

Registered number: 01708481

GLOBAL MARINE SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



GLOBAL MARINE SYSTEMS LIMITED

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GLOBAL MARINE SYSTEMS LIMITED

COMPANY INFORMATION

Directors

M J Daniel
I D Douglas
D H Fagerstal
W J Hanenberg Jr.
N C Johansen-Allison
B J Neilson-Watts
D L Rattner
J J Taylor

Company secretary

J V Cable

Registered number

01708481

Registered office

Ocean House 1 Winsford Way
Boreham Interchange
Chelmsford
Essex
CM2 5PD

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Priory Place
New London Road
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Essex
CM2 0PP

GLOBAL MARINE SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the Strategic Report of Global Marine Systems Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2020.

Review of business and future developments

The revenue stream that the Group has established in telecommunications maintenance has remained stable and sustainable thanks to the ongoing fulfillment of three key cable maintenance agreements. The Atlantic Cable Maintenance Agreement ("ACMA") contract which was due to expire in December 2021 was successfully extended in November 2020, and now runs to the end of December 2025. Furthermore, the South East Asia & Indian Ocean Cable Maintenance Agreement ("SEAIOCMA") which was successfully renewed in December 2017 and extended to December 2022 is expected to be further extended in 2021 out to the end of December 2025, together with the North American Zone (NAZ) Maintenance agreement, extended in 2015 to December 2024.

To further expand the range of services provided and to support the strategic growth plan, the Company established in 2020 a fourth brand and business unit, OceanIQ. The business delivers route engineering consultancy services and a range of subsea cable data products including GeoCable and leverages off our wealth of knowledge and unique data sets built over many decades by the organisation. This complements the existing 3 brands and business units: "Global Offshore" (acquired in November 2017 the trenching and cable-laying business assets of Fugro N.V), originally set up to service oil & gas clients, but currently primarily providing cable-laying and trenching capability to offshore renewables and utilities sectors. This acquisition has continued to grow successfully into 2020 and is now a major contributor to the Group, complementing the other two brands and business units: Global Marine, providing telecommunications installation and maintenance services and CWind, providing offshore power cable and wind farm construction and maintenance services. The customer - focused strategy delivered through the three branded business units is supported by Global Marine Group shared services and a single company culture.

The operating profit for the Group has increased by \$25.4m to a profit of \$1.2m (2019: loss of \$24.3m). Profit for the financial year for the Group decreased by \$67.1m to a profit of \$3.7m (2019: \$70.8m). This decrease is largely due to profit on sale of the Group's interest of 49% in Huawei Marine Networks ("HMN") in 2019.

The Group is confident in the underlying stability of the telecommunications markets, particularly in the developing offshore wind market, which is evolving quickly. Through CWind and Global Offshore, the Group continues to develop opportunities with operators, developers, turnkey contractors and original equipment manufacturers. In April 2018, the Group incorporated an entity in Taiwan, CWind Taiwan Co., Ltd. ("CWind Taiwan"), to take advantage of the significant planned growth in wind farms in that country over the next five years by providing construction support and operations & maintenance services. CWind Taiwan is majority owned and controlled by CWind Ltd and partnered with a local Taiwanese engineering company.

On 28th February 2020, Trafalgar Acquisition Company, an affiliate of J.F. Lehman & Company ("JFLCO"), a leading middle-market private equity firm focused exclusively on aerospace, defence, maritime, government and environmental sectors, completed the acquisition of 100% of the Group for an enterprise value of \$250 million. The directors are confident and delighted that this new ownership presents opportunities to develop the business further, improve trading and allow better exploitation of the opportunities available to us in the telecommunications, and offshore power markets.

GLOBAL MARINE SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators (KPIs)

	2020	2019
Financial KPIs		
Adjusted EBITDA	\$49.3 million	\$29.8 million
Movement in cash and cash equivalents	\$2.3 million	\$1.1 million
Non-financial KPIs		
Lost time injury frequency rate (LTIFR)	1.65	2.01

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

Adjusted EBITDA has been calculated as normalised profit/(loss) on ordinary activities before interest, tax, depreciation, amortisation and exchange movements. It is measured after adjusting for exceptional and non recurring items, including gain/loss on disposal of assets and Investments. During 2020 adjusted EBITDA has increased by \$19.5m.

Movement in cash and cash equivalents

In 2020, the cash balance has increased by \$2.3 million (2019: \$1.1 million), the details of which shown in the consolidated Statement of Cash Flows.

Non-financial KPIs**Lost time injury frequency rate (LTIFR)**

Health and safety is paramount to the Group's business. Not only is it vitally important to provide employees with a safe place to work, but also any accident is disruptive to the running of the business. The Group continually reviews and reports all accidents and injuries and in order to benchmark its safety performance against other companies in the industry, the Group reports safety statistics as adopted by the International Marine Contractors Association ("IMCA"), of which the Group is a member.

The LTIFR is measured as;

$$\frac{\text{Lost time injuries} \times 1,000,000}{\text{Hours Worked}}$$

Lost time injuries are defined as, "A lost work day case is any work-related accidental injury other than a fatal injury which results in a person being unfit for work on the next shift/day". The LTIFR was 1.65 in 2020 (2.01 in 2019) which remains as one of the key indicators of the Safety Performance System.

GLOBAL MARINE SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The principal business risk acknowledged by the Group is the impact of any reduced demand in the global market for subsea related services. However, Global Marine Systems Limited is well positioned in the Telecoms Maintenance market with three long term contracts (including the ACMA contract and SEAIOCMMA contract extensions, referred to above) which will offset any potential volatility encountered in the Telecoms Installation market.

The oil price drop since mid-2015 has led to a curbing of investment within that market and it remains depressed, though fibre-to-platform appears to be less badly affected, albeit with delays to anticipated projects. The indirect effect has been a surplus of offshore service vessels, many of which are looking to redeploy into the offshore wind farm market, the latter showing downward pricing pressures which are expected to continue for the foreseeable future.

Demand for Offshore Wind generated power in the UK, Europe, Taiwan and US continues to grow with some 2-3GW of new projects reaching final investment decisions each year. This level of demand for new projects is set against a backdrop of the prices necessary to achieve lower overall costs of energy which creates supply chain pressure and increases the risk profile of larger scale projects.

The directors are confident that there are sufficient opportunities for growth in the telecommunications, oil and gas and offshore power markets.

The directors have considered the potential impact on trade as a result of leaving the European Union. Due to the global nature of trade they have not identified any significant risks other than those noted in the foreign exchange rate risk section of this report.

Financial risk management

The Group's operations expose it to a variety of financial risks that include foreign exchange rate risk, liquidity risk, credit risk, and interest rate risk. The Group has in place a risk management process that seeks to limit the adverse effects of these risks on the financial performance of the Group.

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The exposures thereafter relate primarily with respect to the GB pound, the Euro, the Singapore Dollar, the Hong Kong Dollar and the Chinese Renminbi.

The Group manages these risks in a number of ways but primarily by attempting to match assets and liabilities and income and costs denominated in the relevant foreign currencies. As and when surplus funds are generated in foreign currencies they are sold in the spot market. The Group monitors this risk on a regular basis.

Liquidity Risk

As with all businesses a key risk to the business is liquidity. The Group maintains medium term debt finance secured on a number of its cable-ships other vessels and submersibles, which, together with cash generated from operations, provide sufficient available funds for future expansion and investment.

Credit Risk

Credit risk is the potential loss arising from any failure by the customers or debtors to fulfil their obligations as and when these obligations fall due. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. All cash and deposits are placed with reputable "High street" financial institutions. The Group has no significant concentration of credit risk.

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rates relate primarily to the credit facilities denominated in GBP and EUR. The Group has no significant concentration of interest rate risk. Interest rate risks are monitored regularly for commercial sense and the Group would seek alternative arrangements where necessary.

GLOBAL MARINE SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Reporting (SECR)

Disclosures relating to the Company are shown in the consolidated accounts of its parent, JFL-GMG Holdings Limited.

Directors' statement of compliance with duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires a director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this the directors must have regard to the:

- The likely consequences of any decision in the long term,
- The interests of the Company's employees,
- The need to foster the Company's business relationships with suppliers, customers and others,
- The impact of the Company's operations on the community and the environment,
- The desirability of the Company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the Company.

In discharging our section 172 duties we have regard to the factors set out above.

We review at regular board meetings the financial and operating performance of the Company (including dedicated attention to health and safety performance). We also review key risks and opportunities including investments in new assets or acquisitions via meetings, presentations, proposals and business cases.

Our Stakeholders

The Company's key stakeholders are:

- The Company's ultimate beneficial owner JFL Equity Investors V, L.P.
- Employees
- Customers across all markets that we operate in: Telecoms, Offshore Renewables and Oil & Gas. These are identified through the existing contracts in place for project work, key account management reviews which take place bi-annually to highlight future target accounts, the use of Membrain as a sales pipeline tool and monitoring quality portals including Achilles which filter through potential tenders for scopes of work.

Other stakeholders are:

- Our contractor/agency workforce including those employed by GMSG offshore
- Suppliers
- Strategic partner organisations including joint venture partners and invested partners
- Government Agencies including the Department for Digital, Culture, Media & Sport, the Department for Business, Energy & Industrial Strategy, the Ministry of Defence and the National Cyber Security Centre.
- Accreditation and health & safety bodies such as Achilles, British Standards Institution (BSI) and Global Wind Organisation (GWO)
- Charitable partners including the Ninos Pag Asa Centre in the Philippines as well as local charities which could include Brainwave and the Jubilee Sailing Trust
- Communities close to where we work across the world who may be impacted economically or environmentally by our operations
- STEM organisations and related partners

Stakeholder engagement (including employee engagement)

The Board recognises the important role that Global Marine Group has to play in society and is committed to health and safety, public collaboration and stakeholder engagement. The Board believes that Global Marine Group will only succeed by working with customers, governments, business partners, investors and other stakeholders. Working together is critical, particularly at a time when society, including businesses, governments and consumers, faces issues as complex and challenging as climate change.

GLOBAL MARINE SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

We engage with our stakeholders via various channels including:

- Our CEO, CFO, Business Unit Managing directors and Senior Management engage regularly with the ultimate beneficial owner via monthly management information reports and monthly meetings that cover the overall health and aspirations of the business, regular board meetings, as well as specific presentations when exceptional projects arise that require input from them to proceed
- Customer and site visits to understand ongoing project requirements and future needs of the industries that we work in
- Formal tendering processes via electronic portals or directly with customers
- 121 contact with counterparts in customer organisations throughout the project lifecycle
- Networking with the wider industry through memberships to industry bodies and engagement with events, working groups studies and board meetings for these
- Sharing of information via digital channels including the Company websites and social media accounts
- Two-way internal communication across our employee base including regular newsletters, ask me anything sessions, presentations, discussion forums, Teams video conferencing, working groups, internal social media, questionnaires and other feedback opportunities utilising tools such as Winngtemp
- During the period that the business was for sale, we offered multiple channels to employees for posing anonymous and credited questions, being as transparent as we were able to be during the process to alleviate worries and concerns about the future of the organisation.

Principal decisions

We define principal decisions taken by the Board as those decisions that are of a strategic nature and that are significant to any of our key stakeholder groups.

An example of principal decisions for Global Marine Group is as follows:

- Entering new markets including offshore wind in the United States where if successful we will need to grow local talent, build relationships with new customers and extend relationships with current customers where they too are beginning to operate in the US, Orsted and Vattenfall for example. This decision was made with input from our internal expert employees who have knowledge from peers in the industry, as well as access to available market data to back up the decision and commitment to enter this new market. This growth will be of benefit to internal stakeholders, to the Company's owner as the business becomes more profitable and stable and for customers who will benefit from working with a reliable and experienced supplier in what is a new market lacking in specific knowledge and experience locally.

This report was approved by the board and signed on its behalf by:

Ian Douglas

I D Douglas
Director

Date: 14/6/2021

GLOBAL MARINE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and the audited consolidated financial statements of Global Marine Systems Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2020.

Principal activities

Global Marine Systems Limited ("GMSL") is a leading provider of engineering and underwater services, responding to the subsea cable installation, maintenance and burial requirements of its customers around the world. With a fleet of vessels and specialised subsea trenching and burial equipment, the Company brings a 160 year legacy in deep and shallow water operations. GMSL's subsidiary CWind Limited ("CWind") supplies services, technical resource and vessels for the construction and maintenance of offshore wind farms.

GMSL, its subsidiaries and other investments (together "the Group") offers cost effective solutions with consistently high service and quality standards to all of its customers in the markets in which it operates. The Company is headquartered in the United Kingdom, with resources throughout Europe, Asia Pacific and the Americas.

Results and dividends

The profit for the financial year amounted to \$3,719,000 (2019: \$70,836,000).

Interim dividends of \$150,886,000 were paid during the financial year (2019: \$Nil).

The directors do not recommend a final dividend for 2020.

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

M J Daniel
I D Douglas
D H Fagerstal
W J Hanenberg Jr. (appointed 18 March 2020)
N C Johansen-Allison (appointed 12 March 2020)
B J Neilson-Watts
D L Rattner (appointed 18 March 2020)
J J Taylor

GLOBAL MARINE SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

The directors have reviewed the historical trading performance of the Group and its revenue and cash flow projections for the 12 months following the date of signing of the financial statements. The directors are confident that the Group has adequate resources to meet the requirements of the business for the foreseeable future, and have therefore prepared these consolidated financial statements on a going concern basis.

During 2020, the global pandemic severely impacted many local economies. In many countries, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Group has experienced operational issues as a result of the pandemic, as well as increased costs, but has continued to trade fully supporting global infrastructure, in both the telecoms and power arenas. Operations have been delayed and disrupted due to travel bans, quarantines, social distancing and disruptions to supply chain but no staff reductions have occurred or are expected as a result of COVID 19 and operations fully continue. The costs of these COVID 19 delays and disruptions have been accounted for as exceptional non recurring costs.

The directors constantly review and assess the risks posed by COVID 19 and adjust policies and procedures to ensure that the Group can operate safely and as efficiently as possible. The directors monitor closely key performance indicators are noted in the Strategic Report and have regular communications with staff, supply chain and clients to ensure operations are as efficient as possible until covid restrictions are lifted

Quality systems and environment responsibilities

The Group continues to demonstrate its commitment to quality management and the environment by gaining recertification to OHSAS18001 in 2017 and ISO9001 and ISO14001 in 2015. We also retained the RoSPA Order of Distinction for the 19th consecutive year.

Research and development activities

Technical development is an important part of upgrading and improving techniques for cable laying, cable jointing, cable protection and most recently the efficient transmission of Subsea telecommunication data. The Group remains committed to these principles in all that it does and is continually developing new technology in-house and with its partners.

Business review

A review of the business, risks and uncertainties are set out in the strategic report on pages 2 to 6 of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Employees

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Group is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. The Group encourages the involvement of employees by means of regular updates issued by the board on key company issues, financial information and other statistics. Quarterly surveys are also co-ordinated by the Group to obtain employee feedback on issues within the Group.

Directors' indemnities

Qualifying third party indemnity provisions (as defined by Section 236 Companies Act 2006) for the benefit of the directors were maintained throughout the year and remain in force as at the date of approving the Directors' Report.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing the 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 United Kingdom Accounting Standards, comprising FRS 102, 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 Group will continue in business.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GLOBAL MARINE SYSTEMS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Independent auditors

The auditor, Grant Thornton UK LLP, will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

Ian Douglas

I D Douglas
Director

Date: 14/6/2021

GLOBAL MARINE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED

Qualified opinion

We have audited the financial statements of Global Marine Systems Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year to 31 December 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

GLOBAL MARINE SYSTEMS LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED
(CONTINUED)****Basis for qualified opinion**

With respect to stocks at 31 December 2019 having a carrying amount in the Consolidated and Company Balance Sheets of \$8.525m and \$6.256m respectively, the predecessor auditor did not observe the counting of the physical stocks as at 31 December 2019 and were unable to satisfy themselves by alternative means concerning the stock quantities at 31 December 2019. As a result, the predecessor auditor was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded stocks and whether any consequential adjustments may have been necessary to the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows. The predecessor auditor's opinion on the financial statements for the year ended 31 December 2019 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

The Group's investment in Sino-British Submarine Systems Co., Ltd, a foreign associate and accounted for by the equity accounting method, is carried at \$36.7m on the Consolidated Balance Sheet as at 31 December 2020, and the Group's share of Sino-British Submarine Systems Co., Ltd's net income of \$0.8m is included in the Consolidated Statement of Comprehensive Income for the year then ended. We received group reporting confirmations and discussed the findings with the component auditor, however we were not permitted access to review and evaluate the audit working papers of the component auditor of Sino-British Submarine Systems Co., Ltd as required by ISA (UK) 600 paragraph 42.1, and consequently we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in Sino-British Submarine Systems Co., Ltd as at 31 December 2020 and the Group's share of Sino-British Submarine Systems Co., Ltd's net income for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The Group's investment in International Cables Pte Ltd, a foreign joint venture accounted for by the equity accounting method, is carried at \$4.9m on the Consolidated Balance Sheet as at 31 December 2020, and the Group's share of International Cables Pte Ltd's net income of \$1.5m is included in the Consolidated Statement of Comprehensive Income for the year then ended. We did not receive Group reporting confirmations from the component auditor of International Cables Pte Ltd or discuss their findings, nor did we have the opportunity to review and evaluate their audit working papers prior to the approval of these financial statements, and consequently we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in International Cables Pte Ltd as at 31 December 2020 and the Group's share of International Cables Pte Ltd's net income for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

GLOBAL MARINE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED (CONTINUED)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Parent Company's business model including effects arising from macro-economic uncertainties such as Brexit and COVID 19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence about the existence of stock as at 31 December 2019, or the adequacy of the audit work performed in respect of an associate entity, Sino-British Submarine Systems Co., Ltd and in respect of a joint venture entity, International Cables Pte Ltd.

Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

GLOBAL MARINE SYSTEMS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED
(CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group 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 Group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

Except for the matters described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the directors' report.

Matters on which we are required to report by exception

Arising solely from the limitation on the scope of our work relating to the Group's investments in the foreign associate Sino-British Submarine Systems Co., Ltd and in the foreign joint venture International Cables Pte Ltd, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made.

GLOBAL MARINE SYSTEMS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 9, 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.

GLOBAL MARINE SYSTEMS LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED
(CONTINUED)****Explanation as to what extent the audit was considered capable of detecting irregularities,
including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company and the industry in which they operate. We determined that the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. In addition, we concluded that laws and regulations in respect of bribery and corruption, health and safety, employment and environmental standards may have an effect in the determination of the amounts and disclosure in the financial statements and those laws and regulations relating to employee matters;
- We assessed the susceptibility of the Group's and the Parent Company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing journal entries, with a focus on material journals as well as those posted at the end of the reporting period; and
 - Assessing the extent of compliance with relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements are free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team, included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory requirements specific to the group and the parent company.
- The Group's and Parent Company's management have not communicated to the audit team any matters of non-compliance with laws and regulations or fraud and no such material matters were identified by the engagement team.

GLOBAL MARINE SYSTEMS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL MARINE SYSTEMS LIMITED
(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.

Grant Thornton UK LLP

Timothy Taylor (Senior Statutory Auditor)
for and on behalf of

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Chelmsford

Date: 15/6/2021

GLOBAL MARINE SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$000	2019 \$000
Turnover	4	245,136	165,737
Other operating costs		(228,715)	(190,022)
Exceptional items	9	(15,261)	-
Operating profit/(loss)	5	1,160	(24,285)
Profit on sale of tangible assets		312	195
Profit on sale of Associate	10	-	99,161
Income from participating interests	18	3,118	106
Interest receivable and similar income	11	1,241	991
Interest payable and similar expenses	12	(2,511)	(5,415)
Other finance income/(expenses)	13	175	(465)
Profit before taxation		3,495	70,288
Tax on profit	14	224	548
Profit for the financial year		3,719	70,836
Other comprehensive income/(expense) for the financial year:			
Currency translation differences		2,189	(2,534)
Actuarial loss on defined benefit pension scheme		(1,134)	(5,903)
Other comprehensive income/(expense) for the financial year		1,055	(8,437)
Total comprehensive income for the financial year		4,774	62,399
Profit for the financial year attributable to:			
Non-controlling interest		376	(169)
Owners of the parent company		3,343	71,005
		3,719	70,836

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED
REGISTERED NUMBER: 01708481

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 \$000	2019 \$000
Fixed assets			
Intangible assets	16	9,469	10,836
Tangible assets	17	199,356	174,117
Investments	18	44,784	52,581
		<u>253,609</u>	<u>237,534</u>
Current assets			
Stocks	19	10,745	8,525
Debtors	20	103,792	197,673
Cash at bank and in hand	21	12,472	10,188
		<u>127,009</u>	<u>216,386</u>
Creditors: amounts falling due within one year	22	(176,135)	(85,997)
Net current (liabilities)/assets		<u>(49,126)</u>	<u>130,389</u>
Total assets less current liabilities		<u>204,483</u>	<u>367,923</u>
Creditors: amounts falling due after more than one year	23	(16,423)	(32,272)
Deferred tax	27	(548)	(1,352)
Pension asset/liability	31	13,720	(18,457)
Net assets		<u>201,232</u>	<u>315,842</u>
Capital and reserves			
Called up share capital	28	40,018	40,018
Revaluation reserve	29	20,209	24,140
Capital contribution reserve	29	111,218	79,735
Profit and loss account	29	29,381	171,938
Equity attributable to owners of the parent Company		<u>200,826</u>	<u>315,831</u>
Non-controlling interests		406	11
Total equity		<u>201,232</u>	<u>315,842</u>

GLOBAL MARINE SYSTEMS LIMITED
REGISTERED NUMBER: 01708481

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Ian Douglas

I D Douglas
Director

Date: 14/6/2021

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED
REGISTERED NUMBER: 01708481

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 \$000	2019 \$000
Fixed assets			
Intangible assets	16	9,406	10,766
Tangible assets	17	144,758	133,876
Investments	18	37,278	43,496
		<u>191,442</u>	<u>188,138</u>
Current assets			
Stocks	19	8,728	6,256
Debtors	20	133,722	195,931
Cash at bank and in hand	21	10,054	8,244
		<u>152,504</u>	<u>210,431</u>
Creditors: amounts falling due within one year	22	(174,413)	(105,426)
Net current (liabilities)/assets		<u>(21,909)</u>	<u>105,005</u>
Total assets less current liabilities		<u>169,533</u>	<u>293,143</u>
Creditors: amounts falling due after more than one year	23	(16,423)	(24,819)
Pension asset/(liability)	31	13,720	(18,457)
Net assets		<u>166,830</u>	<u>249,867</u>
Capital and reserves			
Called up share capital	28	40,018	40,018
Revaluation reserve	29	4,968	7,353
Capital redemption reserve	29	111,218	79,735
Profit and loss account	29	10,626	122,761
Total shareholders' funds		<u>166,830</u>	<u>249,867</u>

GLOBAL MARINE SYSTEMS LIMITED
REGISTERED NUMBER: 01708481

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

In accordance with section 408 of Companies Act 2006 the entity has taken exemption from presenting its unconsolidated income statement. Parent company profit for the year was \$37,526,000 (2019: \$87,192,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Ian Douglas

I D Douglas
Director

Date: 14/6/2021

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Capital contribution reserve	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2020	40,018	79,735	24,140	171,938	315,831	11	315,842
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	3,343	3,343	376	3,719
Currency translation differences	-	-	-	2,189	2,189	19	2,208
Actuarial loss on pension schemes	-	-	-	(1,134)	(1,134)	-	(1,134)
Other comprehensive expense for the financial year	-	-	-	1,055	1,055	19	1,074
Total comprehensive income for the financial year	-	-	-	4,398	4,398	395	4,793
Contributions by and distributions to owners							
Dividends paid	-	-	-	(150,886)	(150,886)	-	(150,886)
Capital contribution	-	31,483	-	-	31,483	-	31,483
Depreciation of revalued assets	-	-	(3,931)	3,931	-	-	-
Total transactions with owners	-	31,483	(3,931)	(146,955)	(119,403)	-	(119,403)
At 31 December 2020	40,018	111,218	20,209	29,381	200,826	406	201,232

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Capital contribution reserve	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2019	40,018	79,735	28,073	105,081	252,907	180	253,087
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	71,005	71,005	(169)	70,836
Actuarial loss on pension schemes	-	-	-	(5,903)	(5,903)	-	(5,903)
Net translation differences on foreign currency	-	-	-	(2,534)	(2,534)	-	(2,534)
Other comprehensive expense for the financial year	-	-	-	(8,437)	(8,437)	-	(8,437)
Total comprehensive income for the financial year	-	-	-	62,568	62,568	(169)	62,399
Contributions by and distributions to owners							
Depreciation of revalued assets	-	-	(3,933)	3,933	-	-	-
Share based payment credit	-	-	-	356	356	-	356
Total transactions with owners	-	-	(3,933)	4,289	356	-	356
At 31 December 2019	40,018	79,735	24,140	171,938	315,831	11	315,842

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital \$000	Capital contribution reserve \$000	Revaluation reserve \$000	Profit and loss account \$000	Total shareholders' funds \$000
At 1 January 2019	40,018	79,735	9,740	38,729	168,222
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	87,192	87,192
Actuarial loss on pension schemes	-	-	-	(5,903)	(5,903)
Other comprehensive expense for the financial year	-	-	-	(5,903)	(5,903)
Total comprehensive income for the financial year	-	-	-	81,289	81,289
Contributions by and distributions to owners					
Depreciation of revalued assets	-	-	(2,387)	2,387	-
Share based payment credit	-	-	-	356	356
Total transactions with owners	-	-	(2,387)	2,743	356
At 31 December 2019 and 1 January 2020	40,018	79,735	7,353	122,761	249,867
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	37,526	37,526
Actuarial loss on pension schemes	-	-	-	(1,134)	(1,134)
Net translation differences on foreign currency	-	-	-	(26)	(26)
Other comprehensive expense for the financial year	-	-	-	(1,160)	(1,160)
Total comprehensive income for the financial year	-	-	-	36,366	36,366
Contributions by and distributions to owners					
Dividends paid	-	-	-	(150,886)	(150,886)
Capital contribution	-	31,483	-	-	31,483
Depreciation of revalued assets	-	-	(2,385)	2,385	-
Total transactions with owners	-	31,483	(2,385)	(148,501)	(119,403)
At 31 December 2020	40,018	111,218	4,968	10,626	166,830

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 \$000	2019 \$000
Cash flows from operating activities		
Profit for the financial year	3,719	70,836
Adjustments for:		
Depreciation, impairment & amortisation of fixed assets	21,854	30,246
Share of operating loss in joint ventures	(3,118)	(105)
Net interest payable	107	3,405
Profit on sale of associate	-	(99,161)
Taxation credit	(298)	(549)
Difference between pension expense and cash contribution	(151)	(6,486)
Share based payment expense	-	356
Provision for doubtful accounts receivable	1,407	(6,830)
(Increase)/decrease in debtors	(50,147)	21,694
(Increase)/decrease in stocks	(2,123)	649
Increase/(decrease) in creditors	114,355	(223)
(Profit)/loss on disposal of tangible assets	(312)	311
Foreign exchange	(2,214)	(123)
Corporation tax received/(paid)	351	(1,216)
Interest paid	(497)	(5,327)
Net cash generated from operating activities	82,933	7,477
Cash flows from investing activities		
Sale of tangible assets	2,341	2,000
Purchase of tangible assets	(47,015)	(15,601)
Purchase of investments	-	(151)
Interest received	126	282
Dividends received	4,877	9,814
Pension contribution	(32,032)	-
Net cash used in investing activities	(71,703)	(3,656)

GLOBAL MARINE SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 \$000	2019 \$000
Cash flows from financing activities		
Capital contributions	31,483	-
Loan advanced	-	256
Short term loans advanced	-	7,699
Short term loans repaid	(32,420)	(2,975)
Capital element of loan and lease repaid	(8,009)	(7,677)
Net cash used in financing activities	<u>(8,946)</u>	<u>(2,697)</u>
Net increase in cash and cash equivalents	<u>2,284</u>	<u>1,124</u>
Cash and cash equivalents at beginning of financial year	10,188	9,064
Cash and cash equivalents at the end of financial year	<u><u>12,472</u></u>	<u><u>10,188</u></u>
Cash and cash equivalents at the end of financial year comprise:		
Cash at bank and in hand	<u><u>12,472</u></u>	<u><u>10,188</u></u>

The notes on pages 28 to 73 form part of these financial statements.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****1. General information**

Global Marine Systems Limited (the "Company") together with its subsidiaries (the "Group") is a private company limited by shares, incorporated in England under the Companies Act. The address of the registered office is Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, Essex, CM2 5PD.

The Company is a leading provider of engineering and underwater services, responding to the subsea cable installation, maintenance and burial requirements of its customers around the world. With a fleet of vessels and specialised subsea trenching and burial equipment, the Company brings a 160 year legacy in deep and shallow water operations. GMSL's subsidiary CWind Limited ("CWind") supplies services, technical resource and vessels for the construction and maintenance of offshore wind farms.

The Company, its subsidiaries and other investments (together "the Group") offers cost effective solutions with consistently high service and quality standards to all of its customers in the markets in which it operates. The Company is headquartered in the United Kingdom, with resources throughout Europe, Asia Pacific and the Americas.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Parent Company disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.3 Basis of consolidation**

The consolidated financial statements present the results of Global Marine Systems Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.4 Associates and joint ventures

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings and joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate, or joint venture. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated Balance Sheet, the interests in associated undertakings and joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.5 Going concern**

The directors have reviewed the historical trading performance of the Group and its revenue and cash flow projections for the 12 months following the date of signing of the financial statements. The directors are confident that the Group has adequate resources to meet the requirements of the business for the foreseeable future, and have therefore prepared these consolidated financial statements on a going concern basis.

During 2020, the global pandemic severely impacted many local economies. In many countries, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Group has experienced operational issues as a result of the pandemic, as well as increased costs, but has continued to trade fully supporting global infrastructure, in both the telecoms and power arenas. Operations have been delayed and disrupted due to travel bans, quarantines, social distancing and disruptions to supply chain but no staff reductions have occurred or are expected as a result of COVID 19 and operations fully continue. The costs of these COVID 19 delays and disruptions have been accounted for as exceptional non recurring costs.

The directors constantly review and assess the risks posed by COVID 19 and adjust policies and procedures to ensure that the Group can operate safely and as efficiently as possible. The directors monitor closely key performance indicators are noted in the Strategic Report and have regular communications with staff, supply chain and clients to ensure operations are as efficient as possible until covid restrictions are lifted.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.6 Foreign currency translation****Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in US Dollars which is the Company's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into US dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'interest payable and similar charges'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating costs'.

2.7 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover of the business for each market is treated consistently without any differentiation between market sectors, and apart from long-term contracts, turnover is recognised on an accruals basis.

Turnover and profit on long-term contracts are recognised in the financial statements according to the overall state of completion of the contract reached during the period. Amounts recoverable on long term contracts, which are included in accrued income, are stated at the sales net value of the work done less amounts received as progress payments on the account. Excess progress payments are included in deferred income as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock and work in progress.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.8 Leased assets - lessee**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of their useful lives or the lease period. The capital elements of future asset lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

2.9 Pensions

The Group operates various pension schemes comprising both defined benefit schemes and defined contribution schemes.

For the defined benefit schemes and the MNOPF scheme the amounts charged to operating profit are the current service costs and the gains and losses on settlements and curtailments. These are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until the vesting occurs. The interest cost and the expected return of assets are shown as a net amount of other finance cost or income adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted to present value. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The resulting defined benefit asset or liability is presented separately after net assets on the face of the Balance Sheet.

For the defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

2.10 Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.11 Interest income**

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.12 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.14 Current and deferred taxation

Global Marine Systems Limited renewed its election into the UK tonnage tax regime on 1 January 2011 for a period of ten years. Under the tonnage tax regime the current year tax charge arising on qualifying activities is calculated by reference to net tonnage of the qualifying ships owned by the Group.

This method replaces both the tax-adjusted commercial profit/loss on qualifying shipping trade and chargeable gains/losses made on disposal of tonnage tax assets as calculated in previous periods. To the extent that the Company generates profits/losses, which do not qualify for inclusion under the above regime, they will be taxable under general UK corporation tax principles.

Deferred taxation should not generally arise in respect of profits/losses within the tonnage tax regime. However, where the Group generates profits/losses which do not qualify for inclusion under the above regime, deferred taxation will be provided on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that it is probable that a liability or asset will crystallise. Deferred tax balances are not discounted.

Deferred tax balances are recognised on timing differences that relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.16 Intangible assets****Goodwill**

Goodwill arising on an acquisition of a trade/subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life, being 10 years. Impairment tests of the carrying value of goodwill are undertaken:

- at the end of the full financial year following acquisition; or
- in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of the assets and liabilities acquired exceeds the fair value of the consideration, the difference is treated as negative goodwill, and is capitalised and amortised through the profit and loss account over the period over which the non-monetary assets acquired are consumed. In the case of fixed assets this is the period over which they are depreciated.

Other intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Trade name - 10 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.17 Tangible assets**

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value, of each asset on a straight line basis over its estimated useful life as follows:

Cable-ships and submersibles	- up to 35 years
Plant and motor vehicles	- 3 to 20 years
Leasehold land and buildings	- over the period of the lease

Plant includes equipment on the cable-ships that is portable and can be moved around the fleet. Plant also includes computer equipment. The expected useful lives of the assets of the business are reassessed periodically.

Assets under construction are not depreciated until they are complete and available for use; when they are reclassified to an asset class and subject to the depreciation rates set out above.

As at 1 January 2015, the Company applied the transitional arrangements of section 35 of FRS 102 and used a previous valuation as deemed cost for cable-ships and submersibles. The cable-ships and submersibles are being depreciated from their most recent valuation date being 31 December 2012.

2.18 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.19 Revaluation of tangible assets

As permitted by the transitional provisions of Financial Reporting Standard 102, the Company has elected to use a previous revaluation of cable-ships and submersibles as deemed cost. A revaluation of the cable-ships and submersibles on 31 December 2012 has been used as deemed cost.

Revaluation gains and losses are recognised in the Statement of Consolidated Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.20 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.21 Investments

Investments in subsidiary undertakings, associate undertakings and joint ventures are stated at cost less any provision for impairment. Impairment reviews are carried out by management should any events occur or business circumstances change which indicate that recoverable amount is below carrying value. Any impairment provisions are charged to the Company profit and loss account.

The Group has certain contractual agreements with other participants in unincorporated entities that create an entity carrying on a trade or business of its own (joint arrangements - non entity). The Group include the results of these entities within its own results.

The Group's investments in joint ventures and associate undertakings are accounted for using the Equity method.

The Group's other investments are stated at cost less any provision for impairment.

2.22 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value on a first in first out basis. Provisions for deterioration and obsolescence are made where appropriate and are charged to the profit and loss account in operating expenses.

Short term work in progress on contracts is stated at cost less foreseeable losses. These costs include only direct labour and expenses incurred to date and exclude any allocation of overheads. The policy for long term work in progress contracts is disclosed within the turnover accounting policy.

2.23 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.24 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Accounting policies (continued)****2.25 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.26 Termination benefits

A liability is recognised when the entity is demonstrably committed to terminate the employment contract.

2.27 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.28 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.29 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

2.30 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the investments, tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit;
- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- Determine whether the Group has control, joint control, or significant influence in certain holdings depending on the contractual and legal power to govern, jointly govern, or participate in the financial and operating policies of an entity so as to obtain benefits from its activities.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****3. Judgements in applying accounting policies (continued)****Other key sources of estimation uncertainty:**

Tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The costs of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 31.

Revenue is recognised for certain long-term complex projects based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred, against the estimated whole-life contract costs. Particular judgement is required in evaluating the operational and financial business plans for these contracts to forecast the expected whole-life contract billings, costs and margin and to assess the recoverability of any resulting accrued income through the life of the contract. In forming the judgement around expected whole-life contract billings, account is taken of potential deductions from and increments to revenue that may arise from the application of performance related measures under contracts.

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Provisions and Contingencies

Provisions are made for doubtful debts and contingencies in respect of legal disputes the Group is involved in. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Turnover

Turnover, results and net assets are principally derived from telecoms, power and offshore installation. Contracts within telecoms include long term agreements for the provision of maintenance of submarine telecommunications cables as well as associated services for the installation either directly with cable owners or indirectly by providing charter services, including transactions with Group companies and joint ventures. Turnover from oil and gas and offshore power is service based and includes the installation and associated services in connection with the laying of marine power cables to wind farms and oil and gas pipelines.

An analysis of turnover by class of business is as follows:

	2020 \$000	2019 \$000
Telecoms	108,886	114,174
Power	24,848	42,792
Offshore Installation	109,953	8,771
OceanIQ	1,449	-
	<u>245,136</u>	<u>165,737</u>

Analysis of turnover by country of destination:

	2020 \$000	2019 \$000
United Kingdom	55,878	43,589
Rest of Europe	92,735	25,026
Asia, Pacific and the Americas	96,523	97,122
	<u>245,136</u>	<u>165,737</u>

Part of the Group's success has been based on the substitutability of services between market sectors. Cable-ships by nature are also mobile and easily transit between regions as required. Business is contracted to optimise the combination of available business and asset mix and fit at the time of contracting. For this reason, the directors consider that the disclosure of assets and profitability against any particular geographical segments and turnover by market sector would be misleading and seriously prejudicial to the interests of the Group.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2020 \$000	2019 \$000
Cost of sales	202,478	124,208
Depreciation of tangible assets (note 17)	20,483	28,325
Amortisation of intangible assets (note 16)	1,371	1,370
Share based payment	-	356
Operating lease rentals	19,912	12,572
Loss on exchange	2,436	397
	<u>249,110</u>	<u>177,338</u>

6. Auditors' remuneration

	2020 \$000	2019 \$000
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	155	299
	<u>155</u>	<u>299</u>

Fees payable to the Group's auditors in respect of:

The audit of the Company's subsidiaries, pursuant to legislation	55	81
Tax services	-	17
All other services	74	3
	<u>129</u>	<u>101</u>

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. Employees

Staff costs were as follows:

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Wages and salaries	39,408	36,098	32,965	29,578
Social security costs	2,295	2,414	1,661	1,768
Other pension costs - defined pension contribution schemes	2,176	2,184	1,897	1,955
	<u>43,879</u>	<u>40,696</u>	<u>36,523</u>	<u>33,301</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Marine	189	166	189	166
Operation support	227	255	139	165
Sales and administration	52	39	47	35
	<u>468</u>	<u>460</u>	<u>375</u>	<u>366</u>

8. Directors' remuneration

	2020 \$000	2019 \$000
Aggregate directors' remuneration	1,605	1,312
Company contributions to money purchase schemes	81	86
Amounts paid to third parties in respect of directors' services	896	522
	<u>2,582</u>	<u>1,920</u>

The highest paid director received a remuneration of \$802,676 (2019: \$500,000) during the year.

During the year retirement benefits were accruing to four directors (2019: One) in respect of money purchase schemes.

No directors (2019: Three) exercised share options in the parent's shares during the year. No directors received shares options under a long-term incentive scheme (2019: Six).

The highest paid director exercised share options in 2019 and received shares options under a long-term incentive scheme in 2019.

Costs relating to 2 directors are borne by JFL-GMG Holdings, Ltd.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****9. Exceptional items**

During the year, the following costs were incurred due to COVID 19. For further details please refer to the Going concern paragraph.

	2020 \$000	2019 \$000
Exceptional items	15,261	-

10. Profit on sale of associate

	2020 \$000	2019 \$000
Profit on sale of associate	-	99,161

On 29 October 2019 GMSL sold 49% of its interest in Huawei Marine Systems Co. Ltd, a company incorporated in Hong Kong, to an associated company, New Saxon 2019 Limited for \$140m.

11. Interest receivable and similar income

	2020 \$000	2019 \$000
Interest receivable from group companies	148	920
Exchange gain	1,039	-
Other interest receivable	54	71
	1,241	991

12. Interest payable and similar expenses

	2020 \$000	2019 \$000
Interest payable on loans	210	852
Finance charges in respect of finance leases and hire purchase	2,206	2,172
Other interest payable	95	1,372
Exchange loss	-	1,019
	2,511	5,415

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Other finance costs

	2020 \$000	2019 \$000
Net interest on net defined benefit assets/(liability)	175	(465)

14. Tax on profit

	2020 \$000	2019 \$000
Corporation tax		
Current tax on profits for the year	14	100
Foreign tax		
Overseas current taxation	566	19
Total current tax	580	119
Deferred tax		
Overseas deferred taxation	(804)	(667)
Total deferred tax	(804)	(667)
Total tax	(224)	(548)

On 1 January 2011, the Group renewed its election into the UK Tonnage Tax regime for a period of 10 years. This regime calculates tax payable on qualifying shipping activities in accordance with the net tonnage of qualifying ships, rather than the adjustment of commercial profits.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tax on profit (continued)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 \$000	2019 \$000
Profit before taxation	3,495	55,765
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	664	10,045
Effects of:		
Share of JV & Associate profit already subject to tax	(592)	(380)
(Gains)/losses under tonnage tax scheme	(2,630)	1,758
Deferred tax charge on undistributed overseas profits	(804)	(667)
Higher taxes on overseas earnings	-	33
Losses arising in the year not relieviable against current tax or recognisable as a deferred asset	3,138	7,504
Non-taxable income	-	(18,841)
Total tax credit for the year	(224)	(548)

The aggregate current and deferred tax relating to items recognised in other comprehensive income is income of \$Nil (2019: \$Nil).

Factors that may affect future tax charges

The Group's overseas tax rates are higher than those in the UK primarily because profits earned in Germany are taxed at a rate in excess of 20%. There is no indication that these rates are likely to change in the near future.

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the Balance Sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Dividends

	2020 \$000	2019 \$000
Dividends paid \$5.03 per share (2019: \$Nil)	150,886	-

16. Intangible assets

Group

	Trade name \$000	Goodwill \$000	Negative goodwill \$000	Total \$000
Cost				
At 1 January 2020	690	13,837	(932)	13,595
Exchange revaluation	-	4	-	4
At 31 December 2020	690	13,841	(932)	13,599
Accumulated amortisation				
At 1 January 2020	270	2,926	(437)	2,759
Charge for the year	69	1,384	(82)	1,371
At 31 December 2020	339	4,310	(519)	4,130
Net book value				
At 31 December 2020	351	9,531	(413)	9,469
At 31 December 2019	420	10,911	(495)	10,836

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. Intangible assets (continued)

Company

	Goodwill \$000
Cost	
At 1 January 2020	13,597
At 31 December 2020	<u>13,597</u>
Accumulated amortisation	
At 1 January 2020	2,831
Charge for the year	1,360
At 31 December 2020	<u>4,191</u>
Net book value	
At 31 December 2020	<u>9,406</u>
At 31 December 2019	<u>10,766</u>

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17. Tangible assets

Group

	Land and buildings short leasehold \$000	Plant and motor vehicles \$000	Cable-ships and submersibles \$000	Assets under construction \$000	Total \$000
Cost					
At 1 January 2020	21,993	25,763	338,723	9,393	395,872
Additions	-	240	14,661	32,114	47,015
Disposals	(4,994)	(6,733)	(6,003)	-	(17,730)
Reclassification assets under construction	515	3,751	18,439	(22,705)	-
Transfers	-	96	7,108	(7,204)	-
Revaluation	-	-	(886)	-	(886)
Exchange revaluation	3	148	1,405	17	1,573
At 31 December 2020	<u>17,517</u>	<u>23,265</u>	<u>373,447</u>	<u>11,615</u>	<u>425,844</u>
Accumulated depreciation					
At 1 January 2020	15,965	21,162	184,628	-	221,755
Charge for the year	706	1,135	18,642	-	20,483
Disposals	(4,994)	(6,733)	(3,974)	-	(15,701)
Impairment	-	-	(886)	-	(886)
Exchange revaluation	2	106	729	-	837
At 31 December 2020	<u>11,679</u>	<u>15,670</u>	<u>199,139</u>	<u>-</u>	<u>226,488</u>
Net book value					
At 31 December 2020	<u>5,838</u>	<u>7,595</u>	<u>174,308</u>	<u>11,615</u>	<u>199,356</u>
At 31 December 2019	<u>6,028</u>	<u>4,601</u>	<u>154,095</u>	<u>9,393</u>	<u>174,117</u>

Included in the total net book value of cable-ships and submersibles of the Group is \$24,686,000 (2019: \$27,725,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the Group for the year on these assets was \$3,039,000 (2019: \$6,866,000).

Depreciation relating to the re-valued part of the asset is transferred from the revaluation reserve to the profit and loss account as a realised movement on reserves.

In 2020 the depreciation realised on re-valued assets for the Group was \$3,933,000 (2019: \$3,933,000). The Group revaluation reserve balance at the end of the year is \$20,209,000 (2019: \$24,140,000).

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Company

	Land and buildings short leasehold \$000	Plant and motor vehicles \$000	Cable-ships and submersibles \$000	Assets under construction \$000	Total \$000
Cost					
At 1 January 2020	21,900	23,658	205,291	9,505	260,354
Additions	-	-	-	30,887	30,887
Disposals	(4,994)	(6,733)	(2,990)	-	(14,717)
Reclassification assets under construction	515	3,514	17,891	(21,921)	(1)
Transfers	-	-	-	(7,204)	(7,204)
At 31 December 2020	<u>17,421</u>	<u>20,439</u>	<u>220,192</u>	<u>11,267</u>	<u>269,319</u>
Accumulated depreciation					
At 1 January 2020	15,897	19,580	91,001	-	126,478
Charge for the year	703	811	11,286	-	12,800
Disposals	(4,994)	(6,733)	(2,990)	-	(14,717)
At 31 December 2020	<u>11,606</u>	<u>13,658</u>	<u>99,297</u>	<u>-</u>	<u>124,561</u>
Net book value					
At 31 December 2020	<u>5,815</u>	<u>6,781</u>	<u>120,895</u>	<u>11,267</u>	<u>144,758</u>
At 31 December 2019	<u>6,003</u>	<u>4,078</u>	<u>114,290</u>	<u>9,505</u>	<u>133,876</u>

Included in the total net book value of cable-ships and submersibles of the Company is \$24,686,000 (2019: \$27,725,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the Company for the year on these assets was \$3,039,000 (2019: \$6,866,000).

In 2020 the depreciation realised on re-valued assets for the Company was \$2,385,000 (2019: \$2,386,000). The Company revaluation reserve balance at the end of the year is \$4,968,000 (2019: \$7,353,000).

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments

Group

	Investments in joint ventures* \$000	Investments in associates* \$000	Other investments \$000	Total \$000
Cost				
At 1 January 2020	8,835	35,156	8,590	52,581
Disposals	-	-	(8,706)	(8,706)
Exchange revaluation	166	2,386	-	2,552
Dividends received	(4,166)	(711)	-	(4,877)
Share of profit/loss	1,818	955	345	3,118
Transfer	(822)	-	822	-
Interest earned on investments	-	-	116	116
At 31 December 2020	<u>5,831</u>	<u>37,786</u>	<u>1,167</u>	<u>44,784</u>
Net book value				
At 31 December 2020	<u>5,831</u>	<u>37,786</u>	<u>1,167</u>	<u>44,784</u>
At 31 December 2019	<u>8,835</u>	<u>35,156</u>	<u>8,590</u>	<u>52,581</u>

*Share of net assets

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments (continued)

Company

	Investments in subsidiary companies \$000	Investments in joint ventures \$000	Investments in associates \$000	Loans to subsidiaries \$000	Other investments \$000	Total \$000
Cost						
At 1 January 2020	21,750	1,317	21,535	25,334	8,590	78,526
Additions	-	-	-	2,029	-	2,029
Disposals	-	-	-	-	(8,706)	(8,706)
Interest earned on investments	-	-	-	-	116	116
Share of profit/loss	-	-	-	-	345	345
Transfer	-	(822)	-	-	822	-
At 31 December 2020	<u>21,750</u>	<u>495</u>	<u>21,535</u>	<u>27,363</u>	<u>1,167</u>	<u>72,310</u>
Accumulated Impairment						
At 1 January 2020	21,676	345	-	13,009	-	35,030
Charge for the year	2	-	-	-	-	2
At 31 December 2020	<u>21,678</u>	<u>345</u>	<u>-</u>	<u>13,009</u>	<u>-</u>	<u>35,032</u>
Net book value						
At 31 December 2020	<u>72</u>	<u>150</u>	<u>21,535</u>	<u>14,354</u>	<u>1,167</u>	<u>37,278</u>
At 31 December 2019	<u>74</u>	<u>972</u>	<u>21,535</u>	<u>12,325</u>	<u>8,590</u>	<u>43,496</u>

In the opinion of the directors the investments in, and amounts due from, the Company's subsidiary undertakings, associates and joint ventures are of a value of at least the amounts at which they are stated in the Balance Sheet.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Global Marine Systems (Americas) Inc	425 Boylston Street, 3111 Floor, Boston, MA 02116, USA	Dormant holding company	Ordinary	100%
Global Marine Cable Systems Pte Limited*	80 Raffles Place, 32-01 UOB Plaza, Singapore. 048624	Submarine telecommunications	Ordinary	100%
Vibro-Einspultechnik Duker und Wasserbau Gmbh	c/o Avocado, Rechtsanwalte, SchillerstraBe 20, 60313 Frankfurt am Main, Germany	Holding company	Ordinary	100%
Global Marine Systems (Depots) Limited	Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard St. Vancouver, British Colombia, V7X 1L3, Canada	Cable storage	Ordinary	100%
Global Marine Systems (Guernsey) Limited	Frances House, Sir William Place, ST Peter Port, Guernsey, GY1 4EA	Fleet manning	Ordinary	100%
Global Marine Systems Pension Trustee Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Pension	Ordinary	100%
Global Marine Systems (Bermuda) Limited	Canons Court, 22 Victoria Street, Hamilton HM12, Bermuda	Depot services	Ordinary	100%
Global Marine Systems (Investments) Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Dormant holding company	Ordinary	100%
Global Marine Systems (Vessels II) Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Dormant	Ordinary	100%

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Red Sky Subsea Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Dormant	Ordinary	100%
Global Marine Systems (Vessels) Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Barecon charter agreements	Ordinary	100%
Global Marine Search Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Dormant	Ordinary	100%
CWind Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Offshore wind and energy services	Ordinary	100%
CWind 247 GmbH*	c/o Avocado, Rechtsanwalte, SchillerstraBe 20, 60313 Frankfurt am Main, Germany	Offshore wind and energy services	Ordinary	100%
CWind Taiwan Co., Ltd*	17F No 270 Sec. 4, Zhongxiao E. Rd, Da An Dist, Taipei City, 10694, Taiwan	Offshore wind farm training	Ordinary	51%
Global Marine Systems (Netherlands) BV	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England Incorporated in the Netherlands	Dormant	Ordinary	100%
Global Marine Systems Oil & Gas Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Dormant	Ordinary	100%

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
GMSL Employee Benefit Trust Limited	Ocean House, 1 Winsford Way, Boreham Interchange, Chelmsford, CM2 5PD, England	Trust	Ordinary	100%

*Indirectly held

All subsidiaries companies are included in the consolidated group numbers.

Joint venture

The following are joint ventures of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Sembawang Cable Depot Pte limited	375 Tanjong Katong Road Tanjong Katong Telephone Exchange, Singapore 437132	Cable storage	Ordinary	40%
International Cablesip Pte Limited	375 Tanjong Katong Road Tanjong Katong Telephone Exchange, Singapore 437132	Ship operator	Ordinary	30%
Visser Smit - Global Marine VOF	Rietgorsweg 67, 3356LJ Oaoendrecht, Netherlands	Wind farm installation	Partnership share	50%

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Investments (continued)

Associates

The following are associates of the Company:

Name	Registered office	Principal activity	Holding
Sino British Submarine Systems Co Ltd	295 Tonghai Road, Minhang District, Shanghai Legal, China	Submarine telecommunications	49%
Shanghai Jian Long*	Room 0278, Building.2, No. 1500, LongWu Road, Shanghai, China	Submarine telecommunications	39.2%
Taiwan International Windpower Training Corporation**	100 Zhugang Road, Wuqi District, Taichung, 45341, Taiwan	Offshore wind farm training	10.2%
Flexservice Offshore	295 Tonghai Road, Minhang District, Shanghai Legal, China	Submarine telecommunications	49%

Class of shares for all the associates is ordinary.

*Shanghai Jian Long is 80% owned by Sino British Submarine Systems Co Ltd; therefore the Company effectively owns 39.2% of Shanghai Jian Long.

**Taiwan International Windpower Training Corporation is 20% owned by Cwind Taiwan; therefore the Company effectively owns 10.2% of Taiwan International Windpower Training Corporation.

All shares that are held by the Group are held by the parent Company unless otherwise stated. There are no special rights or constraints attached to these shares.

19. Stocks

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Raw materials and consumables	10,471	8,236	8,364	6,256
Work in progress	274	289	364	-
	10,745	8,525	8,728	6,256

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. Debtors

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Trade debtors	36,845	24,634	33,421	19,695
Amounts owed by group undertakings				
- Subsidiary undertakings	-	-	36,627	5,965
- Ultimate parent company (formerly HC2 Holdings)	-	142,148	-	142,148
Amounts owed by joint ventures and associated undertakings	382	1,172	-	1,172
Value added tax	2,670	1,553	2,158	1,581
Other debtors	4,102	12,644	3,530	14,850
Prepayments and accrued income	58,926	13,798	57,986	10,520
Tax recoverable	867	1,724	-	-
	103,792	197,673	133,722	195,931

The amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand with the exception of the amount due from the ultimate parent company whereby a formal loan agreement is in place as described in note 33.

The impairment loss included in the Group profit or loss for the period in respect of bad and doubtful trade debtors was \$2,841,553 (2019: \$1,238,824).

21. Cash at bank and in hand

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Cash at bank and in hand	12,472	10,188	10,054	8,244

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Creditors: amounts falling due within one year

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Obligations under loans	439	25,214	-	22,316
Trade creditors	41,006	15,041	36,245	12,234
Amounts owed to group undertakings				
- Subsidiary undertakings	-	-	77,526	27,593
- Group company	66,681	-	-	-
- Immediate parent company	665	365	665	365
Amounts owed to joint ventures and associated undertakings	141	139	-	139
Corporation tax	-	-	81	75
Other taxation and social security	1,543	1,318	503	644
Obligations under finance lease and hire purchase contracts	8,718	8,158	8,718	8,158
Other creditors	-	5,398	-	4,977
Accruals	56,402	15,708	50,135	14,299
Deferred income	540	14,656	540	14,626
	<u>176,135</u>	<u>85,997</u>	<u>174,413</u>	<u>105,426</u>

The amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand.

23. Creditors: amounts falling due after more than one year

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Obligations under loans	-	7,453	-	-
Net obligations under finance leases and hire purchase contracts	16,423	24,819	16,423	24,819
	<u>16,423</u>	<u>32,272</u>	<u>16,423</u>	<u>24,819</u>

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24. Loans

The maturity of obligations under loans are as follows:

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Amounts falling due within one year				
Obligations under loans	439	25,214	-	22,316
Amounts falling due 2-5 years				
Obligations under loans	-	7,453	-	-
	<u>439</u>	<u>32,667</u>	<u>-</u>	<u>22,316</u>

The loans for the Group are secured on the assets to which they relate and bear an average interest rate of n/a (2019: 8%) per annum.

25. Hire purchase and finance leases

The maturity of obligations under finance leases and hire purchase contracts are as follows:

	2020 \$000	2019 \$000
Group and Company		
Within one year	8,718	8,158
Between 1-5 years	16,423	23,803
Over 5 years	-	1,016
	<u>25,141</u>	<u>32,977</u>

The finance leases and hire purchase contracts are secured on the assets to which they relate and bear a weighted average interest rate of approximately 5.8% (2019: 5.8%).

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26. Financial instruments

	Group 2020 \$000	Group 2019 \$000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	112,727	213,174
Financial liabilities		
Financial liabilities measured at amortised cost	190,475	102,395

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by group undertakings, amounts owed by joint ventures and associated undertakings, accrued income and other investments.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, finance leases, amounts owed to group undertakings, amounts owed to joint ventures and associated undertakings, other creditors and accruals.

Information regarding the Group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk and foreign exchange risk is included in the Strategic Report.

27. Deferred taxation

Since January 2001, the Group has reported under the UK Tonnage Tax regime. This regime calculates tax payable on qualifying shipping activities in accordance with the net tonnage of qualifying ships, rather than the adjustment of commercial profits.

Group

	2020 \$000
At beginning of year	1,352
Charged to profit or loss	(804)
At end of year	548

	Group 2020 \$000	Group 2019 \$000
Accelerated capital allowances	-	94
Foreign tax on undistributed reserves of group foreign entities	548	1,258
	548	1,352

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

27. Deferred taxation (continued)

Unrecognised deferred tax assets/(liabilities) during the year is as follows:

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Re-valued assets	(3,840)	(4,587)	(944)	(1,397)
Pension liability	(2,607)	3,514	(2,607)	3,514
Tax losses available	46,094	47,287	43,829	42,497
	<u>39,647</u>	<u>46,214</u>	<u>40,278</u>	<u>44,614</u>

The majority of the Group's assets are tonnage tax assets, which do not qualify for capital allowances or capital gains allowable in the periods in which the Group is within the tonnage tax regime. Deferred tax liabilities in respect of these assets have not been provided on the basis that the Group intends to remain in the tonnage tax regime for the foreseeable future and has no current plans to make further disposals of tonnage tax assets. The next renewal date to elect to remain in the UK Tonnage tax regime is 27 November 2030.

An unrecognised deferred tax asset arises in relation to tax losses on the non-tonnage tax business and the CWind entity. These deferred tax assets have not been recognised on the basis that there is insufficient evidence of taxable profits arising in the future. The deferred tax asset will be recognised if sufficient profits are generated in the future to enable the asset to become recoverable.

28. Called up share capital

	2020 \$000	2019 \$000
Allotted, called up and fully paid		
27,000,000 (2019: 27,000,000) A Ordinary shares of £1.00 (2019: £1.00) each	39,974	39,974
2,999,999 (2019: 2,999,999) B Ordinary shares of £0.01 (2019: £0.01) each	44	44
	<u>40,018</u>	<u>40,018</u>

The A and B ordinary shares rank equally for any dividend declared. On a return of assets (whether in a winding-up, reduction of capital or otherwise) the remaining assets will be distributed amongst the A and B shares in proportion to the number of shares held, without reference to the nominal value or amount paid up on the shares. Ordinary class B shares do not convey any voting rights.

GLOBAL MARINE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

29. Reserves

Revaluation reserve

The revaluation reserve represents the historic revaluations upward on vessels and submersibles above their net book value.

Capital contribution reserve

The capital contribution reserve relates to assets assumed by the Global Marine Systems Limited following contributions by a parent company.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

30. Share based payments

Share options granted under the Company share based remuneration scheme were settled as a part of the acquisition by J.F. Lehman & Company in February 2020.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****31. Pension commitments**

The Group has established a number of pension schemes and contribute to other pension schemes around the world covering many of its employees. The principal funds are those in the UK comprising The Global Marine Systems Pension Plan, The Global Marine Personal Pension Plan (established in 2008), and Global Marine Systems (Guernsey) Pension Plan. A number of employees are members of the Merchant Navy Officers Pension Fund, a centralised defined benefit scheme to which the Group contributes.

The Global Marine Systems Pension Plan, the Global Marine Systems (Guernsey) Pension Plan and the Merchant Navy Officers Pension Fund are funded schemes of the defined benefit type with assets held in separate trustee administered funds. However as the Global Marine Systems (Guernsey) Pension Plan, which operates both a Career Average Re-valued Earnings ("CARE") defined benefit section and a defined contribution section is small with few members, the scheme is accounted for as defined contribution type scheme. The Global Marine Personal Pension Plan is predominantly of the money purchase type.

The Global Marine Systems Pension Plan was a hybrid, exempt approved, occupational pension scheme for the majority of staff, which provides pension and death in service benefits. The defined benefit section of the Plan provided final salary benefits up to 31 December 2003 and CARE benefits from 1 January 2004. In 2008 the defined contribution section was closed to new contributions and all the accumulated funds attributable to the defined contribution members were transferred to a Contracted in Money Purchase Scheme ("CIMP") set up by the Group. These funds were held on behalf of the defined contribution members and were all transferred to the Global Marine Personal Pension plan of each member on or before 30 June 2009. From 31 August 2006 the defined benefit section of the Scheme closed to future accrual and active members were offered membership of the existing defined contribution section (with some enhanced benefits).

Pension scheme valuations and contributions payableGlobal Marine Systems Pension Plan - Defined Benefit Section

The defined benefit section of the Global Marine Systems Plan (prior to its closure on 31 August 2006) was contributory, with employees contributing between 5% and 8% (depending on their age) and the employer contributing at a rate of 9.2% of pensionable salary plus deficit contributions of £950,000 per annum.

The defined benefit section of the Global Marine Systems Pension Plan is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method.

The most recent full actuarial valuation was conducted as at 31 December 2019.

Global Marine Personal Pension Plan

This is a defined contribution pension scheme and is contributory from the employee; the rate of contributions is split as follows:

- ex CARE employees contributing between 2.5% and 7.5% and the employer contributing at a matching rate plus an additional 5% fixed contributions; and
- defined contribution employees contributing between 2% and 7.5% and the employer contributing at a matching rate.

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****31. Pension commitments (continued)**Merchant Navy Officers Pension Fund

The Merchant Navy Officers Pension Fund is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method.

The most recent available full actuarial valuation was conducted as at 31 March 2018. The main assumptions used were that Retail Price Inflation would be 3.1% per annum, Consumer Price Inflation would be 2.1% per annum, the rate of return on investments (pre-retirement) would be 4.75% per annum, the rate of return on investments (post-retirement) would be 2.6% per annum and the rate of salary increases 4.1% per annum with pensions increasing by 2.9% per annum.

At the actuarial valuation date the market value of the total assets in the scheme amounted to £2,898m of which 0.05594% (£1,621k) relates to the Global Marine Systems Group. On an on-going basis the value of these assets, together with the deficit contributions receivable from the 2003 | 2006 | 2009 | 2012 of £320m, covered the value of pensioner's liabilities, preserved pension liabilities for former employees and the value of benefits for active members based on accrued service and projected salaries, to the extent of 94%.

Following the 2015 actuarial valuation, contributions are payable by the Group as follows:

- Employer contributions to 20% of pensionable salaries from 1 March 2016.

Global Marine Systems (Guernsey) Pension Plan

The defined benefit section of the Guernsey Scheme is contributory, with employees contributing between 5% and 8% (depending on their age), the employer ceased contributing after July 2004. The defined contribution section is also contributory, with employees contributing between 2% and 7.5% (depending on their age and individual choice) and the employer contributing at a matching rate.

The defined benefit section of the Guernsey Scheme is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method.

An actuarial valuation was conducted as of December 31, 2013. The principal actuarial assumptions used by the actuary were investment returns of 5.3% per annum pre-retirement, 4.4% per annum postretirement, inflation of 3.7% per annum and pension increases of 3.3% per annum.

At the valuation date the market value of the assets amounted to £1,846,000. The results show a past service shortfall of £143,000 corresponding to a funding ratio of 92%.

Following the actuarial valuation as at December 31, 2013, contributions were as follows:

- Seven annual contributions of £24,900 on each December 31, 2014 to 2020.

Collectively hereafter, the defined benefit plans will be referred to as the "Plans".

GLOBAL MARINE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****31. Pension commitments (continued)**Global Marine Systems Pension Plan - Defined Benefit Section

The Group sponsors a funded defined benefit pension plan, the Global Marine Systems Pension Plan ('the Plan'). The Plan is a multi-employer scheme and the Group is responsible for the Plan liabilities. The disclosures below are in respect of the whole Plan.

The level of benefits provided by the Plan depends on a member's length of service and their salary. The Plan closed to future accrual (but members retain their entitlement to death-in-service and ill-health benefits) on 31 August 2006.

During 2018, a further agreement was reached between the Company and the Trustees documented in a "Side Letter" whereby the regular deficit repair contributions that were deferred to December 2017, would be deferred and paid over three years in installments from 2019 as detailed above. This deferral is on the basis that the Company required cash for further investing and has provided security over assets for this deferment period. The deferral was supported by an independent report documenting the forecast improvement from acquiring the Fugro trenching business unit. The Company has commenced regular contributions from January 2018.

The last funding valuation of the Plan was carried out by a qualified actuary as at 31 December 2019. Additional amounts might also be payable in respect of any profits or dividend distributions made by the Company as per the Recovery Plan, however this (if any) amount is not yet known.

The results of the latest funding valuation at 31 December 2019 have been adjusted to the Balance Sheet date taking account of experience over the period, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2020 %	2019 %
Discount rate	1.45	2.10
Rate of increase in salaries*	N/A	N/A
Rate of increase in pensions in payment**	2.80	3.30
Rate of increase in deferred pensions**	2.05	2.00
Inflation assumption - RPI	2.85	2.90
Inflation assumption - CPI	2.05	2.00
Mortality assumption***	See below	See below

* It is not necessary to make an assumption about salary increases as the Plan changed to a CARE arrangement with effect from 1 January 2004.

** The pension increase assumption is that for benefits increasing with RPI limited to 5% per annum, to which the majority of the Plan's liabilities relate.

*** The mortality assumptions are based on standard mortality tables for onshore members and heavy tables for offshore members both of which allow for expected future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 25.0 years if they are male, and for a further 28.1 years if they are female. For a member who retires in 2037 at age 60 the assumptions are that they will live on average for a further 26.5 years after retirement if they are male and for a further 29.4 years after retirement if they are female.

Reconciliation of present value of plan liabilities:

	2020 \$000	2019 \$000
At the beginning of the year	(202,743)	(178,476)
Interest cost	(4,257)	(5,304)
Actuarial losses	(24,132)	(19,605)
Benefits paid	8,574	6,725
Exchange adjustment	(8,763)	(6,083)
At the end of the year	(231,321)	(202,743)

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2020 \$000	2019 \$000
At the beginning of the year	183,902	159,905
Interest income	4,426	4,839
Actuarial gains	22,959	13,321
Contributions	33,147	7,080
Benefits paid	(8,574)	(6,725)
Exchange adjustment	8,739	5,482
At the end of the year	244,599	183,902

Compositions of plan assets:

	2020 \$000	2019 \$000
Equities	18,037	23,866
Liability hedging assets	91,400	53,616
Hedge funds	70,483	54,802
Corporate Bonds	49,881	38,641
Property	11,349	11,381
Other	3,449	1,596
Total plan assets	244,599	183,902

	2020 \$000	2019 \$000
Fair value of plan assets	244,599	183,902
Present value of plan liabilities	(231,321)	(202,742)
Net pension scheme assets/(liability)	13,278	(18,840)

None of the plan assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

As a result of the Company operating the Tonnage Tax regime corporation tax is not related to the movement in profit or losses. Consequently, no deferred tax asset arises on the pension scheme liabilities.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31. Pension commitments (continued)

	2020 \$000	2019 \$000
Amounts recognised in income statement		
Operating cost:		
Past service cost	-	-
Financing cost:		
Interest on net defined benefit liability	(169)	445
	<u>(169)</u>	<u>445</u>
Pension (income)/expense recognised in profit and loss	(169)	445
Amounts recognised in Other Comprehensive Income (OCI)		
Assets losses arising during the year	(22,959)	(13,321)
Liability gains arising during the year	24,132	19,605
	<u>1,173</u>	<u>6,284</u>
Total amount recognised in OCI	1,173	6,284
	2020 \$000	2019 \$000
Actual return on plan assets		
Interest income on plan assets	4,426	4,839
Gain on plan assets	22,959	13,321
	<u>27,385</u>	<u>18,160</u>
Actual return on plan assets	27,385	18,160

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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31. Pension commitments (continued)

Merchant Navy Officers Pension Fund

The Company sponsors a funded defined benefit pension plan, the Merchant Navy Officers Pension Fund ('the Plan'). The Plan is a multi-employer scheme and the Company is responsible for only a small part of the overall liabilities. The disclosures below are in respect of the Company's share of the Plan.

The level of benefits provided by the Plan depends on a member's length of service and their average revalued salary.

The last funding valuation of the Plan was carried out by a qualified actuary as at 31 March 2018. Since the plan is now closed to future accrual and no deficit contributions are required to be paid under the current recovery plan, there are no contributions expected in 2020.

The results of the latest funding valuation at 31 March 2018 have been adjusted to the Balance Sheet date taking account of experience over the period, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used by the independence qualified actuaries to calculate the liabilities under FRS 102 are set out below.

	2020 %	2019 %
Discount rate	1.45	2.10
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment*	2.80	2.80
Inflation assumption - RPI	2.85	2.90
Inflation assumption - KPI	2.05	2.00
Mortality assumption**	See below	See below

* The pension increase assumption is that for benefits increasing with RPI limited to 5% per annum, to which the majority of the plan's liabilities relate.

** The mortality assumptions are based on heavy mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 26.0 years if they are male, and for a further 29.5 years if they are female. For a member who retires in 2037 at age 60 the assumptions are that they will live on average for a further 27.3 years after retirement if they are male and for a further 30.4 years after retirement if they are female.

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31. Pension commitments (continued)

Composition of plan assets:

	2020 \$000	2019 \$000
Equities	348	316
Liability hedging assets	2,203	1,998
Hedge Funds	542	490
Corporate Bonds	599	544
Property	175	157
Total plan assets	3,867	3,505
	2020 \$000	2019 \$000
Fair value of plan assets	3,867	3,505
Present value of plan liabilities	(3,425)	(3,122)
Net pension asset	442	383

None of the plan assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

As a result of the Company operating the Tonnage Tax regime corporation tax is not related to the movement in profit or losses. Consequently, no deferred tax asset arises on the pension scheme liabilities.

Amounts recognised in income statement.

	2020 \$000	2019 \$000
Operating cost:		
Past service cost	-	14
Administration expenses	7	6
Financing cost:		
Interest on net defined benefit liability	(8)	-
Pension expense recognised in profit and loss	(1)	20

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31. Pension commitments (continued)

Amounts recognised in Other Comprehensive Income (OCI)

	2020	2019
	\$000	\$000
Assets losses arising during the year	(336)	(702)
Liabilities gains arising during the year	297	321
Total amount recognised in OCI	(39)	(381)

Changes to the present value of the defined benefit obligations during the year

	2020	2019
	\$000	\$000
Opening defined benefit obligation (DBO)	(3,122)	(2,799)
Interest expense on DBO	(65)	(83)
Actuarial losses on liabilities	(297)	(321)
Net benefits paid out	192	189
Past service costs	-	(14)
Exchange adjustment	(133)	(94)
Closing defined benefit obligation	(3,425)	(3,122)

Changes to the fair value of plan assets during the year

	2020	2019
	\$000	\$000
Opening fair value of plan assets	3,505	2,817
Interest income on plan assets	73	83
Gain on plan assets	336	702
Net benefits paid out	(192)	(189)
Administration costs incurred	(7)	(6)
Exchange adjustment	152	98
Closing fair value of Plan assets	3,867	3,505

Actual return on plan assets

	2020	2019
	\$000	\$000
Interest income on plan assets	73	83
Gain on plan assets	336	702
Actual return on plan assets	409	785

GLOBAL MARINE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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31. Pension commitments (continued)

Defined contribution pension scheme costs

Group contributions to the defined contribution type pension schemes including overseas pension arrangements are:

	2020	2019
	\$000	\$000
Global Marine Personal Pension Plan	792	856
Global Marine Systems (Guernsey) Pension Plan	1,123	923
CWind Personal Pension Plan	248	202
Offshore Personal Pension Plan	13	7
	<u>2,176</u>	<u>1,988</u>

At 31 December 2020 contributions of \$193,214 were due to be payable to the pension schemes (2019: \$80,765).

32. Commitments under operating leases

At 31 December the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group	Group	Company	Company
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Not later than 1 year	11,970	12,197	11,190	10,970
Later than 1 year and not later than 5 years	17,481	12,429	16,633	11,175
Later than 5 years	4,641	5,765	4,641	5,765
	<u>34,092</u>	<u>30,391</u>	<u>32,464</u>	<u>27,910</u>

Commitments under operating leases includes commitment for land and buildings and others.

At the Balance Sheet date, the Company has guaranteed loans in its subsidiary, CWind Limited, totalling \$Nil (2019: \$9,941,176). The loans are secured over fixed assets of the subsidiary and as such the directors of the Company do not consider it likely that any liabilities will crystallise in respect of this arrangement.

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33. Related party transactions

Detail of transactions with the Group during the year and balances outstanding at the year-end are given in respect of the associated undertakings and joint ventures.

Year end 31 December 2020	International Cables Pte Limited	Sino British Submarine Systems Co Ltd	Semba- wang Cable Depot Pte Limited	Flex- service Offshore (HK)	CWind Ltd entities
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit and loss account					
Turnover	-	518	-	-	-
Operating costs	-	(160)	-	(1,808)	-
Finance lease interest	(770)	-	-	-	-
Dividend received	(4,166)	(711)	-	-	-
Balance Sheet					
Debtors					
Amount owed by joint venture and associate undertakings	-	327	-	-	326
Creditors: amount falling due within one year					
Obligations under finance leases	(16,213)	-	-	-	-
Amount owed to joint venture and associate undertakings	-	(141)	-	-	-

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Year end 31 December 2019	International Cableship Pte Limited	Sino British Submarine Systems Co Ltd	Semba- wang Cable Depot Pte Limited	Huawei Marine Network Limited	Flex- service Offshore (HK)
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit and loss account					
Turnover	-	903	-	5,530	-
Operating costs	-	(467)	-	-	(565)
Finance lease interest	(1,031)	-	-	-	-
Dividend received	4,172	-	292	-	-
Balance Sheet					
Debtors					
Amount owed by joint venture and associate undertakings	-	408	-	761	-
Creditors: amount falling due within one year					
Obligations under finance leases	(6,627)	-	-	-	-
Amount owed to joint venture and associate undertakings	-	(91)	-	-	(48)
Creditors: amount falling due after more than one year					
Obligations under finance leases	(15,891)	-	-	-	-

On 27 May 2016, the Company purchased 6,000 shares in the Series A preferred stock of HC2 Holdings 2, Inc., then a wholly-owned subsidiary of the Company's ultimate parent company. The Series A Preferred Stock bore an interest rate of 12% per annum. These shares were redeemed as part of the sale on the 28 February 2020. At 31 December 2020 the value of the shares included in investments was \$Nil (2019: \$8,590,000) and \$Nil (2019: \$2,590,000) relating to interest accrued on the shares.

In the period to the 28 February 2020 the Group purchased services of \$60,390 (2019: \$11,314,372 whole year) from Fugro Group Companies, an investor in the intermediate parent company, Global Marine Holdings Limited. After the sale Fugro Group Companies were no longer related party companies.

Key management personnel include a number of directors and senior managers across the Group who form part of the internal leadership team. Together they have the authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was \$4,139,598 (2019: \$2,950,152).

During the year the Group made contributions of \$35,232,000 (2019: \$8,602,670) to the Group post employment benefit plan.

The CWind Phantom was chartered during the year to International Ocean Consultant Co. Ltd, a Joint venture partner of CWind Taiwan. Amounts receivable in the year amounted to £Nil (2019: £260,736). The amount receivable at the Balance Sheet date was £36,308 (2019: £135,142).

The balance owed by CWind Taiwan Ltd at the Balance Sheet date was £239,260 (2019: £36,265).

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34. Ultimate parent undertaking and controlling party

At the Balance Sheet date the ultimate controlling party was JFL Equity investors V, L.P., registered in the United States of America.

JFL-GMG Holdings, Ltd, a company incorporated in the United Kingdom, was the parent of the largest group to consolidate these financial statements as at 31 December 2019. The smallest group in which the results of the Company are consolidated is Global Marine Holdings Limited.

Copies of the consolidated financial statements of Global Marine Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

Copies of the consolidated financial statements of JFL-GMG Holdings, Ltd are available from the Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.