

TELFORD OFFSHORE HOLDINGS LIMITED

FINANCIAL ACCOUNTS

from 1 January 2019 to 31 December 2019

TELFORD OFFSHORE HOLDINGS LIMITED

Consolidated statement of comprehensive income

(in \$ thousands)		Q4 2019	Q4 2018	For the period from 1 January 2019 to 31 December 2019	For the period from 1 February 2018 to 31 December 2018
		Unaudited	Unaudited	Audited	Audited
	Note				
Revenue	11	22,945	10,742	68,238	88,405
Cost of sales	12	(25,348)	(17,242)	(71,527)	(71,475)
Gross Profit		(2,404)	(6,500)	(3,289)	16,930
General and administrative expenses	13	(3,225)	(4,091)	(14,786)	(15,659)
Operating profit for the period		(5,629)	(10,591)	(18,075)	1,271
Gain on bargain purchase		-	33,231	-	151,320
Finance income	14	100	2	354	213
Finance cost	14	(9,836)	(9,375)	(37,495)	(32,460)
Profit before income taxes		(15,364)	13,267	(55,216)	120,344
Income taxes	7	(816)	(110)	(2,687)	(1,451)
Profit for the period		(16,180)	13,157	(57,903)	118,893
Other comprehensive income for the period					
Total comprehensive income for the period		(16,180)	13,157	(57,903)	118,893

TELFORD OFFSHORE HOLDINGS LIMITED**Consolidated statement of change in equity
For the period ended 31 December 2019**

Audited (in \$ thousands)	Share capital	Retained earnings	Perpetual PIK Note	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	-	129	-	129
Cost for Perpetual PIK Note	-	-	(1,644)	(1,644)
Total comprehensive income for the period	-	(57,903)	-	(57,903)
Pik Perpetual	-	-	214,161	214,161
Balance at 31 December 2019	8	61,119	212,517	273,644

TELFORD OFFSHORE HOLDINGS LIMITED

Consolidated statement of financial position

As at (in \$ thousands)		31-Dec-19	31- Dec-18
		Audited	Audited
ASSETS	Note		
Non-current assets			
Property, plant and equipment	1	322,485	343,043
Right to use asset	1	576	-
		323,061	343,043
Current assets			
Inventories	2	19,811	18,536
Trade receivables	3	7,572	8,679
Other receivables	4	15,162	8,312
Cash and cash equivalents	5	10,932	13,628
		53,478	49,155
Total assets		376,539	392,198
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	8	10
12% Perpetual Junior PIK Bond	10	212,517	-
Retained earning		119,022	-
Current Year Profit & Loss		(57,903)	118,893
Total equity		273,644	118,903
LIABILITIES			
Non-current liabilities			
Borrowings	8	79,325	195,779
lease liability	1	174	-
Long term liabilities	9	433	296
		79,932	196,075
Current liabilities			
Borrowings	8	-	60,886
Trade and other payables	6	21,363	14,880
lease liability	1	213	-
Current tax payable	7	1,387	1,454
		22,963	77,220
Total liabilities		102,895	273,295
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		376,539	392,198

TELFORD OFFSHORE HOLDINGS LIMITED

Consolidated Statement of Cash Flows

(in \$ thousands)	Note	For the period 01-Jan-19 31-Dec-19 Audited	For the period 01-Feb-18 31-Dec-18 Audited
Cash flows from operating activities			
Profit before taxation		(55,216)	120,344
Adjustments			
<i>To reconcile profit before taxation to net cash provided by operating activities:</i>			
<i>Gain on bargain purchase</i>			
		-	(151,320)
Depreciation charge for the period	1	27,256	23,466
Depreciation charge for right of use assets	1	125	-
Impairment charge for the period	1	8,309	-
Foreign exchange movement on tax balance	7	14	(360)
Employees end of service benefits	9	137	-
Finance costs	14	37,495	32,460
Finance income		(354)	(213)
Operating cash flow before working capital change		17,766	24,377
Decrease / (increase) in inventory	2	(1,275)	(541)
Decrease / (increase) in trade receivables	3	1,107	5,263
Decrease / (increase) in other receivables	4	(6,851)	640
Increase / (decrease) in lease liability	6	-	-
Increase / (decrease) in trade and other payables	6	6,558	(20,412)
Cash generated from/(used in) operations		17,305	9,327
Taxation paid	7	(2,768)	(357)
Finance income received		354	213
Finance cost paid		(12,705)	(6,449)
Net Cash generated from/(used in) operating activities		2,186	2,734
Cash flow from investing activity			
Payment for Property, Plant and equipment	1	(15,007)	(5,425)
Expenses incurred to acquire net assets, net of cash and cash equivalent received		-	(9,302)
Net cash used in investing activity		(15,007)	(14,727)
Cash flow from financing activity			
Cash received from borrowings		90,000	25,621
Cash paid for borrowings		(77,327)	-
Finance cost for Perpetual PIK Note		(1,644)	-
Finance cost for Borrowings		(676)	-
Principal element of lease payments		(230)	-
Net cash generated from financing activity		10,123	25,621
Net increase(decrease) in cash and cash equivalents		(2,696)	7,481
Cash and cash equivalent at the beginning of the period		13,628	-
Cash and cash equivalent at the end of the period		10,932	13,628

TELFORD OFFSHORE HOLDINGS LIMITED

Notes to consolidated financial statements for the year ended 31 December 2019

1. Property, Plant & Equipment

Cost	Fleet	Assets under construction	Other fixed assets	Land & Building	Total
<i>(in \$ thousands)</i>					
At 1 January 2019	365,394	491	157	467	366,509
Addition	-	15,007	-	-	15,007
Disposal	-	-	-	-	-
Transfers(out)/in	15,106	(15,209)	103	-	(0)
At 31 December 2019	380,500	289	260	467	381,516
Accumulated Depreciation					
	Fleet	Assets under construction	Other fixed assets	Land & Building	Total
<i>(in \$ thousands)</i>					
At 1 January 2019	23,405	-	61	-	23,466
Charge for the year	27,045	-	56	155	27,256
Impairment	8,309	-	-	-	8,309
Disposal	-	-	-	-	-
At 31 December 2019	58,759	-	117	155	59,030
Net book value 31 December 2019	321,741	289	143	312	322,485

Leases	31-Dec-19	31-Dec-18
<i>(in \$ thousands)</i>	Audited	Audited
a) Right of use assets		
Lease office in Dordrecht Netherland	424	-
Lease office in Reef Tower Dubai	277	-
Less: Depreciation of right to use assets	(125)	-
	576	-
	31-Dec-19	31-Dec-18
	Audited	Audited
b) Lease Liability		
Less: Rent expense relating to lease payment	572	-
Interest expense	(230)	-
	45	-
	387	-
Less: Current lease liability	(213)	-
Non-current lease liability	174	-

TELFORD OFFSHORE HOLDINGS LIMITED

Notes to consolidated financial statements for the year ended 31 December 2019

2. Inventories (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Bunkers	1,082	915
Spare parts and consumables	18,729	17,621
At 31 December 2019/ 31 December 2018	19,811	18,536

3. Trade receivables (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Trade debtors	7,758	13,793
*Less provision for impairment of receivables	(186)	(5,114)
At 31 December 2019/ 31 December 2018	7,572	8,679

* The amount of impairment is calculated based on application of IFRS 9 effective 1 January 2018

4. Other receivables (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Amount Due from Liquidator	-	6,000
Prepayments	521	882
Advances to suppliers	384	631
Loan to Afrimarine	688	-
Accrued revenue	8,628	132
Deferred expense	4,545	-
Other receivables	397	667
At 31 December 2019/ 31 December 2018	15,163	8,312

5. Cash and cash equivalents (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Cash in hand	4	17
Cash at bank	9,902	12,611
Cash and cash equivalents	9,906	12,628
Restricted cash	1,026	1,000
At 31 December 2019/ 31 December 2018	10,932	13,628

6. Trade and other payables (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Trade payables	5,505	3,812
Other payables	3,167	3,117
Deferred revenue	4,821	-
Accrued interest	183	262
Accrual	7,687	7,689
At 31 December 2019/ 31 December 2018	21,363	14,880

TELFORD OFFSHORE HOLDINGS LIMITED

Notes to consolidated financial statements for the year ended 31 December 2019

7. Taxation (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Opening	1,454	-
Provided during the period	2,687	1,451
Payment during the period	(2,768)	(357)
Other movement	14	360
At 31 December 2019/ 31 December 2018	1,387	1,454

8. Borrowings (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Non-current		
Senior secured callable Bond B	-	195,779
Senior Secured Callable Bond A4	88,000	-
Less: Finance cost	(675)	-
Less: Subscription fee	(8,000)	-
At 31 December 2019/ 31 December 2018	79,325	195,779
Current		
Senior secured callable Bond A1	-	40,100
Less : Issue discount	-	(1,190)
Senior secured callable Bond A2	-	22,649
Less : Issue discount	-	(673)
At 31 December 2019/ 31 December 2018	-	60,886
At 31 December 2019/ 31 December 2018	79,325	256,665

9. Long term liabilities (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Provision for employees'end of service benefits	433	296
	-	-
At 31 December 2019/ 31 December 2018	433	296

10. Share Capital (in \$ thousands)	31-Dec-19 Audited	31-Dec-18 Audited
Authorised		
13,000,0000 ordinary shares of U.S.\$0.001 each	13	13
	13	13
Allotted and issued		
10,000,0000 ordinary shares of U.S.\$0.001 each	10	10
Less: 1,538,489 ordinary shares of U.S.\$0.001 each cancelled on 28 February 2019	(2)	-
	8	10
Issued and unpaid		
10,000,0000 ordinary shares of U.S.\$0.001 each	10	10
Less: 1,538,489 ordinary shares of U.S.\$0.001 each cancelled on 28 February 2019	(2)	-
Perpetual Junior PIK Bond		
12% Perpetual Junior PIK Bond Issue	214,161	-
Less : Finance Cost	(1,644)	-
At 31 December 2019/ 31 December 2018	212,526	10

TELFORD OFFSHORE HOLDINGS LIMITED
Notes to consolidated financial statements for the year ended 31 December 2019

(in \$ thousands)	Q4 2019 Unaudited	Q4 2018 Unaudited	For the period from 1 January 2019 to 31 December 2019 Audited	For the period from 1 February 2018 to 31 December 2018 Audited
11. Revenue				
Lease revenues	20,741	8,435	64,156	53,333
Mobilisation and demobilisation	1,705	139	3,117	11,219
Construction projects and EPIC contracts	-	-	-	679
Reimbursables costs, project and other revenue	499	2,168	965	23,173
Total revenue	22,945	10,741	68,238	88,405

(in \$ thousands)	Q4 2019 Unaudited	Q4 2018 Unaudited	For the period from 1 January 2019 to 31 December 2019 Audited	For the period from 1 February 2018 to 31 December 2018 Audited
12. Cost of sales				
Direct Labour	4,554	3,271	16,125	20,732
Subcontractor cost	1,971	(1,177)	6,271	8,840
Vessel Running Expenses	1,232	979	3,950	5,018
Repair & Maintenance	(166)	1,230	1,664	2,988
Provision for impairment of trade receivables	(84)	4,607	(84)	4,607
Other operating Expenses	2,364	1,871	8,247	5,885
impairment of fleet	8,309	-	8,309	-
Depreciation on fleet	7,169	6,461	27,045	23,405
Total cost of sales	25,348	17,242	71,527	71,475

(in \$ thousands)	Q4 2019 Unaudited	Q4 2018 Unaudited	For the period from 1 January 2019 to 31 December 2019 Audited	For the period from 1 February 2018 to 31 December 2018 Audited
13. General and administrative expenses				
Staff cost	2,824	2,560	9,227	9,381
Rent charges	(264)	101	422	443
Repair & Maintenance facility	62	62	282	77
Telecommunication expense	60	84	255	311
other facility expenses	(265)	218	206	1,401
Employee travel and related exp	207	249	1,113	1,030
supplies expenses	(2)	(14)	5	9
Transportation expenses	35	59	95	79
Marketing Expenses	(74)	58	199	298
Legal & professional	281	1,421	1,641	2,443
Foreign exchange loss	104	(301)	246	(95)
Depreciation	93	7	336	61
Provision for impairment of trade receivables	12	90	19	90
Others	152	(503)	739	131
Total general and administrative expenses	3,225	4,091	14,787	15,659

(in \$ thousands)	Q4 2019 Unaudited	Q4 2018 Unaudited	For the period from 1 January 2019 to 31 December 2019 Audited	For the period from 1 February 2018 to 31 December 2018 Audited
14. Finance cost net				
Finance cost for bonds	9770	9351	37316	32357
Lease charges	4	-	45	-
Bank charges	62	24	134	103
Total finance cost	9,836	9,375	37,495	32,460
Bank interest income	-100	(2)	(354)	(213)
Net finance cost	9,736	9,373	37,140	32,247