days billed to a confirmation of days worked signed by the customer;
- obtained an overview of new contracts in the period and the appropriateness of the revenue recognition policies adopted;
- for mobilisation and demobilisation revenue, determined whether revenue has been recorded in accordance with the terms of the contract and the group's accounting policy in this area; and
- performed a recalculation of the deferred revenue in respect of mobilisation revenue by agreeing mobilisation income to contract and apportioning according to the life of the minimum contracted period of the contract.

We have also evaluated both the design and implementation and operating effectiveness of management controls to address the risk of inappropriate revenue recognition.

Key observations

Our testing showed that revenue has been recorded in accordance with the terms of the underlying contracts and the group's accounting policies in this area.

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

Our application of materiality

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

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

Group and Parent company financial statements	
Materiality	\$2.7 million (2016: \$3.5 million)
Basis for determining materiality	Group: 5.6% of normalised average pre-tax profit for the 2015-2017 period, adjusted to exclude impairment charges and the expensing of refinancing costs. Parent company: 3% of net assets, capped at the materiality applied to the group financial statements.
Rationale for the benchmark applied	In respect of the group, we consider that users of the financial statements are focused on the group's ability to generate profits for its shareholders. However, in a period of volatility for both day rates and utilisation, we consider it appropriate to consider average profits over the 2015-2017 period. We have also excluded impairments and refinancing costs as they would distort materiality year-on-year. In addition to this primary metric, we have also taken into consideration a number of other factors, noting that \$2.7 million represents less than 1% of net assets and 4.6% of earnings before interest, tax, depreciation, impairment and refinancing costs ("adjusted EBITDA"). For the parent company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$135,000 (2016: \$175,000) for both the group and the parent company, 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

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we identified the group's business to be a single component, and therefore all operations of the group were subject to a full scope audit. During the course of the audit, senior members of the UK audit team, including the Senior Statutory Auditor, supervised the members of the audit team who are based in the United Arab Emirates, and visited the United Arab Emirates operations during the completion stages of the audit.

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

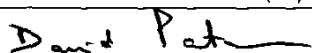
Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Company's Audit Committee on 14 March 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is 4 years, covering the years ending 31 December 2014 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

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



David Paterson, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Revenue	5, 23	112,881	179,410
Cost of sales		(69,596)	(83,761)
Impairment charge	8, 10	(7,327)	(21,307)
Gross profit		35,958	74,342
General and administrative expenses		(16,721)	(21,636)
Finance income	25	47	75
Finance expense	24	(38,960)	(20,181)
Other income		75	88
Loss on disposal of asset		(575)	(847)
Foreign exchange gain/(loss), net	26	1,856	(1,023)
(Loss)/Profit for the year before taxation		(18,320)	30,818
Taxation credit/(charge) for the year	20	167	(1,377)
(Loss)/Profit for the year	26	(18,153)	29,441
Other comprehensive income/(expense) – items that may be reclassified to profit and loss:			
Exchange differences on translating foreign operations		46	(1,378)
Total comprehensive (expense)/income for the year		(18,107)	28,063
(Loss)/Profit attributable to:			
Owners of the Company		(18,565)	29,509
Non-controlling interests	33	412	(68)
		(18,153)	29,441
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(18,519)	28,131
Non-controlling interests	33	412	(68)
		(18,107)	28,063
(Loss)/Earnings per share:			
Basic (cents per share)	7	(5.31)	8.44
Diluted (cents per share)	7	(5.31)	8.34

All results are derived from continuing operations in each year.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	804,500	852,398
Dry docking expenditure	10	2,711	4,327
Deferred tax asset	20	1,176	455
Fixed asset prepayments		–	66
Total non-current assets		808,387	857,246
Current assets			
Trade and other receivables	11	18,493	23,945
Cash and cash equivalents	12	38,954	61,575
Total current assets		57,447	85,520
Total assets		865,834	942,766
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	57,957	57,929
Share premium account	13	93,075	93,075
Restricted reserve	17	272	272
Group restructuring reserve	14	(49,710)	(49,710)
Share option reserve	15	2,465	1,702
Capital contribution	16	9,177	9,177
Translation reserve		(1,969)	(2,015)
Retained earnings		309,445	333,259
Attributable to the owners of the Company		420,712	443,689
Non-controlling interests	33	598	560
Total equity		421,310	444,249
Non-current liabilities			
Bank borrowings	19	391,514	401,599
Provision for employees' end of service benefits	21	3,188	3,181
Deferred tax liability		13	13
Total non-current liabilities		394,715	404,793
Current liabilities			
Trade and other payables	22	24,907	28,787
Current tax liability		4,633	2,832
Bank borrowings	19	20,269	22,021
Obligations under finance leases	31	–	40,084
Total current liabilities		49,809	93,724
Total liabilities		444,524	498,517
Total equity and liabilities		865,834	942,766

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2018. They were signed on its behalf by:



Duncan Anderson
Chief Executive Officer



John Brown
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Share capital US\$'000	Share premium account US\$'000	Restricted reserve US\$'000	Group restructuring reserve US\$'000	Share option reserve US\$'000	Capital contribution US\$'000	Translation reserve US\$'000	Retained earnings US\$'000	Attributable to the owners of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
At 1 January 2016	57,929	93,075	272	(49,710)	1,409	9,177	(637)	311,760	423,275	628	423,903
Total comprehensive income	-	-	-	-	-	-	(1,378)	29,509	28,131	(68)	28,063
Share options rights charge (note 35)	-	-	-	-	293	-	-	-	293	-	293
Dividends paid during the year (note 36)	-	-	-	-	-	-	-	(8,010)	(8,010)	-	(8,010)
At 1 January 2017	57,929	93,075	272	(49,710)	1,702	9,177	(2,015)	333,259	443,689	560	444,249
Total comprehensive income/(expense)	-	-	-	-	-	-	46	(18,565)	(18,519)	412	(18,107)
Share options rights charge (note 35)	-	-	-	-	791	-	-	-	791	-	791
Shares issued under LTIP schemes (note 13)	28	-	-	-	(28)	-	-	-	-	-	-
Dividends paid during the year (note 36)	-	-	-	-	-	-	-	(5,249)	(5,249)	(374)	(5,623)
At 31 December 2017	57,957	93,075	272	(49,710)	2,465	9,177	(1,969)	309,445	420,712	598	421,310

Please refer to note 18 for description of each reserve.

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2017

	2017 US\$'000	2016 US\$'000
Net cash generated from operating activities (note 28)	56,273	126,297
Investing activities		
Payments for property, plant and equipment	(22,822)	(147,089)
Proceeds from insurance claim	1,801	-
Proceeds from disposal of property, plant and equipment	1,209	109
Movement in capital advances	67	195
Dry docking expenditure incurred	(2,049)	(2,594)
Movement in guarantee deposits	82	81
Interest received	47	75
Net cash used in investing activities	(21,665)	(149,223)
Financing activities		
Bank borrowings received	-	105,000
Repayment of bank borrowings	(21,999)	(44,938)
Payment of issue cost on borrowings	(2,283)	(2,700)
Interest paid	(25,114)	(22,166)
Payment on obligations under finance lease	(2,584)	(3,519)
Dividends paid	(5,249)	(8,010)
Net cash (used in)/provided by financing activities	(57,229)	23,667
Net (decrease)/increase in cash and cash equivalents	(22,621)	741
Cash and cash equivalents at the beginning of the year	61,575	60,834
Cash and cash equivalents at the end of the year (note 12)	38,954	61,575
Non-cash transactions		
Shares issued under LTIP schemes (note 13)	28	-
Return of finance leased vessel (note 8)	(37,500)	-
Insurance claim receivable (note 8)	(1,710)	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 General information

Gulf Marine Services PLC ("GMS" or "the Company") is a Company which 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 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816.

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

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

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

The accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

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 7 <i>Disclosure Initiative</i>	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 19). A reconciliation between the opening and closing balances of these items is provided in note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 28, the application of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
<i>Annual Improvements to IFRSs 2014-2016 Cycle</i>	The Group has adopted the amendments to IFRS 12 included in the <i>Annual Improvements to IFRSs 2014-2016 Cycle</i> for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 2 (amendments) <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
IFRS 4 (amendments) <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
IAS 40 (amendments) <i>Transfers of Investment Property</i>	1 January 2018
IFRS 10 and IAS 28 (amendments) <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date deferred indefinitely
<i>Annual Improvements to IFRSs 2014-2016 Cycle</i> Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IFRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advanced Consideration</i>	1 January 2018
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

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

New and revised IFRSs in issue but not yet effective continued

IFRS 9 Financial Instruments

The Group will apply IFRS 9 from 1 January 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has in place during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, financial assets can be designated as at FVTPL to mitigate an accounting mismatch.

With respect to the classification and measurement of financial liabilities changes in the fair value of a financial liability designated as at FVTPL due to credit risk, are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Based on the Group's preliminary assessment, there will be no impact on the classification and measurement of financial assets and all financial assets will continue to be classified at amortised cost. There will be no change in the classification and subsequent accounting treatment for any financial liabilities.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised cost.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as permitted by IFRS 9. The Group has made an assessment of the lifetime expected credit loss and applied sensitivities using different credit spreads and does not expect a material change to impairments for financial assets.

IFRS 15 Revenue from contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018. The Group is required to adopt IFRS 15 for the year ending 31 December 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Management has assessed the effects of applying the new standard on the Group's financial statements. Based on the Group's preliminary assessment, there will be no material impact on the recognition and measurement of revenue.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of US\$ 2.0million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Under the updated accounting standards, the Group has preliminarily determined that some of its revenue contracts with customers may contain a lease component, with the Group acting as lessor, and at adoption therefore the Group may be required to disclose a leasing component on these contracts. The Directors are currently assessing the potential impact of the above. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete their review.

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") interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

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

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

3 Significant accounting policies continued

Basis of consolidation continued

Details of GMS's subsidiaries at 31 December 2017 and 2016 are as follows

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2017	2016	
Gulf Marine Services W.L.L.	United Arab Emirates	MN1 Mussafah Base, Mussafah Industrial Area Abu Dhabi, P.O. Box 46046 United Arab Emirates	100%	100%	Marine Contractors
Offshore Holding Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Holding Company
Offshore Logistics Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Khawla 181"
Offshore Jack-up Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Helios" – Dormant
Offshore Tugboat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Atlas" – Dormant
Offshore Boat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Endurance"
Mena Marine Limited	Cayman Islands	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	100%	100%	General investment and trading
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	100%	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	P. O. Box 257, Dammam 31411 Saudi Arabia	75%	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	100%	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Sharqi"

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2017	2016	
GMS Scirocco Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Shamal"
GMS Jersey Holdco. 1 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	100%	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	100%	100%	General Investment
Gulf Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamnyah Free Zone, Sharjah	100%	100%	Operator of Offshore Barges
GMS Global Commercial Invt LLC	United Arab Emirates	Al Mariah Island, Al Sowwa Square, Abu Dhabi United Arab Emirates	100%	100%	General Investment
GMS Kelo SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kelo"
GMS Pepper Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Evolution"
Gulf Marine Services LLC	Qatar	Qatar Financial Centre, Doha	100%	–	Marine Contractor

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

3 Significant accounting policies continued

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 30. Further information on the use of the going concern basis has been disclosed in the Directors' report on page 60.

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.

Charter revenue

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 as part of mobilisations are initially deferred and amortised on a straight-line basis over the term of the contract. Lump-sum fees received for equipment moves (and related costs) as part of demobilisations are recognised as the services relating to the demobilisation are rendered.

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

Revenue is recognised for certain reimbursable costs. Each reimbursable item and amount is stipulated in the Group's contract with the customer, and such items and amounts are variable from contract to contract. Reimbursable costs are 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 vessel is on hire. This is done periodically throughout the year and is charged to customers in accordance with agreed contractual daily rates. Maintenance revenue is recognised when the work takes place.

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 below).

Property, plant and equipment

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

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

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

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

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

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

Standby equipment

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

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

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

Dry docking

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

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

Capital work-in-progress

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

Intangible assets

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

Customer relationships	10 years
------------------------	----------

The estimated useful life and amortisation 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

3 Significant accounting policies continued

Intangible assets continued

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

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

The actual payment is 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 US\$ 0.6 million (2016: US\$ 0.8 million) represents end of service benefit provision made to employees in accordance with the UAE and Saudi Arabia Labour Laws.

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 income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

3 Significant accounting policies continued

Long term incentive plans continued

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 on hand and balances held with banks with original maturities of three months or less.

Trade and other receivables and amounts due from related parties

Trade and other receivables (excluding prepayments and advances to suppliers) and due from related parties 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, as well as 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.

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.

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, loans from related parties, amounts 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 they expire.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange risk. As at 31 December 2017, the Group did not have any open derivative financial instruments

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 judgements and key sources of estimation uncertainty

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

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

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

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

Management 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

4 Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

The recoverable amount is the higher of fair value less costs to sell and value in use. As part of the process of assessing fair values less costs to sell of the vessel, management obtain vessel valuations from leading, independent and internationally recognised ship brokers on an annual basis or when there is an indication that the value of the vessel may be impaired. In assessing value in use, the estimated future cash flows are discounted to their present value using a real pre-tax discount rate of 11.5% that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the asset. Further details of impairment charges during the year are provided in note 8. As at 31 December 2017 the Group had property, plant and equipment of US\$ 804.5 million (2016 US\$ 852.4 million).

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. The Group reviews the ageing of trade receivables regularly and the need for allowances against doubtful debts is considered for trade receivables that are past due 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. Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognised in the consolidated statement of comprehensive income. As at 31 December 2017 the Group had net trade accounts receivable of US\$ 12.3 million (2016 US\$ 19.3 million). Further details in this area are provided in note 11.

Critical accounting judgements

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

Accounting treatment of the new loan facility

Management have determined that the terms of the new loan facility acquired in the year are substantially different from the old facility previously held by the Group. Therefore, the old facility has been derecognised with all associated unamortised arrangement and commitment fees expensed within the statement of comprehensive income.

The new facility was initially recognised at fair value which was estimated using a discounted cash flow calculation based upon the Group's current borrowing rate and remaining maturities consistent with the debt being valued. The new facility will subsequently be recognised as a financial liability at amortised cost. Any costs incurred on the new loan facility have also been recognised in the statement of comprehensive income along with the gain arising from recognition of the new facility. This has resulted in additional finance expenses of US\$ 14.2 million, with further details in note 24.

Capitalisation of vessel costs

Management exercises judgement in assessing the extent to which costs incurred in relation to its vessel fleet, including overheads, dry docking expenditure and finance charges, meet the criteria for capitalisation under IFRS. Judgement is also required in determining the date at which vessels under construction are ready for use at which point capitalisation of the majority of costs ceases and depreciation commences. Further details of expenditure incurred during the year is provided in note 8.

5 Segment reporting

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

The operating and reportable segments of the Group are (i) Small Class vessels which includes the Kamikaze, Kikuyu, Kawawa, Kudeta, Kelo, Kinoa and Pepper vessels (ii) Mid-Size Class vessels which includes the Shamal, Scirocco and Sharq vessels, (iii) Large Class vessels which includes the Endeavour, Endurance, Enterprise and Evolution vessels, and (iv) Other vessels, considered non-core assets, which includes one accommodation barge (Khawla) and one 35-year old vessel (Naashi) which do not form part of the Small, Mid-Size or Large Class vessels segments. The composition of the Other vessels segment, which are non-core assets, was amended during the year following the sale of two anchor handling tugs, and the reclassification of the vessel Naashi from Small Class vessels to Other vessels following its impairment (comparative figures have also been adjusted to reflect this).

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

	Revenue		Segment adjusted gross profit/(loss)*	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Small Class vessels	35,337	69,704	22,024	51,118
Mid-Size Class vessels	34,990	32,959	22,800	18,041
Large Class vessels	42,549	68,701	29,074	53,202
Other vessels	5	8,046	(113)	4,614
	112,881	179,410	73,785	126,975
Less:				
Depreciation charged to cost of sales			(26,987)	(27,151)
Amortisation charged to cost of sales			(3,513)	(4,175)
Impairment charge			(7,327)	(21,307)
Gross profit			35,958	74,342
General and Administrative expenses			(16,721)	(21,636)
Finance income			47	75
Finance expense			(38,960)	(20,181)
Other income			75	88
Loss on disposal of asset			(575)	(847)
Foreign exchange gain/(loss), net			1,856	(1,023)
(Loss)/Profit before taxation			(18,320)	30,818

* See Glossary

The total revenue from reportable segments which comprises the Small, Mid-Size and Large Class vessels is US\$ 112.9 million (2016: US\$ 171.4 million). The Other vessels segment does not constitute a reportable segment per IFRS 8 Operating Segments.

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

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

Information about major customers

Certain customers individually accounted for greater than 10% of the Group's revenue. During the year, seven customers (2016: three) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, were US\$ 18.35 million (2016: US\$ 51.46 million), US\$ 17.05 million (2016: US\$ 40.46 million), US\$ 15.61 million (2016: US\$ 24.45 million), US\$ 14.73 million (2016: US\$ 16.71 million), US\$ 13.84 million (2016: US\$ 14.4 million), US\$ 13.81 million (2016: US\$ 9.58 million) and US\$ 13.16 million (2016: US\$ 8.23 million). The revenue from these customers is attributable to the Large Class vessels, Mid-Size Class vessels and Small Class vessels reportable segments.

Geographical segments

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

	2017 US\$'000	2016 US\$'000
Saudi Arabia	41,830	8,858
United Arab Emirates	19,542	109,740
Qatar	18,119	14,401
Total – Middle East and North Africa	79,491	132,999
United Kingdom	16,338	24,455
Netherlands	13,602	16,708
Rest of Europe	3,450	5,248
Total – Europe	33,390	46,411
Worldwide Total	112,881	179,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

6 Presentation of adjusted non-GAAP results

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	Adjusted non-GAAP results US\$'000	Adjusting items US\$'000	Statutory total US\$'000	Adjusted non-GAAP results US\$'000	Adjusting items US\$'000	Statutory total US\$'000
Revenue	112,881	–	112,881	179,410	–	179,410
Cost of sales						
– Operating expenses	(39,096)	–	(39,096)	(52,435)	–	(52,435)
– Depreciation and amortisation	(30,500)	–	(30,500)	(31,326)	–	(31,326)
– Impairment charge*	–	(7,327)	(7,327)	–	(21,307)	(21,307)
Gross profit	43,285	(7,327)	35,958	95,649	(21,307)	74,342
General and administrative						
– Depreciation	(1,391)	–	(1,391)	(1,451)	–	(1,451)
– Other administrative costs	(15,330)	–	(15,330)	(20,185)	–	(20,185)
Operating profit	26,564	(7,327)	19,237	74,013	(21,307)	52,706
Finance income	47	–	47	75	–	75
Finance expense	(23,327)	–	(23,327)	(20,181)	–	(20,181)
Expensing of loan arrangement and facility fees**	–	(11,021)	(11,021)	–	–	–
Costs to acquire new bank facility***	–	(5,891)	(5,891)	–	–	–
Fair value gain on financial liabilities held at amortised cost****	–	1,279	1,279	–	–	–
Other income	75	–	75	88	–	88
Loss on disposal of asset	(575)	–	(575)	(847)	–	(847)
Foreign exchange gain/(loss), net	1,856	–	1,856	(1,023)	–	(1,023)
Profit/(Loss) before taxation	4,640	(22,960)	(18,320)	52,125	(21,307)	30,818
Taxation credit/(charge)	167	–	167	(1,377)	–	(1,377)
Profit/(Loss)	4,807	(22,960)	(18,153)	50,748	(21,307)	29,441
Profit/(Loss) attributable to						
Owners of the Company	4,395	(22,960)	(18,565)	50,816	(21,307)	29,509
Non-controlling interests	412	–	412	(68)	–	(68)
Earnings/(Loss) per share	1.26	(6.57)	(5.31)	14.54	(6.10)	8.44
Supplementary non-statutory information						
Operating profit	26,564	(7,327)	19,237	74,013	(21,307)	52,706
Add: Depreciation and amortisation charges	31,891	–	31,891	32,777	–	32,777
Non-GAAP EBITDA	58,455	(7,327)	51,128	106,790	(21,307)	85,483

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

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

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

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

7 Earnings per share

	2017	2016
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share being (loss)/profit for the year attributable to owners of the parent (US\$'000)	(18,565)	29,509
Earnings for the purpose of adjusted basic and diluted earnings per share (US\$'000) (note 6)	4,395	50,816
Weighted average number of shares ('000)	349,614	349,528
Weighted average diluted number of shares in issue ('000)	349,614	354,012
Basic (loss)/earnings per share (cents)	(5.31)	8.44
Diluted (loss)/earnings per share (cents)	(5.31)	8.34
Adjusted earnings per share (cents)	1.26	14.54
Adjusted diluted earnings per share (cents)	1.26	14.35

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

Adjusted earnings per share is calculated on the same basis but uses the earnings for the purpose of basic earnings per share (shown above) adjusted by adding back the impairment charge on certain vessels (US\$ 7.3 million), written-off unamortised loan arrangement fees (US\$ 9.6 million), written-off unamortised loan facility fees (US\$ 1.4 million), costs to acquire a new bank facility (US\$ 5.9 million) and fair value gain on financial liabilities held at amortised cost (US\$ 1.3 million) which have been recognised in the statement of comprehensive income. The adjusted earnings per share is presented the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of share options outstanding during the year. As the Group incurred a loss in 2017, diluted loss per share is the same as loss per share, as the effect of share options is anti-dilutive.

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

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

	2017 '000s	2016 '000s
Weighted average basic number of shares in issue	349,614	349,528
Effect of share options under LTIP schemes	–	4,484
Weighted average diluted number of shares in issue	349,614	354,012

8 Property, plant and equipment

	Vessels US\$'000	Capital work-in- progress US\$'000	Land, building and improvements US\$'000	Vessel Spares, fittings and other equipment US\$'000	Others US\$'000	Total US\$'000
Cost						
At 1 January 2016	826,101	81,436	8,719	9,889	4,138	930,283
Additions	1,280	104,640	–	71	35	106,026
Transfers	70,639	(77,737)	1,580	5,025	493	–
Disposals	(1,130)	–	–	(21)	(121)	(1,272)
At 1 January 2017	896,890	108,339	10,299	14,964	4,545	1,035,037
Additions	–	29,723	–	–	–	29,723
Transfers	92,374	(127,664)	126	35,087	77	–
Disposals*	(75,780)	–	–	(1,616)	(973)	(78,369)
Other**	(3,511)	–	–	–	–	(3,511)
At 31 December 2017	909,973	10,398	10,425	48,435	3,649	982,880

* Disposals include the costs of disposal of vessel Kinoa which was returned to its lessor in August 2017 having previously been held under a finance lease.

** This relates to the insurance claim pertaining to the construction of a Mid-Size Class vessel that was delivered in March 2016. It comprises the insurance claim proceeds received during the year of US\$ 1.8 million and insurance claim receivable of US\$ 1.7 million (note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

8 Property, plant and equipment continued

	Vessels US\$'000	Capital work-in- progress US\$'000	Land, building and improvements US\$'000	Vessel Spares, fittings and other equipment US\$'000	Others US\$'000	Total US\$'000
Accumulated depreciation						
At 1 January 2016	119,949	–	4,650	6,472	2,951	134,022
Eliminated on disposal of assets	(191)	–	–	(4)	(121)	(316)
Depreciation expense	26,216	–	579	774	658	28,227
Impairment charge	20,621	–	–	85	–	20,706
At 1 January 2017	166,595	–	5,229	7,327	3,488	182,639
Eliminated on disposal of assets	(37,320)	–	–	(1,607)	(973)	(39,900)
Depreciation expense	25,410	–	965	1,417	586	28,378
Impairment charge	7,220	–	–	43	–	7,263
At 31 December 2017	161,905	–	6,194	7,180	3,101	178,380
Carrying amount						
At 31 December 2017	748,068	10,398	4,231	41,255	548	804,500
At 31 December 2016	730,295	108,339	5,070	7,637	1,067	852,398

The carrying amount of vessels held under finance leases was nil (2016: US\$ 38.4 million) as the Group returned the formerly leased vessel Kinoa to its lessor in August 2017. The Group also derecognised a related lease liability of US\$ 37.5 million resulting in a loss on disposal of US\$ 0.7 million.

Depreciation amounting to US\$ 27.0 million (2016: US\$ 27.2 million) has been allocated to cost of sales. The balance of the depreciation charge is included in general and administrative expenses.

Included in additions to the vessels under construction is US\$ 3.3 million (2016: US\$ 2.4 million) in respect of capitalised borrowing costs. The capitalisation rate used to determine this figure was 3.37% (2016: 3.99%) based on specific borrowing rates.

Certain vessels, with a total net book value of US\$ 748.1 million (2016: US\$ 566.6 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (note 19).

Impairment Assessment

The Group undertook a full impairment review of its fixed assets during the year. The Group recognised an impairment charge of US\$ 7.3 million on a 35-year old vessel to reduce its carrying amount to its estimated recoverable amount of US\$ 3.0 million. The outlook for a vessel of that age in securing work in the current environment in the medium term has deteriorated with clients having a tendency to elect for more modern tonnage. The impairment charge has been expensed in the statement of comprehensive income through cost of sales.

For the purpose of the impairment assessment, each vessel is considered a separate cash-generating unit ("CGU") and management has estimated the recoverable amounts of its vessels based on their value in use. The cash flow projections used in determining the value in use of each CGU were based on forecasts prepared by management taking into account past experience. The average compound annual growth rates ("CAGR") in revenue for the CGUs were assumed as an average upward revision of 10.0% (2016: 6.8%) between 2018 and 2022, remaining flat thereafter. The CAGR is dependent on the average utilisation and charter rate of the vessels.

The risk adjusted cash flows have been discounted using a real pre-tax discount rate of 11.5% (2016: 11.5%) which was estimated taking into consideration the weighted average cost of capital of a portfolio of peer group companies with similar assets.

9 Intangible assets

	Customer relationships US\$'000	Total US\$'000
Cost	7,337	7,337
Accumulated amortisation		
At 1 January 2016	6,962	6,962
Amortisation expense	375	375
At 1 January 2017	7,337	7,337
Amortisation expense	-	-
At 31 December 2017	7,337	7,337
Carrying amount		
At 31 December 2017	-	-
At 31 December 2016	-	-

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 nil (2016: US\$ 0.4 million) has been allocated to general and administrative expenses.

10 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2017 US\$'000	2016 US\$'000
At 1 January	4,327	6,510
Expenditure incurred during the year	2,049	2,594
Disposals	(88)	-
Amortised during the year	(3,513)	(4,176)
Impairment charge	(64)	(601)
At 31 December	2,711	4,327

Amortisation for the year has been charged to cost of sales.

11 Trade and other receivables

	2017 US\$'000	2016 US\$'000
Trade receivables (net)	12,257	19,289
Accrued income	1,469	1,787
Prepayments and deposits*	2,343	2,349
Insurance receivable (note 8)	1,792	-
Advances to suppliers	123	128
VAT receivables	186	-
Other receivables	253	322
Due from related parties (note 27)	70	70
	18,493	23,945

* Prepayments and deposits include guarantee deposits of US\$ 0.61 million (2016: US\$ 0.69 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.

Gross trade receivables, amounting to US\$ 9.8 million (2016: US\$ 16.8 million), have been assigned as security against the loans extended by the Group's banking syndicate (note 19).

Trade receivables and other 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 normal credit period granted to customers is 30 – 45 days (2016: 30 – 45 days). Before accepting any new customer the Group assesses the potential credit quality of the customer. The Group has policies in place to ensure that credit sales are rendered to customers with an appropriate credit history.

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

11 Trade and other receivables continued

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:

	2017 US\$'000	2016 US\$'000
At 1 January	2,287	-
Provision during the year	-	2,287
Recovery	(1,367)	-
At 31 December	920	2,287

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.

Included in the Group's trade receivables balance are receivables with a carrying amount of US\$ 2.32 million (2016: US\$ 7.39 million) which are past due for 30 days or more at the reporting date. The average age of these past due receivables is 190 days (2016: 96 days).

At 31 December, the analysis of trade receivables is as follows.

	Number of days past due						Total US\$'000
	Current US\$'000	< 30 days US\$'000	Total 31-60 days US\$'000	61-90 days US\$'000	91-120 days US\$'000	> 120 days US\$'000	
Trade Receivables	8,911	1,945	144	109	119	1,949	13,177
Less: Allowance for doubtful receivables	-	-	(32)	-	(7)	(881)	(920)
Net Trade Receivables 2017	8,911	1,945	112	109	112	1,068	12,257
Trade Receivables	10,722	3,469	3,383	88	-	3,914	21,576
Less: Allowance for doubtful receivables	(607)	(611)	(897)	(88)	-	(84)	(2,287)
Net Trade Receivables 2016	10,115	2,858	2,486	-	-	3,830	19,289

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

12 Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Interest bearing		
Held in UAE banks	7,691	11,671
Non-interest bearing		
Held in UAE banks	8,354	43,265
Held in banks outside UAE	23,515	7,326
Total cash at bank and in hand	39,560	62,262
<i>Presented as:</i>		
Restricted cash included in trade and other receivables (note 11)	606	687
Cash and cash equivalents	38,954	61,575
Total	39,560	62,262

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

13 Share capital

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

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

On 6 July 2017, the Company issued a total of 176,169 ordinary shares at a par value of 10 pence per share in respect of the Company's 2014 long-term incentive plan.

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

The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US\$'000	Total US\$'000
At 31 December 2017			
Authorised Share Capital	349,704	57,957	57,957
Issued and fully paid	349,704	57,957	57,957
At 31 December 2016			
Authorised Share Capital	349,528	57,929	57,929
Issued and fully paid	349,528	57,929	57,929

Issued share capital and share premium account movement for the year were as follows:

	Number of ordinary shares (thousands)	Ordinary shares US\$'000	Share premium account US\$'000	Total US\$'000
At 31 December 2016	349,528	57,929	93,075	151,004
Shares issued under LTIP schemes	176	28	—	28
At 31 December 2017	349,704	57,957	93,075	151,032

14 Group restructuring reserve

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

15 Share option reserve

Share option reserve of US\$ 2.5 million (2016 US\$ 1.7 million) relates to awards granted to employees under the long-term incentive plans (note 35). The charge of US\$ 0.8 million in the year is included in cost of sales and, general and administrative expenses in the statement of comprehensive income.

16 Capital contribution

The capital contribution reserve is as follows:

	2017 US\$'000	2016 US\$'000
At 31 December	9,177	9,177

During 2013 US\$ 7.8 million was transferred from share appreciation rights payable to capital contribution as, effective 1 January 2013, the shareholders have assumed the obligation to settle the share appreciation rights. An additional charge in respect of this scheme of US\$ 1.4 million was made in 2014. The total balance of US\$ 9.2 million is not available for distribution.

17 Restricted reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

18 Reserves

The Group's Statement of Changes in Equity is disclosed as a part of primary statements on pages 69 to 72. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued (note 13).
- Share premium account includes the amounts paid over nominal value in respect of share issued, net of related costs (note 13).
- Restricted reserve includes reserves maintained by certain subsidiaries in compliance with the relevant UAE Companies Law applicable (note 17).
- Capital Contribution represents certain contributions made by shareholder for nil consideration (note 16).
- Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for group restructuring (note 14).
- The Company's Share option reserve represents the cumulative share-based payment charged to reserves (note 15).
- Foreign currency translation reserve represents differences on foreign currency net investments arising from the re-translation of the net investments in overseas subsidiaries.
- Retained profits include the accumulated realised and certain unrealised gains and losses made by the Group

19 Bank borrowings

Secured borrowings at amortised cost

	2017 US\$'000	2016 US\$'000
Term loans	411,783	435,061
Less: Unamortised issue costs	-	(11,441)
	411,783	423,620

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

	2017 US\$'000	2016 US\$'000
Non-current portion	391,514	401,599
Current portion	20,269	22,021
	411,783	423,620

In December 2017, the Group entered into a new bank loan facility. The principal terms of the new bank loan facility are as follows:

- The facility is repayable with final maturity in December 2023 (2016: November 2021);
- The revolving working capital facility amounts to US\$ 50.0 million. The total facility remained undrawn at 31 December 2017 and is available for drawdown until December 2023 (2016: US\$ 50.0 million available for drawdown until December 2017);
- The capex loan facility which had an undrawn balance of US\$ 95.0 million was cancelled in June 2017; (2016: US\$ 95.0 million available for drawdown until December 2017);
- The facility remains secured by mortgages over certain Group vessels, with a net book value at 31 December 2017 of US\$ 748.1 million (2016: US\$ 566.6 million); and
- The facility is subject to certain financial covenants including; Finance Service Cover, Interest Cover, Net Leverage Ratio, and Security Cover (loan to value). The Group remained in full compliance with these covenants at year end.

A fair value gain of US\$ 1.3 million (2016: nil) has been recognised in relation to the extinguishment of the old facility and recognition of the new bank facility at its initial fair value. The fair values of the bank borrowings were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, using appropriate market interest rates. These represent level 3 value measurements as defined by the fair value hierarchy according to IFRS 13.

	Outstanding amount			Unused facility	Security	Maturity
	Current US\$'000	Non-current US\$'000	Total US\$'000	US\$'000		
At 31 December 2017						
Term loan	20,269	391,514	411,783	-	Secured	December 2023
Working capital facility	-	-	-	50,000	Secured	December 2023
Less: unamortised issue costs	-	-	-	-		
	20,269	391,514	411,783	50,000		
At 31 December 2016						
Term loan	18,750	337,500	356,250	-	Secured	November 2021
Working capital facility	-	-	-	50,000	Secured	November 2021
Capex facility	4,584	74,227	78,811	95,000	Secured	November 2021
Less: unamortised issue costs	(1,313)	(10,128)	(11,441)	-		
	22,021	401,599	423,620	145,000		

20 Taxation charge for the year

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

	2017 US\$'000	2016 US\$'000
(Loss)/Profit from continuing operations before tax	(18,320)	30,818
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	(3,527)	6,164
Effect of higher/(lower) tax rates in overseas jurisdictions	3,360	(4,787)
Total tax (credit)/charge	(167)	1,377
Split between:		
Current tax	2,922	1,114
Tax refund	(2,368)	–
Deferred tax (credit)/charge	(721)	263
Tax (credit)/charge per financial statements	(167)	1,377

During the year tax on profits and withholding taxes of the Group from operations were 10% in Qatar (2016: 10%) and 19.25% in the United Kingdom (2016: 20%). The Group incurred 5% withholding taxes on revenue (2016: 5%) and 2.5% Zakat tax on profit from operations in Saudi Arabia (2016: 2.5%). Also, the Group incurred an income tax in Saudi Arabia on the non-GCC (Gulf Cooperation Council) owned element of net profit at 20%. The withholding tax included in the current tax charge amounted to US\$ 1.7 million (2016: US\$ 0.5 million).

During the year, a tax refund of US\$ 2.4 million was received in respect of tax overpaid in 2014 and 2015 mainly arising from a change in UK tax legislation.

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 US\$ 6.9 available for offset against future profits with an indefinite expiry period. As at 31 December 2017, a deferred tax asset has been recognised in full in respect of such losses as below.

	2017 US\$'000	2016 US\$'000
At the beginning of the year	455	–
Reclassification	–	718
Credit/(charge) arising during the year	721	(263)
At 31 December	1,176	455

21 Provision for employees' end of service benefits

In accordance with UAE Labour Law the Group is required to provide for end of service benefits for certain employees. The movement in the provision for employees' end of service benefits during the year was as follows:

	2017 US\$'000	2016 US\$'000
At the beginning of the year	3,181	3,391
Provided during the year	648	780
Paid during the year	(641)	(990)
At 31 December	3,188	3,181

22 Trade and other payables

	2017 US\$'000	2016 US\$'000
Trade payables	6,232	4,579
Accrued expenses	18,174	20,181
Deferred revenue	20	3,286
Dividend payable	374	–
VAT and other taxes payable	–	564
Other payables	107	177
	24,907	28,787

The average credit period on purchases is 90 days (2016: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

22 Trade and other payables continued

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.

23 Revenue

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

	2017 US\$'000	2016 US\$'000
Charter hire	98,332	163,785
Mobilisation and demobilisation	2,428	3,867
Messing and accommodation	11,905	10,841
Maintenance	-	819
Sundry income	216	98
	112,881	179,410

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

24 Finance expenses

	2017 US\$'000	2016 US\$'000
Interest on bank borrowings	22,174	15,126
Interest on finance leases	3,001	6,362
Write-off of unamortised loan facility fees*	11,021	-
Cost to acquire new bank facility**	5,891	-
Fair value gain on financial liabilities held at amortised cost***	(1,279)	-
Amortisation of issue costs and commitment fees	1,474	1,143
Finance expense	42,282	22,631
Less: Amounts included in the cost of qualifying assets (note 8)	(3,322)	(2,450)
	38,960	20,181

* Triggered by the extinguishment of debt in December 2017 and cancellation of the capex loan facility in June 2017 (note 19)

** Costs incurred to acquire new loan facility including arrangement, advisory and legal fees.

*** Fair value gain on recognition of new financial liability (note 19)

25 Finance income

	2017 US\$'000	2016 US\$'000
Bank and other income	47	75

26 (Loss)/Profit for the year

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

	2017 US\$'000	2016 US\$'000
Total staff costs (see below)	32,639	39,492
Depreciation of property, plant and equipment	28,378	28,227
Amortisation of dry docking expenditure	3,513	4,176
Amortisation of intangibles	-	375
Provision for doubtful debts	-	2,287
Recovery of doubtful debts	(1,367)	-
Foreign exchange (gain)/loss, net	(1,856)	1,023
Loss on disposal of asset	575	847
Operating leases rentals	1,981	405
Auditor's remuneration	349	368

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

	2017 Number	2016 Number
Middle East and Northern Africa	409	603
Rest of the world	81	79
	490	682

The total number of full time equivalent employees (including executive directors) as at 31 December 2017 was 444 (31 December 2016: 471).

Their aggregate remuneration comprised:

	2017 US\$'000	2016 US\$'000
Wages and salaries	31,088	38,254
Employment taxes	112	165
End of service benefit (note 21)	648	780
Share based payments (note 35)	791	293
	32,639	39,492

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

	2017 US\$'000	2016 US\$'000
Group audit fees	210	204
Subsidiary audit fees	39	40
Total audit fees	249	244
Audit-related assurance services – interim review	80	92
Other services	20	32
Total fees	349	368

For further information on the Group's policy in respect of Auditor's remuneration see page 41 of the Report of the Audit and Risk Committee.

27 Related party transactions

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

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

Trading transactions

The following balances were outstanding at the end of the reporting period:

	2017 US\$'000	2016 US\$'000
Amounts owed by related parties (note 11):		
Shareholders	70	70
	70	70

Key management personnel:

As at 31 December 2017, there were 2,575,482 ordinary shares held by Directors (31 December 2016: 2,631,327 ordinary shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

27 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	27.77%
Aberforth Partners	12.74%
Horizon Energy LLC	6.04%
Al Ain Capital LLC (formerly Al Bateen Investment Company LLC)	6.04%

Partner in relation to Saudi Operations	Relationship
Abdulla Fouad Energy Services Company	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, L.P. ("GC Equity Partners II")	An institutional fund sponsored and managed by Gulf Capital. The ultimate controlling party of Gulf Capital.

Compensation of key management personnel

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

	2017 US\$'000	2016 US\$'000
Short-term benefits	3,118	3,603
End of service benefits	106	136
Share based payments (LTIPs)	196	508
Dividends paid	39	60
	3,459	4,307

Compensation of key management personnel represents the charge to the income statement in respect of the remuneration of the executive and non-executive Directors and certain members of the senior management team. In 2017 there were nine members of key management personnel (2016: 11 members).

28 Notes to cash flow statement

	2017 US\$'000	2016 US\$'000
Operating activities		
(Loss)/Profit for the year before taxation	(18,320)	30,818
Adjustments for:		
Depreciation of property, plant and equipment	28,378	28,227
Amortisation of intangibles	-	375
Amortisation of dry docking expenditure	3,513	4,176
Impairment charge	7,327	21,307
End of service benefits charge	648	780
End of service benefits paid	(641)	(990)
Provision for doubtful debts	-	2,287
Recovery of doubtful debts	(1,367)	-
Loss on disposal of asset	575	847
Share options rights charge	791	293
Interest income	(47)	(75)
Interest expense	22,068	19,199
Write-off of unamortised loan facility fees	11,021	-
Costs to acquire new bank facility	5,891	-
Fair value gain on financial liabilities held at amortised cost	(1,279)	-
Other income	(75)	(88)
Amortisation of issue costs	1,259	982
Cash flow from operating activities before movement in working capital	59,742	108,138
Decrease in trade and other receivables	8,545	32,962
Decrease in trade and other payables	(13,261)	(12,595)
Cash generated from operations	55,026	128,505
Taxation received/(paid)	1,247	(2,208)
Net cash generated from operating activities	56,273	126,297

Changes in liabilities arising from financing activities

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

	1 January 2017 US\$'000	Financing cash flows* US\$'000	Non-Cash Changes					31 December 2017 US\$'000
			Amortisation of issue cost** US\$'000	Write-off of issue cost *** US\$'000	Accrued issue costs for new bank facility**** US\$'000	Fair value gain on financial liabilities***** US\$'000	Return of finance leased vessel US\$'000	
Bank borrowings (note 19)	423,620	(24,282)	1,474	11,021	1,229	(1,279)	-	411,783
Obligations under finance leases (note 31)	40,084	(2,584)	-	-	-	-	(37,500)	-
Total liabilities from financing activities	463,704	(26,866)	1,474	11,021	1,229	(1,279)	(37,500)	411,783

* The cash flows from bank borrowings and obligations under finance leases make up the net amount of repayment of bank borrowings, payment of issue costs and payment on finance leases in the statement of cash flows.

** The amortisation of issue cost includes the amount capitalised as borrowing costs of US\$ 0.2 million.

*** The write-off of issue cost includes the expensing of unamortised commitment fees (US\$ 1.4 million) for a capex loan facility that was cancelled in June 2017 and the expensing of unamortised loan arrangement fees (US\$ 9.6 million) following the extinguishment of old facility in December 2017 (note 19).

**** Costs to acquire new loan facility including arrangement, advisory and legal fees which were accrued as at 31 December 2017.

***** Fair value gain on recognition of new financial liability (note 19).

29 Contingent liabilities

At 31 December 2017, the bankers of Gulf Marine Services FZE, one of the subsidiaries of the Group, had issued bid bonds, performance bonds and labour guarantees amounting to US\$ 0.61 million (2016: US\$ 0.69 million) all of which were counter-indemnified by other subsidiaries of the Group.

30 Commitments

Capital commitments

	2017 US\$'000	2016 US\$'000
Contractual capital commitments	298	6,423

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

31 Obligations under finance leases

In August 2017, the leased vessel Kinoa was returned to the vessel's lessor. There are no remaining leased vessels as at 31 December 2017.

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

	Minimum lease payments		Present value of minimum lease payments	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Within one year	-	43,870	-	40,084
In the second to fifth year	-	-	-	-
	-	43,870	-	40,084
Less: future finance charges	-	(3,786)	-	-
	-	40,084	-	40,084

The fair value of the Group's lease obligations is approximately equal to their carrying amount. The fair values 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 3 value measurements as defined by the fair value hierarchy according to IFRS 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED for the year ended 31 December 2017

32 Obligations under operating leases

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

	2017 US\$'000	2016 US\$'000
Lease payments under operating leases recognised as expense during the year	1,981	405

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:

	2017 US\$'000	2016 US\$'000
Within one year	1,857	1,946
In the second to fifth year	167	1,363
	2,024	3,309

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

33 Non-controlling interests

The movement in non-controlling interests is summarised as follows:

	2017 US\$'000	2016 US\$'000
At 1 January	560	628
Share of profit/(loss) for the year	412	(68)
Dividends declared during the year (note 36)	(374)	-
At 31 December	598	560

34 Financial instruments

Categories of financial instruments

	2017 US\$'000	2016 US\$'000
Financial assets:		
Current assets at amortised cost:		
Cash and cash equivalents	38,954	61,575
Trade receivables and other receivables	16,446	22,155
Total financial assets	55,400	83,730
Financial liabilities:		
Financial liabilities recorded at amortised cost:		
Trade and other payables	24,887	24,938
Bank borrowings (non-current) (note 19)	391,514	401,599
Bank borrowings (current) (note 19)	20,269	22,021
Obligations under a finance lease (current) (note 31)	-	40,084
Total financial liabilities	436,670	488,642

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 2017 and 2016.

Significant accounting policies

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

Financial risk management objectives

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

Credit risk management

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

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. During the year, vessels were chartered to two Middle East and eight international companies, including international oil companies and engineering, procurement and construction (EPC) contractors. At 31 December 2017, these ten companies accounted for 99% (2016: 99%) of the outstanding trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international agencies.

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

Foreign currency risk management

The majority of the Group's transactions are denominated in UAE Dirhams, Euros, US Dollars and Pound Sterling. As the UAE Dirham and the Saudi Riyal is pegged to the US Dollar, balances in UAE Dirham and Saudi Riyals are not considered to represent significant currency risk. Transactions in other foreign currencies entered into by the Group are short-term in nature and therefore management considers that the currency risk associated with these transactions is limited 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		Assets	
	31 December		31 December	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
UAE Dirhams	1,507	1,413	6,060	12,644
Saudi Riyals	327	39	517	160
Pound Sterling	406	95	9,809	7,602
Euro	285	29	3,204	11,925
Singapore Dollar	30	–	–	–
Norwegian Krone	40	–	–	–
Others	18	5	–	–
	2,613	1,581	19,590	32,331

At 31 December 2017, 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 higher/lower by US\$ 1.2 million (2016: higher/lower by US\$ 1.9 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 analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by US\$ 2.1 million (2016: decrease/increase US\$ 2.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

34 Financial instruments continued

Liquidity risk management continued

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the Group's financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

	Interest rate	1-3 months US\$'000	4-12 months US\$'000	1-5 years US\$'000	After 5 years US\$'000
31 December 2017					
Non-interest bearing financial assets		47,104	606	-	-
Interest bearing financial assets	4-5%	7,690	-	-	-
		54,794	606	-	-
Non-interest bearing financial liabilities		24,887	-	-	-
Interest bearing financial liabilities	3.9-6.2%	5,061	15,208	205,679	185,835
		29,948	15,208	205,679	185,835
31 December 2016					
Non-interest bearing financial assets		71,372	687	-	-
Interest bearing financial assets	3.5-3.8%	11,671	-	-	-
		83,043	687	-	-
Non-interest bearing financial liabilities		24,938	-	-	-
Interest bearing financial liabilities	3.8-12%	6,327	55,778	401,599	-
		31,265	55,778	401,599	-

Management believe that the difference between fair value and carrying value is negligible.

35 Long term incentive plans

The Group has Long Term Incentive Plans (LTIPs), performance shares and share options which were granted to senior management, managers and senior offshore officers. The release of these shares is conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards; performance against three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo simulations, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award is determined by taking into account the market performance condition, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

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

The number of share awards granted by the Group during the year is given in the table below together with their weighted average exercise price ("WAEP").

	2017		2016	
	No.	WAEP	No.	WAEP
At beginning of the year	7,251,368	-	3,679,453	-
Granted in the year	-	-	5,014,231	-
Exercised during the year	(176,169)	-	-	-
Forfeited in the year	(378,454)	-	(1,442,316)	-
Lapsed	(798,797)	-	-	-
At end of the year	5,897,948	-	7,251,368	-
Exercisable at the end of the year	-	-	-	-

Outlined below is a summary of the assumptions which have been used to determine the fair value of the share awards:

	LTIP	LTIP
Grant date	23 March 2016	25 March 2015
Share price	£0.71	£1.31
Exercise price	£0.00	£0.00
Expected volatility	40%	34%
Risk-free rate	0.84%	1.008%
Expected dividend yield	3.3%	1.5%
Vesting period	3 years	3 years
Award life	3 years	3 years
Market performance condition	36.0%	37.9%

The expected share price volatility of Gulf Marine Services PLC shares was determined taking into account the average of the volatility of two comparable companies at each of the grant dates.

The risk free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

The charge arising from share-based payments is disclosed in note 15.

36 Dividends

	2017 US\$'000	2016 US\$'000
Dividends declared and paid during the year		
Final Dividend for 2015: 1.20 pence per share	–	6,123
Interim Dividend for 2016: 0.41 pence per share	–	1,887
Final Dividend for 2016: 1.20 pence per share	5,249	–
	5,249	8,010

There was no interim dividend declared or paid in 2017. No final dividend in respect of the year ended 31 December 2017 is to be proposed at the 2018 AGM.

During the year, the Group declared a dividend of US\$ 0.37 million to non-controlling interests. This dividend remained unpaid at 31 December 2017.

37 Events after the reporting period

There have been no events subsequent to 31 December 2017 for disclosure.

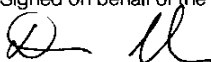
COMPANY STATEMENT OF FINANCIAL POSITION as at 31 December 2017

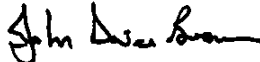
	Notes	2017 US\$'000	2016 US\$'000
Non-current assets			
Investments in subsidiaries	5	573,546	573,546
Deferred tax asset	6	276	–
Total non-current assets		573,822	573,546
Current assets			
Other receivables	7	19	1,826
Cash and cash equivalents		541	553
Total current assets		560	2,379
Total assets		574,382	575,925
Current liabilities			
Other payables	8	(9,797)	(4,205)
Net assets		564,585	571,720
Equity			
Share capital	9	57,957	57,929
Share premium	9	93,075	93,075
Share option reserve	9	2,465	1,702
Retained earnings	9	411,088	419,014
Total equity		564,585	571,720

The Company reported a loss for the financial year ended 31 December 2017 of US\$ 2.7 million (2016, US\$ 2.7 million).

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 26 March 2018.

Signed on behalf of the Board of Directors


Duncan Anderson
Chief Executive Officer


John Brown
Chief Financial Officer

The attached notes 1 to 13 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Share capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2016	57,929	93,075	1,409	429,726	582,139
Loss for the year	—	—	—	(2,702)	(2,702)
Share options rights charge (note 9)	—	—	293	—	293
Dividends paid (note 4)	—	—	—	(8,010)	(8,010)
At 1 January 2017	57,929	93,075	1,702	419,014	571,720
Loss for the year	—	—	—	(2,677)	(2,677)
Share options rights charge (note 9)	—	—	791	—	791
Shares issued under LTIP schemes (note 9)	28	—	(28)	—	—
Dividends paid (note 4)	—	—	—	(5,249)	(5,249)
At 31 December 2017	57,957	93,075	2,465	411,088	564,585

The attached notes 1 to 13 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 December 2017

	2017 US\$'000	2016 US\$'000
Net cash used in operating activities	(2,195)	(1,797)
Financing activities		
Decrease/(Increase) in intercompany receivables	1,803	(1,079)
Increase in intercompany payables	5,629	2,443
Dividends paid (note 4)	(5,249)	(8,010)
Net cash provided by/(used in) financing activities	2,183	(6,646)
Net decrease in cash and cash equivalents	(12)	(8,443)
Cash and cash equivalents at the beginning of the year	553	8,996
Cash and cash equivalents at the end of the year	541	553

The attached notes 1 to 13 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 Corporate information

Gulf Marine Services PLC is a private limited company incorporated in the United Kingdom under the Companies Act. On 7 February 2014, the Company re-registered as a public limited company. The address of the registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816.

The Company is the parent company of the Gulf Marine Services Group comprising of Gulf Marine Services PLC and its underlying subsidiaries. The consolidated group accounts are publicly available.

These separate financial statements were approved and authorised for issue by the Board of Directors of Gulf Marine Services PLC ("the Company") on 26 March 2018.

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 on page 60 and Strategic Report on pages 4 to 29.

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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a loss of US\$ 2.7 million (2016: loss of US\$ 2.7 million).

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Investments

Fixed asset investments in subsidiaries and associates are recognised at deemed cost, which is the previous GAAP carrying value at the transition date, less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's 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, loans from related parties and other liabilities are classified as "other financial liabilities". Other financial liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2 Accounting policies continued

Financial instruments continued

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 and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash at bank and in hand for the purpose of the statement of cash flows.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Share based payments

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

Equity-settled share based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the 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.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key sources of estimation concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year. There were no critical accounting judgements.

Key sources of estimation uncertainty

Recoverability of investments

Investments in subsidiary undertakings are included in the balance sheet of the Company at deemed cost less any provision for impairment. The Company performs impairment reviews in respect of fixed asset investments whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable. An impairment charge is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount. The recoverability of investments is primarily impacted by the cash flows of the vessels owned by the Group's subsidiary undertakings. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation levels and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the vessels and hence the Company's investments in its subsidiaries. As at 31 December 2017 the Company had investments of US \$573.5 million (2016 US\$ 573.5 million).

4 Dividends

	2017 US\$'000	2016 US\$'000
Dividends declared and paid during the year		
Final Dividend for 2015: 1.20 pence per share	–	6,123
Interim Dividend for 2016: 0.41 pence per share	–	1,887
Final Dividend for 2016: 1.20 pence per share	5,249	–
	5,249	8,010

There was no interim dividend declared or paid in 2017. No final dividend in respect of the year ended 31 December 2017 is to be proposed at the 2018 AGM.

5 Investments in subsidiaries

	2017 US\$'000	2016 US\$'000
Investments in subsidiaries	573,546	573,546

The Company has investments in the following subsidiaries:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2017	2016	
Gulf Marine Services W.L.L.	United Arab Emirates	MN1 Mussafah Base, Mussafah Industrial Area Abu Dhabi, P.O. Box 46046 United Arab Emirates	100%	100%	Marine Contractors
Offshore Holding Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Holding Company
Offshore Logistics Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Khawla 181"
Offshore Jack-up Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kamikaze"
Offshore Craft Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "GMS Endeavour"
Offshore Structure Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kikuyu"
Offshore Maritime Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Helios" – Dormant
Offshore Tugboat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of "Atlas" – Dormant

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

5 Investments in subsidiaries continued

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2017	2016	
Offshore Boat Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Endurance"
Mena Marine Limited	Cayman Islands	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	100%	100%	General investment and trading
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	100%	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	P.O. Box 257, Dammam 31411 Saudi Arabia	75%	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	100%	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Shamal"
GMS Jersey Holdco. 1 Limited+	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	100%	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	43/45 La Motte Street, St Helier, Jersey, JE4 8SD	100%	100%	General Investment
GMS Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	100%	100%	Operator of Offshore Barges
GMS Global Commercial Invt LLC	United Arab Emirates	Al Mariah Island, Al Sowwa Square, Abu Dhabi United Arab Emirates	100%	100%	General Investment
GMS Keloa Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	100%	Owner of Barge "Keloa"
GMS Pepper Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	–	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Salduba Building, 53rd East Street, Urbanización Marbella Panama City, Republic of Panama	100%	–	Owner of Barge "Evolution"
Gulf Marine Services LLC	Qatar	Qatar Financial Centre, Doha	100%	–	Marine Contractor

+ Held directly by Gulf Marine Services PLC.

6 Deferred tax asset

At the balance sheet date, the Company has unused tax losses of US\$ 1.6 million available for offset against future profits. A deferred tax asset of US\$ 0.3 million (2016: nil) has been recognised in respect of such losses. These UK tax losses may be carried forward indefinitely.

7 Other receivables

	2017 US\$'000	2016 US\$'000
Amounts owed by Group undertakings	–	1,803
Other receivables	19	23
	19	1,826

8 Other payables

	2017 US\$'000	2016 US\$'000
Amounts owed to Group undertakings	9,021	3,392
Other payables	776	813
	9,797	4,205

9 Share capital and reserves

The share capital of Gulf Marine Services PLC was as follows

	Number of ordinary shares (thousands)	Ordinary shares US\$'000	Total US\$'000
At 31 December 2017			
Authorised Share Capital	349,704	57,957	57,957
Issued and fully paid	349,704	57,957	57,957
At 31 December 2016			
Authorised Share Capital	349,528	57,929	57,929
Issued and fully paid	349,528	57,929	57,929

Issued share capital and share premium account movement for the year were as follows:

	Number of ordinary shares (thousands)	Ordinary shares US\$'000	Share premium account US\$'000	Total US\$'000
At 31 December 2016	349,528	57,929	93,075	151,004
Shares issued under LTIP schemes	176	28	–	28
At 31 December 2017	349,704	57,957	93,075	151,032

The Company has one class of ordinary shares which carry no right to fixed income.

On 6 July 2017, the Company issued a total of 176,169 ordinary shares at a par value of 10 pence per share in respect of the Company's 2014 long-term incentive plan.

The share premium account contains the premium arising on issue of equity shares, net of related costs.

The Company's share option reserve for the period of US\$ 2.5 million (2016: US\$ 1.70 million) relates to awards granted to employees of a subsidiary undertaking under a long-term incentive plan, details of which are provided in note 12. The share option charge during the year was US\$ 0.8 million.

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

10 Related party transactions

The Company has taken advantage of the exemption from disclosing related party transactions with other wholly owned Group companies as provided by paragraph 33 1A of FRS 102. The Company and all companies with whom related party transactions took place in the period are wholly owned Group companies, the consolidated accounts of which are publicly available.

Remuneration of key management personnel during the year comprised short-term benefits of US\$ 475,777 (2016: US\$ 733,389).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

11 Net cash flow from operating activities

	2017 US\$'000	2016 US\$'000
Operating activities		
Loss for the year before taxation	(2,953)	(2,702)
Adjustment for:		
Share based payment expense	791	293
Cash outflow from operating activities before movement of working capital	(2,162)	(2,409)
Decrease/(Increase) in other receivables	4	(11)
(Decrease)/Increase in other payables	(37)	623
Net cash used in operating activities	(2,195)	(1,797)

12 Long term incentive plans

The Group has Long Term Incentive Plans (LTIPs), performance shares and share options which were granted to senior management, managers and senior offshore officers. The release of these shares is conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards; performance against three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo simulations, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award is determined by taking into account the market performance condition, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

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

The number of share awards granted by the Group during the year is given in the table below together with their weighted average exercise price ("WAEP").

	2017		2016	
	No.	WAEP	No.	WAEP
At beginning of the year	7,251,368	-	3,679,453	-
Granted in the year	-	-	5,014,231	-
Exercised during the year	(176,169)	-	-	-
Forfeited in the year	(378,454)	-	(1,442,316)	-
Lapsed	(798,797)	-	-	-
At end of the year	5,897,948	-	7,251,368	-
Exercisable at the end of the year	-	-	-	-

Outlined below is a summary of the assumptions which have been used to determine the fair value of the share awards:

	LTIP	LTIP
	23 March 2016	25 March 2015
Grant date	23 March 2016	25 March 2015
Share price	£0.71	£1.31
Exercise price	£0.00	£0.00
Expected volatility	40%	34%
Risk-free rate	0.84%	1.008%
Expected dividend yield	3.3%	1.5%
Vesting period	3 years	3 years
Award life	3 years	3 years
Market performance condition	36.0%	37.9%

The expected share price volatility of Gulf Marine Services PLC shares was determined taking into account the average of the volatility of two comparable companies at each of the grant dates.

The risk free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

The charge arising from share-based payments is disclosed in note 9.

13 Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Company consists of cash and short-term deposits and equity attributable to equity holders of the parent, comprising issued capital, reserves and loss for the period as disclosed in note 9.

The Company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements (see note 2).

Categories of financial instruments

	2017 US\$'000	2016 US\$'000
Financial assets		
Other receivables (note 7)	19	1,826
Cash and cash equivalents	541	553
Financial liabilities		
Other payables (note 8)	9,797	4,205

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.

NOTICE OF AGM

Important information: This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser immediately. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

GULF MARINE SERVICES PLC
(INCORPORATED AND REGISTERED IN ENGLAND AND WALES UNDER NUMBER 08860816)

NOTICE OF AGM

Notice is hereby given that the annual general meeting (the "AGM") of Gulf Marine Services PLC (the "Company") will be held on Tuesday 22 May 2018 at 10.00 a.m. (UK time) at Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom to transact the business set out in the resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions, this means that for each of those resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 12 to 14 (inclusive) will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Voting on all resolutions will be by way of a poll. The Company believes this will result in a more transparent and accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the meeting but who have appointed a proxy for the meeting. Shareholders have one vote for each ordinary share held when voting on a poll.

Ordinary Resolutions

Report and Accounts

1. To receive the Company's annual accounts for the financial year ended 31 December 2017 together with the Directors' reports and the auditor's report on those accounts (the "2017 Annual Report and Accounts").

Directors' Remuneration Report

2. To approve the Directors' Remuneration Report set out on pages 44 to 55 of the 2017 Annual Report and Accounts (excluding the Directors' Remuneration Policy).

Directors' Remuneration Policy

3. To approve the Directors' Remuneration Policy set out on pages 44 to 55 of the Directors' Remuneration Report, such policy to take effect immediately following conclusion of the meeting.

Re-election of Directors

4. To re-elect Simon Heale as a director.
5. To re-elect Duncan Anderson as a director.
6. To re-elect Simon Batey as a director.
7. To re-elect W. Richard Anderson as a director.
8. To re-elect Dr Karim El Solh as a director.

Re-appointment of Auditor

9. 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

10. To authorise the Audit and Risk Committee to determine the remuneration of the auditor on behalf of the board of directors.

Authority to allot ordinary shares

11. To authorise the directors generally and unconditionally, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares of the Company.
 - (a) up to a maximum aggregate nominal amount of £11,656,799, and
 - (b) comprising equity securities (as defined in section 560(1) of the Act) of the Company up to a further aggregate nominal amount of £11,656,799 in connection with an offer by way of a rights issue.

These authorities shall apply in substitution for all previous authorities pursuant to section 551 of the Act and expire on the date of the next AGM or on 30 June 2019, whichever is the earlier, but in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the authority conferred by this resolution had not expired.

For the purposes of this resolution, "rights issue" means an offer to:

- holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
- holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject in both cases to such exclusions or other arrangements as the directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange.

Special Resolutions

Authority to disapply pre-emption rights

12. That, subject to the passing of resolution 11, the directors be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 11 and/or to sell shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

- (a) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (b) of this resolution) to any person up to an aggregate nominal amount of £1,748,520;
- (b) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (b) of resolution 11, by way of a rights issue only).
 - i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings, and
 - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange; and

The authorities conferred by this resolution shall expire on the date of the next AGM of the Company or on 30 June 2019, whichever is the earlier, save that the Company may, before such expiry make an offer or agreement that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

For the purposes of this resolution:

- "rights issue" has the same meaning as in resolution 11; and
- the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for, or convert any securities into, shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights

Purchase of own shares

13. To authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company, provided that:

- (a) the maximum number of ordinary shares that may be purchased is 34,970,397;
- (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 10 pence; and
- (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is the higher of:
 - i. 105% of the average 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 the purchase is made; and
 - ii. the value of an ordinary share calculated on the basis of the higher of the price quoted for:
 - (a) the last independent trade of; and
 - (b) the highest current independent bid for

any number of the Company's ordinary shares.

This authority shall expire on the date of the next AGM of the Company or on 30 June 2019, whichever is the earlier, save that the Company may, before such expiry, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

Notice of general meetings, other than AGMs

14. That a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

John Brown

Company Secretary
26 March 2018

Gulf Marine Services PLC
Registered Office 6th Floor, 65 Gresham Street, London EC2V 7NQ

NOTICE OF AGM CONTINUED

EXPLANATION OF RESOLUTIONS

Resolution 1 – To receive the Report and Accounts

The directors are required to present the Company's audited accounts, directors' reports and auditor's report to the AGM. These are contained in the 2017 Annual Report and Accounts.

Resolution 2 – To approve the Directors' Remuneration Report

This resolution deals with the remuneration paid to the directors during the year under review. Shareholders are invited to vote on the Directors' Remuneration Report, which appears on pages 44 to 55 in the 2017 Annual Report and Accounts (excluding the directors remuneration policy set out on pages 44 to 55 of the 2017 Annual Report and Accounts (the "Directors' Remuneration Policy")). Resolution 2 is an advisory vote.

Resolution 3 – To approve the Directors' Remuneration Policy

This resolution proposes the approval of the Directors' Remuneration Policy. The Company is required to put the Director's Remuneration Policy to a binding shareholder vote by way of ordinary resolution at least once every three years, irrespective of whether changes are proposed to the policy. As shareholders last approved the Directors' Remuneration Policy at the first AGM of the Company held on 6 May 2015, it is necessary to put the policy to shareholders for approval at this AGM. Unlike resolution 2, this resolution is a binding vote and, assuming it is passed, will take effect from the conclusion of the meeting. There are no substantive changes between the policy proposed for approval at the AGM and the policy approved at the first AGM of the Company held on 6 May 2015.

Resolutions 4 to 8 – Re-election of Directors

In accordance with the UK Corporate Governance Code and consistent with relevant institutional voting guidance, all current directors of the Company will seek re-election by shareholders at the AGM.

No independent non-executive director seeking re-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 the UK Corporate Governance Code. The Board continues to consider Simon Batey and W. Richard Anderson to be independent non-executive directors in accordance with provision B.1.1 of the UK Corporate Governance Code.

In accordance with the Listing Rules, Dr Karim El Solh is classed as a representative of a "controlling shareholder" of Gulf Marine Services PLC and is not considered to be an independent non-executive director. 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 Dr Karim El Solh) comply with the independence provisions outlined in Listing Rule 6.1.4DR.

The Listing Rules also 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 6 and 7) 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 2017 Annual Report and Accounts and are also available for viewing on the Company's website (<http://www.gmsuae.com>). Following an external Board evaluation process and recommendation from the Nomination Committee, the Board is satisfied that each director seeking re-election at the AGM continues to be effective and demonstrates a commitment to the role and that each such director continues to be able to dedicate sufficient time to their duties. The Board believes that its composition continues to include an appropriate balance of skills and provides effective leadership for the Company.

It is intended that Christopher Foll, currently an alternate director for Dr Karim El Solh, will continue that appointment beyond the AGM without seeking re-election by shareholders. If the resolution to re-elect Dr Karim El Solh is not passed by shareholders at the AGM, the alternate directorship will immediately cease.

Resolution 9 – To re-appoint 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 re-appointment of Deloitte LLP as auditor.

Resolution 10 – To authorise the directors to determine the remuneration of Deloitte LLP

This resolution gives authority to the Audit and Risk Committee to determine the auditor's remuneration.

Resolution 11 – To authorise the directors to allot ordinary shares

The authority in paragraph (a) of this resolution, if passed, would provide the directors with a general authority to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal amount of £11,656,799, which is equal to approximately 33% of the issued share capital of the Company as at 26 March 2018, being the latest practicable date before the publication of this Notice.

Paragraph (b) of resolution 11 will grant the directors additional authority to allot 116,567,991 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 26 March 2018, being the latest practicable date before publication of this Notice.

When taken together, the authorities proposed in paragraphs (a) and (b) of this resolution extend (before any reduction) to approximately two thirds of the current issued share capital of the Company as at 26 March 2018, being the latest practicable date before the publication of this Notice.

The resolution, if passed, would give the Board the maximum flexibility permitted by investor guidelines to respond to market developments. The Board has no current intention to allot shares, except in connection with the Company's employee share schemes, but the Board intends to keep the matter under review.

The authorities conferred by this resolution will expire on the earlier of 30 June 2019 and the conclusion of the Company's next AGM. It is the intention of the directors to seek to renew these authorities every year.

Resolution 12 – To authorise the directors to disapply pre-emption rights

This resolution would, if passed, authorise the directors to allot shares or sell treasury shares for cash (other than in connection with an employee share scheme), without having to offer such shares to existing shareholders in proportion to their own holdings (known as pre-emption rights):

- (a) up to a maximum nominal amount of £1,748,520, which represents approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2018, being the latest practicable date before publication of this Notice; and
- (b) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £11,656,799, which represents approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2018, being the latest practicable date before publication of this Notice, and, in relation to rights issues only, up to a maximum additional amount of £11,656,799, which represents approximately a further one third, of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2018, being the latest practicable date prior to the publication of this Notice.

Resolution 12 is consistent with guidance issued by the Investment Association (as updated in July 2016) and the Pre-Emption Group's Statement of Principles (as updated in March 2015) (the "Statement of Principles"). The directors confirm that, in accordance with the Statement of Principles, they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, unless shareholders have been notified and consulted in advance.

The authorities conferred by this resolution will expire on the earlier of 30 June 2019 and the conclusion of the Company's next AGM. It is the intention of the directors to seek to renew these authorities every year.

Resolution 13 – To authorise the Company to make market purchases of its own shares

This resolution would, if passed, authorise the Company to make market purchases of up to 34,970,397 of its own ordinary shares, representing just under 10% of the Company's issued share capital as at 26 March 2018, being the latest practicable date before publication of this Notice. The resolution specifies the minimum and maximum prices at which the ordinary shares may be bought under this authority.

This authority conferred by this resolution will expire on the earlier of 30 June 2019 and the conclusion of the Company's next AGM. It is the intention of the directors to seek to renew this authority every year.

The directors have no present intention of exercising the authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares purchased would be effected by a purchase in the market and may either be cancelled or held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share schemes. The Company currently has no shares held in treasury.

As at 26 March 2018, being the latest practicable date before publication of this Notice, the total number of options to subscribe for shares in the Company was 5,897,948 (approximately 1.7% of the Company's issued share capital and approximately 1.9% of the Company's issued share capital if the full authority proposed by resolution 13 was used and the shares purchased were cancelled).

Resolution 14 – Notice of general meetings, other than AGMs

Under the Act, the notice period required for all general meetings of the Company is 21 days. An AGM is required by law to be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings.

This resolution would, if passed, allow the Company flexibility to call general meetings, other than AGMs, on not less than 14 clear days' notice. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. A resolution in identical terms was passed at the previous AGM of the Company, held on 16 May 2017.

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 6.30 p.m. (UK time) on 18 May 2018 (or, in the event of any adjournment, 6.30 p.m. (UK time) on the date which is two business days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM. There are no other procedures or requirements for entitled shareholders to comply with in order to attend and vote at the AGM. In alignment with best practice for UK listed companies, it is the current intention that each of the resolutions to be put to the AGM will be voted on by way of a poll and not by show of hands. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of ordinary shares held and all votes tendered are taken into account.
2. The doors will open at 9.00 a.m. (UK time) and you are recommended to arrive by 9.30 a.m. (UK time) to enable you to register and take your seat in good time. Light refreshments will be provided at the AGM. If you have any special needs or require wheelchair access to the offices of Linklaters LLP please contact Leanne Shergold by e-mail on lshegold@brunswickgroup.com or telephone +44 (0) 20 7396 7480 in advance of the AGM. Mobile phones may not be used in the meeting hall, and cameras and recording equipment are not allowed in the meeting hall.
3. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the Company's registrar Equiniti (the "Registrar"), on 0371 384 2030 (or from outside the UK: +44 121 415 7047). Lines are open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday, excluding public holidays in England and Wales.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 3, 4 and 9 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
7. Members meeting the threshold requirements set out in the Act have the right, subject to certain conditions, to (a) require the Company to give notice of any resolution which can properly be, and is to be, moved at the AGM pursuant to section 338 of the Act, and/or (b) include a matter in the business to be dealt with at the AGM, pursuant to section 338A of the Act.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
9. To be valid, any form of proxy or other instrument appointing a proxy must be received by the Registrar by post or (during normal business hours only) by hand at the address shown on the form of proxy, by e-mail by sending a scanned copy of your completed proxy form to proxyvotes@equiniti.com or, in the case of shares held through CREST, via the CREST system (see note 12 below). For proxy appointments to be valid, they must be received by no later than 10.00 a.m. (UK time) on 20 May 2018. If you return more than one proxy appointment, the proxy appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities for the receipt of any document or information on proxies are open to all shareholders and those who use them will not be disadvantaged.
10. The return of a completed form of proxy or any CREST Proxy Instruction (as described in note 12 below) will not prevent a shareholder attending the AGM and voting in person if he or she wishes to do so.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers' agent (ID RA19) by 10.00 a.m. (UK time) on 20 May 2018. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers relation to the same shares.
15. As at 26 March 2018 (being the latest practicable date prior to the publication of this Notice), the Company's ordinary issued share capital consists of 349,703,973 ordinary shares, carrying one vote each. No shares are held in treasury. Therefore, the total voting rights in the Company as at 26 March 2018 are 349,703,973.
16. Under section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the 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.
17. Any shareholder attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
18. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from 26 March 2018 until the time of the AGM and may also be inspected at the AGM venue (Linklaters LLP, One Silk Street, London, EC2Y 8HQ), from 9.45 a.m. (UK time) on the day of the AGM until the conclusion of the meeting:
- a. copies of the directors' letters of appointment or service contracts;
 - b. a copy of the articles of association of the Company; and
 - c. a copy of the directors' deeds of indemnity.
19. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the Act, can be found on the Company's website at <http://www.gmsuae.com>.

GLOSSARY

Alternative Performance Measures (APMs) – An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRSs but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group.

Adjusted diluted earnings per share – represents the adjusted profit attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period. The adjusted profit attributable to equity shareholders of the Company is earnings used for the purpose of basic earnings per share adjusted by adding back impairment charges, and finance costs relating to amendments to bank facilities. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in Note 6.

Adjusted EBITDA – represents operating profit after adding back depreciation and amortisation and impairment charges. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in Note 6.

Adjusted EBITDA margin – represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

Adjusted gross profit – represents gross profit after adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 6.

Adjusted net profit – represents net profit after adding back impairment charges, and finance costs relating to amendments to bank facilities. This measure provides additional information in assessing the Group's total performance that management is more directly able to influence and on a basis comparable from year to year. A reconciliation of this measure is provided in Note 6 of these results.

EBITDA – represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in Note 6.

Net bank debt – represents the total bank borrowings less cash. This measure excludes unamortised issue costs and obligations under finance leases and allows management to assess its indebtedness to its bank providers. A reconciliation is shown below.

	2017 US\$'000	2016 US\$'000
Statutory net debt	372,829	402,129
Add back unamortised issue costs	-	11,441
Less: obligations under finance leases	-	(40,084)
	372,829	373,486

Net debt (or Statutory net debt) – represents the total bank borrowings plus finance lease obligations less unamortised loan arrangement fees and cash. This measure provides additional information of the Group's financial position. A reconciliation is shown below.

	2017 US\$'000	2016 US\$'000
Bank borrowings	411,783	435,061
Obligations under finance leases	-	40,084
Less: unamortised issue costs	-	(11,441)
Less: cash and cash equivalents	(38,954)	(61,575)
	372,829	402,129

Segment adjusted gross profit/loss – represents gross profit/loss after adding back depreciation, amortisation and impairment charges. This measure provides additional information on the core profitability of the Group attributable to each reporting segment. A reconciliation of this measure is provided in Note 5.

Total net borrowings – represents the total bank borrowings plus finance lease obligations less cash. This measure excludes unamortised issue costs and allows management to assess its indebtedness to third parties. A reconciliation is shown below:

	2017 US\$'000	2016 US\$'000
Statutory net debt	372,829	402,129
Add back: unamortised issue costs	-	11,441
	372,829	413,570

ABS	American Bureau of Shipping.
ADNOC	Abu Dhabi National Oil Company.
AED	United Arab Emirates Dirham. The currency in United Arab Emirates.
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 vessel operating costs	Average daily vessel operating costs incurred to operate a vessel. Calculated as cost of sales less non-cash items, depreciation, amortisation and impairments divided by 365.
Backlog	Total firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
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.
Company (or Group) website	www.gmsuae.com
Core Fleet	The GMS core fleet consists of 13 SESVs with an average age of seven years; which excludes the 35-year old vessel Naashi and the previously leased Small Class vessel Kinoa that was returned to its owner in 2017 on completion of its lease.
Day rate	Income received by the Company in respect of each day a vessel is chartered to a client.
Dynamic positioning	A computerised positioning system which maintains the vessel position by using its own propellers and thrusters.
EPC	Engineering, procurement and construction.
Finance Service Cover	The ratio of Adjusted EBITDA to Finance Service (being Net finance charges plus scheduled repayments plus capital payments for finance leases adjusted for voluntary or mandatory prepayments), in respect of that relevant period.
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.
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.
Interest Cover	The ratio of Adjusted EBITDA to Net finance charges.
LTIR	Lost Time Injury Rate is calculated on 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.
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.
Net finance charges	Finance charges for that period less interest income for that period.
Net leverage ratio	The ratio of net bank debt to Adjusted EBITDA.
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.
Proforma EBITDA	This is EBITDA used for covenant testing, being EBITDA (see definition above) for the trailing twelve months plus EBITDA contribution from new contracts, of at least six months in duration that commence during a covenant testing period, with the EBITDA contribution from these contracts annualised (unless contract duration is less than 12 months when total contract EBITDA contribution is applied).
Security Cover (loan to value)	The ratio (expressed as a percentage) of Total Net Debt at that time to the Market Value of the Secured Vessels.
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.
Smaller company	The UK Corporate Governance Code defines a smaller company as one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

GLOSSARY CONTINUED

Topside operations and maintenance	Consists of the maintenance, modification and operation of platforms during the production phase of the offshore field life cycle.
TRIR	Total Recordable Injury Rate is calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.
Utilisation	The percentage of available days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV.
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 turbine, pumping, workover, subsea landing string and other services)

CORPORATE INFORMATION

Joint Corporate Broker

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

Joint Corporate Broker

Investec Bank
2 Gresham Street
London EC2V 7QP

Legal Advisers

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Public Relations Advisers

Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registered Office

Gulf Marine Services PLC
6th Floor
65 Gresham Street
London EC2V 7NQ

Head Office

Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsuae.com

Board of Directors

Simon Heale

Independent non-executive Chairman

Duncan Anderson

Chief Executive Officer

Simon Batey

Senior independent non-executive Director

W. Richard Anderson

Independent non-executive Director

Dr Karim El Solh

Non-executive Director

Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsuae.com