

**TELFORD OFFSHORE GROUP**

**MANAGEMENT ACCOUNTS**

**for the Period Ended 31st March 2018**

**TELFORD OFFSHORE GROUP**  
**PROFIT AND LOSS ACCOUNT FOR THE PERIOD TO 31-MAR-18**

	Note	1st Feb-2018	Period to 31-Mar-18 USD'000s
<b>Revenue</b>			<b>23,130</b>
<b>Expense</b>			
Staff costs			7,229
Depreciation			3,049
Impairment			-
Subcontractors & equipment hire	1		3,920
Repair and maintenance			355
Other operating expenses	2		2,686
<b>Operating Profit / (Loss)</b>			<b>5,891</b>
Net foreign exchange profit / (loss)			477
Finance income			58
Finance costs			(4,788)
<b>Profit / (Loss) before taxation</b>			<b>1,638</b>
Taxation			(328)
<b>Profit / (Loss) for the period</b>			<b>1,310</b>

**TELFORD OFFSHORE GROUP**  
**BALANCE SHEET STATEMENT AS AT 31st MARCH 2018**

	Note	01-Feb-18 USD'000s	Quarter to 31-Mar-18 USD'000s
<b><u>Assets</u></b>			
<b>FIXED ASSETS</b>			
Fleet	3	208,500	205,497
Assets under construction	3	-	-
Other fixed assets	3	115	71
		<b>208,615</b>	<b>205,568</b>
<b>NON CURRENT ASSETS</b>			
STGL Bond	4	40,000	40,000
		<b>40,000</b>	<b>40,000</b>
<b>CURRENT ASSETS</b>			
Inventories	5	9,002	8,582
Trade and other receivables	6	16,501	17,910
Cash and cash equivalents	7	31,247	26,337
		<b>56,749</b>	<b>52,828</b>
<b>TOTAL ASSETS</b>		<b>305,364</b>	<b>298,396</b>
<b><u>Shareholders' Equity and Liabilities</u></b>			
<b>CAPITAL AND RESERVES</b>			
Issued share capital		10	10
Other Reserves		38,401	38,401
Current Year Profit & Loss		-	1,310
		<b>38,411</b>	<b>39,721</b>
<b>NON CURRENT LIABILITIES</b>			
Bond Debts	9	230,919	234,745
		<b>230,919</b>	<b>234,745</b>
<b>CURRENT LIABILITIES</b>			
Trade and other liabilities	8	34,844	22,295
Taxation		1,190	1,635
Bank and other loans		-	-
		<b>36,034</b>	<b>23,930</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>305,364</b>	<b>298,396</b>

Management are still undergoing a Fair Value review of assets and liabilities acquired as part of the business acquisition. As per IFRS 3 Management has a maximum measurement period of one year to complete this exercise.

TELFORD OFFSHORE GROUP

CASH FLOW STATEMENT AS AT 31st MARCH 2018

	01-Feb-18 USD'000s	Quarter to 31-Mar-18 USD'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	-	1,638
<i>Adjustments to reconcile profit before taxation to net cash provided by operating activities:</i>		
Depreciation	-	3,049
Net finance costs	-	4,788
Net interest and bank charges	-	(823)
Bond redemption	-	-
Decrease / (increase) in inventory	-	420
Decrease / (increase) in trade and other receivables	-	(1,409)
Increase / (decrease) in trade and other payables	-	(12,688)
Taxation paid	-	116
<b>Net cash from / (used in) operating activities</b>	-	<b>(4,910)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash (used in) investing activities</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans drawn down	-	-
Proceeds from New Bond / Redemption of Bond	-	-
Financing Capitalised Cost	-	-
Repayment of loans	-	-
<b>Net cash (used in) / from financing activities</b>	-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	-	<b>(4,910)</b>
<b>Cash and cash equivalents at: 1 Feb 2018</b>	<b>31,247</b>	<b>31,247</b>
<b>Cash and cash equivalents at: 1 Feb 2018/ 31st March 2018</b>	<b>31,247</b>	<b>26,337</b>

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NOTES TO THE MANAGEMENT ACCOUNTS - 31st MARCH 2018

<b>1. Subcontract and Equipment Hire</b>	<b>01-Feb-18</b>	<b>31-Mar-18</b>
	<b>USD'000s</b>	<b>USD'000s</b>
Sub Contractor work	-	3,867
Equipment Hire	-	53
	<u>-</u>	<u>3,920</u>
<b>2. Other Operating Expenses</b>	<b>01-Feb-18</b>	<b>31-Mar-18</b>
	<b>USD'000s</b>	<b>USD'000s</b>
Vessel Running expenses including fuel		992
Insurance		161
Travel and Entertainment		974
Legal and Professional		196
Other operating expnses		363
	<u>-</u>	<u>2,686</u>
<b>3. FIXED ASSETS</b>	<b>01-Feb-18</b>	<b>31-Mar-18</b>
	<b>USD'000s</b>	<b>USD'000s</b>
<b>COST</b>		
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<b>215,781</b>	<b>215,781</b>
Additions	-	-
Disposals & other movements	-	-
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<u><b>215,781</b></u>	<u><b>215,781</b></u>
<b>DEPRECIATION</b>		
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<b>7,166</b>	<b>7,166</b>
Charge for period (including impairment)	-	3,049
Relating to disposals/other movements		(2)
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<u><b>7,166</b></u>	<u><b>10,213</b></u>
<b>ASSETS UNDER CONSTRUCTION</b>		
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<b>-</b>	<b>-</b>
Additions	-	-
Transferred to fixed assets	-	-
Transferred to assets held for sale	-	-
Other movements	-	-
	<u>-</u>	<u>-</u>
<b>Total Net Book amounts</b>		
<b>At: 1 Feb 2018/ 31st Mar 2018</b>	<u><b>208,615</b></u>	<u><b>205,568</b></u>

Telford Depreciation policy amortises the vessels over the life of twenty years from the date of original delivery from the shipyard. The remaining life of the vessels in the current DP3 fleet is in the range from 9 years to 13 years

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NOTES TO THE MANAGEMENT ACCOUNTS - 31st MARCH 2018

4. STGL Bond	01-Feb-18 USD'000s	31-Mar-18 USD'000s
Recoverable from STG Liquidator	40,000	40,000
	<u>40,000</u>	<u>40,000</u>

This amount represents what is expected to be recovered from the Liquidator under the 278 MUSD outstanding STGL bond (238 MUSD not recognised in the balance sheet) which is owned by Telford Offshore Limited

5. INVENTORIES	31-Mar-18 USD'000s	31-Mar-18 USD'000s
Bunkers	385	330
Spare parts and consumables	8,617	8,252
	<u>9,002</u>	<u>8,582</u>

6. TRADE AND OTHER RECEIVABLES	31-Mar-18 USD'000s	31-Mar-18 USD'000s
Trade debtors	18,583	17,229
Less provision for impairment of receivables	(4,792)	(4,792)
Amount Due from STGL (see below)	-	3,226
Prepayments and accrued income	2,710	2,247
	<u>16,501</u>	<u>17,910</u>

The Company has funded to date \$3.226m under the Funding Agreement signed with FTI, which is potentially recoverable against future realisation of assets from the Sea Trucks Group Limited companies. The Company has a maximum Contingent Liability to fund up to \$15.7m under this Agreement.

7. CASH AND CASH EQUIVALENTS	01-Feb-18 USD'000s	31-Mar-18 USD'000s
Free Cash	31,247	15,337
Cash in escrow account	-	10,000
Cash in retention account	-	1,000
	<u>31,247</u>	<u>26,337</u>

8. TRADE AND OTHER PAYABLES	01-Feb-18 USD'000s	31-Mar-18 USD'000s
Trade creditors	26,976	11,745
Other payables and accruals	7,868	10,411
Accrued interest	-	139
	<u>34,844</u>	<u>22,295</u>

9. Bond Debts	01-Feb-18 USD'000s	31-Mar-18 USD'000s
Bond- A1	38,000	38,304
Less finance cost capitalised	(2,280)	(2,082)
Bond- A2	21,488	21,660
Less finance cost capitalised	(1,289)	(1,177)
Bond- B	175,000	178,040
	<u>230,919</u>	<u>234,745</u>

Bond A1 & A2:

- Maturity 31st December 2019
- Cash Interest of 9% and PIK 6%

Bond B

- Maturity 12th February 2024
- Interest of either:
  - a) 1% cash and 13% PIK or
  - b) 10% cash or
  - c) 4% cash and 8% PIK