

TELFORD OFFSHORE GROUP

FINANCIAL ACCOUNTS

Second Quarter 2019 Unaudited

TELFORD OFFSHORE GROUP

Consolidated statement of comprehensive income

		Second Quarter		Half Year	
		Q2 2019 Unaudited	Q2 2018 Unaudited Restated	H1 2019 Unaudited	H1 2018 Unaudited Restated
(in \$ thousands)					
	Note				
Revenue	11	14,159	34,564	23,501	57,694
Cost of sales	12	(14,356)	(21,940)	(28,686)	(37,501)
Gross Profit		(197)	12,624	(5,185)	20,193
General and administrative expenses	13	(3,582)	(5,639)	(7,497)	(7,968)
Operating profit for the period		(3,779)	6,985	(12,682)	12,225
Gain on bargain purchase		-	687	-	118,087
Finance income	14	225	111	273	169
Finance cost	14	(9,259)	(9,088)	(18,240)	(13,876)
Profit before income taxes		(12,812)	(1,305)	(30,648)	116,605
Income taxes	10	(561)	(597)	(839)	(925)
Profit for the period		(13,373)	(1,902)	(31,487)	115,680
Other comprehensive income for the period					
Total comprehensive income for the period		(13,373)	(1,902)	(31,487)	115,680

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Consolidated statement of financial position

As at (in \$ thousands)		30-Jun-19	31- Dec-18
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	1	336,045	343,043
		336,045	343,043
Current assets			
Inventories	2	18,559	18,536
Trade receivables	3	7,559	8,679
Other receivables	4	12,049	8,312
Cash and cash equivalents	5	10,523	13,628
		48,690	49,155
Total assets		384,735	392,198
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	8	10
Retained earning		118,893	-
Other reserve		104	-
Current Year Profit & Loss		(31,486)	118,893
Total equity		87,519	118,903
LIABILITIES			
Non-current liabilities			
Long term liabilities	9	609	296
Borrowings	8	203,688	195,779
		204,297	196,075
Current liabilities			
Borrowings	8	73,965	60,886
Trade and other payables	6	18,288	14,880
Current tax payable	10	665	1,454
		92,919	77,220
Total liabilities		297,216	273,295
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		384,735	392,198

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Consolidated Statement of Cash Flows

	Note	Half Year		Second Quarter	
		01-Jan-19 30-Jun-19 Unaudited	01-Feb-18 30-Jun-18 Unaudited Restated	Q2 2019	Q2 2018
(in \$ thousands)					
Cash flows from operating activities					
Profit before taxation		(30,648)	116,605	(12,812)	(1,305)
Adjustments					
<i>To reconcile profit before taxation to net cash provided by operating activities:</i>					
<i>Gain on bargain purchase</i>					
		-	(118,087)	-	(687)
Depreciation charge for the period	1	13,146	10,598	6,609	6,421
Foreign exchange movement on tax balance	10	(3)	456	(12)	324
Finance costs	14	18,240	13,877	9,259	9,089
Finance income	14	(273)	(169)	(225)	(111)
Operating cash flow before working capital change		462	23,280	2,819	13,731
Decrease / (increase) in inventory	2	(23)	(26)	(221)	(446)
Decrease / (increase) in trade receivables	3	1,120	2,315	1,627	810
Decrease / (increase) in other receivables	4	(3,739)	(6,781)	(5,130)	(3,867)
Increase / (decrease) in trade and other payables	6	3,346	(17,738)	3,037	(5,050)
Cash generated from/(used in) operations		1,166	1,050	2,132	5,178
Taxation paid	10	(1,624)	227	(1,561)	243
Finance income received	14	273	169	225	111
Finance cost paid	14	(7,195)	(3,488)	(3,676)	(2,664)
Net Cash generated from/(used in) operating activities		(7,381)	(2,042)	(2,881)	2,868
Cash flow from investing activity					
Payment for Property, Plant and equipment	1	(5,725)	(975)	(3,221)	(975)
Net cash used in investing activity		(5,725)	(975)	(3,221)	(975)
Cash flow from financing activity					
Cash received from borrowings		10,000	25,621	-	-
Cash from business combination		-	5,626	-	-
Net cash generated from financing activity		10,000	31,247	-	-
Net increase(decrease) in cash and cash equivalents		(3,105)	28,230	(6,102)	1,893
Cash and cash equivalent at beginning of the period		13,628	-	16,625	26,337
Cash and cash equivalent at end of the period		10,523	28,230	10,523	28,230

TELFORD OFFSHORE HOLDINGS LIMITED**Consolidated statement of change in equity
For the six months ended 30 June 2019**

Unaudited (in \$ thousands)	Share capital	Retained earnings	Other reserve	Total
Balance at 1 January 2019	10	118,893	-	118,903
Less: 1,538,489 ordinary shares cancelled	(2)	-	-	(2)
Reserve from leased assets as per IFRS 16	-	-	104	104
Total comprehensive income for the period	-	(31,487)	-	(31,487)
Balance at 30 June 2019	8	87,406	104	87,519

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Notes to consolidated financial statements for the period 1 January 2019 to 30 June 2019

The 2018 quarterly accounts have been restated to reflect the end of year impact of the Assets Revaluation and of the Business Combination on the quarterly accounts

1. Property, Plant & Equipment

Cost	Fleet	Assets under construction	Other fixed assets	Land & Building	Total
(in \$ thousands)					
At 1 January 2019	365,394	491	157	467	366,509
Addition	-	5,725	-	424	6,148
Disposal	-	-	-	-	-
Transfers(out)/in	-	-	-	-	-
At 30 June 2019	365,394	6,216	157	891	372,657
Accumulated Depreciation	Fleet	Assets under construction	Other fixed assets	Land & Building	Total
(in \$ thousands)					
At 1 January 2019	23,405	-	61	-	23,466
Charge for the year	12,984	-	27	135	13,146
Impairment	-	-	-	-	-
Disposal	-	-	-	-	-
At 30 June 2019	36,389	-	88	135	36,612
Net book value 30 June 2019	329,005	6,216	69	756	336,045

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Notes to consolidated financial statements for the period 1 January 2019 to 30 June 2019

2. Inventories (in \$ thousands)	30-Jun-19 Unaudited	31-Dec-18 Audited
Bunkers	804	915
Spare parts and consumables	17,754	17,621
At end of the period	18,559	18,536

3. Trade receivables (in \$ thousands)	30-Jun-19 Unaudited	31-Dec-18 Audited
Trade debtors	7,992	13,793
Less provision for impairment of receivables	(433)	(5,114)
At end of the period	7,559	8,679

4. Other receivables (in \$ thousands)	30-Jun-19 Unaudited	31-Dec-18 Audited
Amount Due from Liquidator	-	6,000
Prepayments	2,967	882
Advances to suppliers	1,466	631
Other receivables	7,616	799
At end of the period	12,049	8,312

5. Cash and cash equivalents (in \$ thousands)	30-Jun-19 Unaudited	31-Dec-18 Audited
Cash in hand	9	17
Cash at bank	9,514	12,611
Cash and cash equivalents	9,523	12,628
Restricted cash	1,000	1,000
At end of the period	10,523	13,628

6. Trade and other payables (in \$ thousands)	30-Jun-19 Unaudited	31-Dec-18 Audited
Trade payables	5,478	3,812
Other payables	5,898	7,951
Accrual	6,912	3,117
At end of the period	18,288	14,880

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Notes to consolidated financial statements for the period 1 January 2019 to 30 June 2019

7. Share Capital	30-Jun-19	31-Dec-18
	Unaudited	Audited
Authorised		
13,000,000 ordinary shares of U.S.\$0.001 each	13,000	13,000
	13,000	13,000
Allotted, issued and unpaid		
10,000,000 ordinary shares of U.S.\$0.001 each	10,000	10,000
Less: 1,538,489 ordinary shares of U.S.\$0.001 each cancelled on 28 February 2019	(1,538)	-
At end of the period	8,462	10,000
8. Borrowings		
(in \$ thousands)	30-Jun-19	31-Dec-18
	Unaudited	Audited
Non-current		
Senior secured callable Bond B	203,688	195,779
At end of the period	203,688	195,779
Current		
Senior secured callable Bond A1	41,312	40,100
Less : Issue discount	(595)	(1,190)
Senior secured callable Bond A2	23,334	22,649
Less : Issue discount	(336)	(673)
Senior secured callable Bond A3	10,250	-
At end of the period	73,965	60,886
Total Borrowings at end of the period	277,654	256,665
9. Long term liabilities		
(in \$ thousands)	30-Jun-19	31-Dec-18
	Unaudited	Audited
Provision for employees' end of service benefits	400	296
Lease liability	209	-
At end of the period	609	296
10. Taxation		
(in \$ thousands)	30-Jun-19	31-Dec-18
	Unaudited	Audited
Opening	1,454	-
Provided during the period	839	1,451
Payment during the period	(1,624)	(357)
Other movement	(3)	360
At end of the period	665	1,454

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Notes to consolidated financial statements for the period 1 January 2019 to 30 June 2019

(in \$ thousands)	Second Quarter		Half Year	
	Q2 2019 Unaudited	Q2 2018 Unaudited	H1 2019	H1 2018
11. Revenue				
Lease revenues	13,371	34,564	22,569	37,812
Mobilisation and demobilisation	702	-	913	-
Construction projects and EPIC contracts	-	-	-	679
Reimbursables costs, project and other revenue	85	-	18	19,203
Total revenue	14,159	34,564	23,501	57,694

(in \$ thousands)	Q2 2019	Q2 2018	H1 2019	H1 2018
	Unaudited	Unaudited Restated		
12. Cost of sales				
Direct Labour	3,761	8,061	7,189	13,494
Subcontractor cost	1,579	4,509	2,407	8,260
Vessel Running Expenses	918	1,049	2,086	2,034
Repair & Maintenance	543	488	1,286	840
Provision for impairment of trade receivables	-	-	-	-
Other operating Expenses	1,025	1,462	2,732	2,370
Depreciation on fleet	6,528	6,371	12,984	10,503
Total cost of sales	14,356	21,940	28,686	37,501

(in \$ thousands)	Q2 2019	Q2 2018	H1 2019	H1 2018
	Unaudited	Unaudited Restated		
13. General and administrative expenses				
Staff cost	2,008	2,575	4,312	4,371
Rent charges	263	141	371	232
Repair & Maintenance facility	45	7	137	11
Telecommunication expense	72	84	126	140
other facility expenses	165	957	251	973
Employee travel and related exp	325	231	609	547
supplies expenses	-	12	-	19
Transportation expenses	15	13	24	16
Marketing Expenses	145	89	186	180
Legal & professional	315	427	924	623
Foreign exchange loss	48	807	126	330
Depreciation	81	50	162	95
Provision for impairment of trade receivables	-	-	-	-
Others	102	246	271	431
Total general and administrative expenses	3,582	5,639	7,497	7,968

(in \$ thousands)	Q2 2019	Q2 2018	H1 2019	H1 2018
	Unaudited	Unaudited Restated		
14. Finance cost net				
Finance cost for bonds	9,224	9,059	18,162	13,834
Lease charges	11	-	30	-
Bank charges	24	30	48	43
Total finance cost	9,259	9,088	18,240	13,876
Bank interest received	(225)	(111)	(273)	(169)
Net finance cost	9,034	8,977	17,967	13,707