



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 915 594 786
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: PROSAFE RIGS PTE LTD
Forretningsadresse: Forusparken 2
4031 STAVANGER

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Stig Harry Christiansen
Dato for fastsettelse av årsregnskapet: 30.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 12.07.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	15	24 980 129	107 743 323
Gain on disposal of plant and equipment		-223 600	190 068
Sum inntekter		24 756 529	107 933 391
Kostnader			
Vessel operating cost		32 326 223	14 662 844
Depreciation of plant and equipment		34 831 817	73 131 868
Nedskrivning av varige driftsmidler og immaterielle eiendeler		633 837 888	222 354 336
Other operating expences		2 459 244	842 199
Sum kostnader		703 455 172	310 991 247
Driftsresultat		-678 698 643	-203 057 856
Finansinntekter og finanskostnader			
Dividend income		3 854 691	5 250 000
Interest income	16	707 126	3 874 513
Sum finansinntekter		4 561 817	9 124 513
Finance cost		15 988 419	1 545 342
Sum finanskostnader		15 988 419	1 545 342
Netto finans		-11 426 602	7 579 171
Ordinært resultat før skattekostnad		-690 125 245	-195 478 685
Tax credit/(expenche)		11 510	-272 706
Ordinært resultat etter skattekostnad		-690 136 755	-195 205 979
Årsresultat		-690 136 755	-195 205 979
Overføringer og disponeringer			
Transferred to other equity		-690 136 755	-195 205 979
Sum overføringer og disponeringer		-690 136 755	-195 205 979



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Plant and Equipment	4	297 741 186	923 644 502
Sum varige driftsmidler		297 741 186	923 644 502
Finansielle anleggsmidler			
Investering i datterselskap	5	3 196 274	354 550
Sum finansielle anleggsmidler		3 196 274	354 550
Sum anleggsmidler		300 937 460	923 999 052
Omløpsmidler			
Varer			
Inventories	6	626 088	995 524
Sum varer		626 088	995 524
Fordringer			
Trade and other receivables	7	27 019 813	27 209 735
Prepayments		711 862	1 060 562
Sum fordringer		27 731 675	28 270 297
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	32 586 726	54 136 907
Sum bankinnskudd, kontanter og lignende		32 586 726	54 136 907
Sum omløpsmidler		60 944 489	83 402 728
SUM EIENDELER		361 881 949	1 007 401 780

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: USD	Note	2020	2019
Innskutt egenkapital			
Share capital	9	2 781 040 000	2 781 040 000
Overkurs	10	-1 621 831 651	-1 621 831 651
Sum innskutt egenkapital		1 159 208 349	1 159 208 349
Opptjent egenkapital			
Accumulated losses		-876 938 185	-186 801 430
Sum opptjent egenkapital		-876 938 185	-186 801 430
Sum egenkapital		282 270 164	972 406 919
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Other non-current liabilities		0	0
Sum annen langsiktig gjeld		0	0
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld	11	2 602 871	8 448 387
Provision for taxation		11 652	0
Contract liabilities	12	0	2 553 869
Accruals	13	57 730 702	5 472 329
Other liabilities	14	19 266 560	18 520 276
Sum kortsiktig gjeld		79 611 785	34 994 861
Sum gjeld		79 611 785	34 994 861
SUM EGENKAPITAL OG GJELD		361 881 949	1 007 401 780



Prosafe Rigs Pte. Ltd.
Registration Number: 200721493C

Annual Report
Year ended 31 December 2020

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



*Prosafe Rigs Pte. Ltd.
Directors' statement
Year ended 31 December 2020*

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS32 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, having regard to the undertaking from its holding company to provide the necessary financial support within the next 12 months, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are:

Jesper Kragh Andresen
Stig Harry Christiansen
Karine Betty Cosemans
Chang Chin Fen (Appointed on 9 June 2020)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Direct interest	
	At beginning of the year	At end of the year
The holding company <i>Prosafe SE</i>		
<i>Ordinary shares</i>		
Jesper Kragh Andresen	84,067	84,067
Stig Harry Christiansen	54,000	54,000
Karine Betty Cosemans	1,200	1,200
Chang Chin Fen	78	78



Prosafe Offshore Pte. Limited
Directors' statement
Year ended 31 December 2020

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Stig Harry Christiansen
Director

Karine Betty Cosemans
Director

30 June 2021



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Independent auditors' report

Member of the Company
Prosafe Rigs Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prosafe Rigs Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS32.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 21 in the financial statements which indicates the Company has an adjusting event arising from Westcon dispute. An accrual payable to Westcon amounting to approximately NOK 464.7 million (US\$ 54.5 million) was made following the judgement from the Gulating Court of appeal. Further, as disclosed in Note 14, the final payment (final instalment and accrued interest) owed and due under the seller's credit has not been made as of 31 December 2020. The Company is operating under moratorium protection granted by the Singapore Court until 30 September 2021 as part of the Group's ongoing financial process. These events or conditions, along with other matters set forth in Note 2.1 which indicates the Company's current liabilities exceeded its current assets by US\$18,667,296, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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*Prosafe Rigs Pte. Ltd.
Independent auditors' report
Year ended 31 December 2020*

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and 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, 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. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 SSAs 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.



Prosafe Rigs Pte. Ltd.
Independent auditors' report
Year ended 31 December 2020

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.



*Prosafe Rigs Pte. Ltd.
Independent auditors' report
Year ended 31 December 2020*

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
30 June 2021



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

Statement of financial position
As at 31 December 2020

	Note	2020 US\$	2019 US\$
Non-current assets			
Plant and equipment	4	297,741,186	923,644,502
Investment in subsidiaries	5	3,196,274	354,550
		<u>300,937,460</u>	<u>923,999,052</u>
Current assets			
Inventories	6	626,088	995,524
Trade and other receivables	7	27,019,813	27,209,735
Prepayments		711,862	1,060,562
Cash and cash equivalents	8	32,586,726	54,136,907
		<u>60,944,489</u>	<u>83,402,728</u>
Total assets		<u>361,881,949</u>	<u>1,007,401,780</u>
Equity			
Share capital	9	2,781,040,000	2,781,040,000
Merger reserve	10	(1,621,831,651)	(1,621,831,651)
Accumulated losses		(876,938,185)	(186,801,430)
Total equity		<u>282,270,164</u>	<u>972,406,919</u>
Current liabilities			
Trade and other payables	11	2,602,871	8,448,387
Contract liabilities	12	–	2,553,869
Accruals	13	57,730,702	5,472,329
Other liabilities	14	19,266,560	18,520,276
Provision for taxation		11,652	–
		<u>79,611,785</u>	<u>34,994,861</u>
Total liabilities		<u>79,611,785</u>	<u>34,994,861</u>
Total equity and liabilities		<u>361,881,949</u>	<u>1,007,401,780</u>

The accompanying notes form an integral part of these financial statements.

FS1



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

Statement of comprehensive income
Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
Revenue	15	24,980,129	107,743,323
Costs and expenses			
Direct cost:			
Vessel operating costs		(32,326,223)	(14,662,844)
Depreciation of plant and equipment		(34,831,817)	(73,131,868)
Gross (loss)/profit		(42,177,911)	19,948,611
Impairment of plant and equipment		(633,837,888)	(222,354,336)
(Loss)/gain on disposal of plant and equipment		(223,600)	190,068
Other operating expenses		(2,459,244)	(842,199)
Results from operating activities		(678,698,643)	(203,057,856)
Dividend income		3,854,691	5,250,000
Finance income	16	707,126	3,874,513
Finance costs		(15,988,419)	(1,545,342)
Loss before tax	17	(690,125,245)	(195,478,685)
Tax (expense)/credit	18	(11,510)	272,706
Loss for the year, representing total comprehensive expense for the year		(690,136,755)	(195,205,979)

The accompanying notes form an integral part of these financial statements.

FS2



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

Statement of changes in equity
Year ended 31 December 2020

	Share capital US\$	Merger reserve US\$	Accumulated losses US\$	Total US\$
At 1 January 2019	2,893,040,000	(1,621,831,651)	13,404,549	1,284,612,898
Total comprehensive expense for the year:				
Loss for the year, representing total comprehensive expense for the year	–	–	(195,205,979)	(195,205,979)
Transactions with owners:				
Capital reduction	(112,000,000)	–	–	(112,000,000)
Dividend distributed	–	–	(5,000,000)	(5,000,000)
At 31 December 2019	<u>2,781,040,000</u>	<u>(1,621,831,651)</u>	<u>(186,801,430)</u>	<u>972,406,919</u>
At 1 January 2020	2,781,040,000	(1,621,831,651)	(186,801,430)	972,406,919
Total comprehensive expense for the year:				
Loss for the year, representing total comprehensive expense for the year	–	–	(690,136,755)	(690,136,755)
At 31 December 2020	<u>2,781,040,000</u>	<u>(1,621,831,651)</u>	<u>(876,938,185)</u>	<u>282,270,164</u>

The accompanying notes form an integral part of these financial statements.

FS3



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

Statement of cash flows
Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
Cash flows from operating activities			
Loss before tax		(690,125,245)	(195,478,685)
Adjustments for:			
Impairment of plant and equipment	4	633,837,888	222,354,336
Depreciation of plant and equipment	4	34,831,817	73,131,868
Loss/(gain) on disposal of plant and equipment		223,600	(190,068)
Interest income	16	(707,126)	(3,874,513)
Finance costs		15,988,419	1,545,342
Dividend income		(3,854,691)	(5,250,000)
		<u>(9,805,338)</u>	<u>92,238,280</u>
Changes:			
Inventories		369,436	(995,524)
Trade and other receivables		756,166	(48,731,982)
Prepayments		348,700	(19,907)
Trade and other payables		(8,191,530)	2,392,082
Other liabilities		–	(16,591,410)
Accruals		(2,415,157)	3,353,697
Cash (used in)/generated from operations		<u>(18,937,723)</u>	<u>31,645,236</u>
Interest received		140,882	3,551,639
Income taxes refund		–	119,634
Net cash (used in)/generated from operating activities		<u>(18,796,841)</u>	<u>35,316,509</u>
Cash flows from investing activities			
Acquisition of plant and equipment		(2,214,801)	(7,144,114)
(Loss on)/proceeds from disposal of plant and equipment		(124,127)	190,089
Acquisition of subsidiary*		–	(297,000)
Dividend received from a subsidiary*		715,967	5,250,000
Net cash used in investing activities		<u>(1,622,961)</u>	<u>(2,001,025)</u>
Cash flows from financing activities			
Repayment of seller's credit		–	(3,958,893)
Interest paid		(1,130,379)	(1,545,342)
Dividend paid		–	(5,000,000)
Capital reduction*	9	–	(10,804,216)
Net cash used in financing activities		<u>(1,130,379)</u>	<u>(21,308,451)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(21,550,181)</u>	<u>12,007,033</u>
Cash and cash equivalents at beginning of year		54,136,907	42,129,874
Cash and cash equivalents at end of year	8	<u>32,586,726</u>	<u>54,136,907</u>

*** Significant non-cash transaction**

In 2020, the subsidiary, Prosafe Rigs (Cyprus) Limited was liquidated and the investment carrying amount of US\$23,550 and US\$297,000 due from the Company to the subsidiary were offset and recognised as dividend income. As part of the liquidation process, Prosafe Rigs (Cyprus) Limited transferred all its shares in Prosafe Offshore B.V. to the Company. The investment carrying amount of US\$2,865,274 was recognised as dividend income.

In 2019, capital reduction of US\$101,195,784 payable to the holding company was offset against the amounts due from holding company.

The accompanying notes form an integral part of these financial statements.

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*Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020*

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 June 2021.

1 Domicile and activities

Prosafe Rigs Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 1 International Business Park, The Synergy, #09-03, Singapore 609917.

The principal activity of the Company is that of owner and operator of offshore accommodation units.

The Company is wholly owned by Prosafe SE, incorporated in Norway, and listed on the Oslo Stock Exchange with ticket code 'PRS'.

2 Summary of significant accounting policies

2.1 Going concern basis of accounting

The Company has incurred a loss for the year ended 31 December 2020 of US\$690,136,755 (2019: US\$195,205,979) which included impairment charge of US\$633,837,888 (2019: US\$222,354,336) relating to plant and equipment (see note 4) and as at that date, the Company is in net current liabilities position of US\$18,667,296.

The financial statements have been prepared on a going concern basis as the holding company, Prosafe SE, has undertaken to provide the necessary financial support, within the next 12 months from the date of these financial statements, so that the Company is able to meet its liabilities as and when they fall due.

As at 31 December 2020, the Company and its related company, Prosafe Offshore Pte Limited are the guarantors of the facilities granted by banks to the ultimate holding company, Prosafe SE (note 19). The carrying amount of interest-bearing borrowings under the facilities was US\$1,378.8 million (2019: US\$1,314.1 million). As such, the Company is exposed to potential material financial obligations in future in relation to the guarantees provided.

In relation to a group restructuring plan, which discussions were initiated in December 2019, Prosafe SE has received support from the lenders of Prosafe SE and of the Company on the comprehensive and material restructuring of the financial indebtedness of Prosafe SE and its subsidiaries (the "Transaction"). Prosafe SE has received acknowledgment of credit approval (subject to certain conditions) in support of the Transaction from majority of the lenders across the facilities granted to Prosafe SE. On completion of the Transaction, this will result in significant de-leveraging of the balance sheet with debt reduction, corresponding reduction in annual debt service, a sufficient cash balance and in sum a significantly improved balance sheet and improved financial flexibility.

As at 31 December 2020, the Company's final payment (final instalment and accrued interest) owed and due under the seller's credit has not been made. As part of the agreement with creditor, unless a consensual agreement is made with the creditor, approximately US\$ 19.3 million is expected to be fully equitized with Prosafe SE shares.

FS5



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

A Westcon Tranche of US\$ 45 million payable to the lenders (contingent liability) relating to the Westcon dispute (see notes 13 and 21) is included in the agreement with lenders. The Company shall make cash payments on the Westcon Tranche only to the extent it receives any proceeds from the Westcon Court case while any remaining portion would be fully equitized. If the judgement in the Gulating Court of Appeal in favour of Westcon (the "Westcon Claim") becomes final pending the decision by the Supreme Court, the Westcon Tranche is likely to be equitized in favour of the lenders in the US\$ 1300 million facility. In April 2021, the Gulating Court of Appeal has decided that the Company shall pay to Westcon NOK 302.5 million plus interest and legal costs of NOK 162.2 million, which in aggregate amounts to approximately NOK 464.7 million (US\$ 54.5 million). NOK 245 million of NOK 464.7 million of the Westcon Claim is secured by a bank guarantee and is expected to be covered from cash in the Company following a final binding judgement in favour of Westcon up to this amount. Any unsecured portion of the Westcon Claim over and above the NOK 245 million guaranteed amount provided to Westcon is expected to be equitized with Prosafe SE shares.

A moratorium protection has been granted in the Singapore Court until 30 September 2021 as part of the ongoing financial process. This is to facilitate the protection of going concern value pending finalisation of term sheet negotiations with its major creditors and, thereafter, implementation of an agreed solution. In the event that a fully consensual solution is not achievable, the intention is to implement a solution using a Singapore Scheme of Arrangement combined with other arrangements, to the extent required. As part of the dialogue with lenders, Prosafe SE has and will continue to defer making payments of scheduled instalments and interests under its credit facilities until the implementation of the agreed solutions.

Following the Prosafe SE announcement on 4 June 2021 relating to the Transaction and pending finalisation of term sheet negotiations and implementation of an agreed solution, the board of directors are of the view that the going concern assumption is considered to be appropriate as the board of directors believe that obtaining a long-term financial solution should be achievable. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.4 Functional and presentation currency

These financial statements are presented in United States dollars (US\$), which is the Company's functional currency.

2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

FS6



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2020

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 4 – Plant and equipment.

2.6 Changes in accounting policies

New and revised standards

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2020:

- Amendments to References to Conceptual Framework in FRS Standards
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *Interest Rate Benchmark Reform* (Amendments to FRS 109, FRS 39 and FRS 107)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company.

3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

In accordance with FRS 110 *Consolidated Financial Statements*, the Company does not prepare a set of consolidated financial statement as the Company itself is a wholly owned subsidiary of Prosafe SE, which prepares consolidated financial statements. A set of consolidated financial statements is prepared by the Company's holding company, Prosafe SE, that are available for public use whose registered address and principal place of business is at Forusparken 2, 4031 Stavanger, Norway.

3.2 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Vessel under construction is stated at cost. Expenditure relating to vessel under construction (including interest expenses) are capitalised when incurred. Cost components include payments for yard instalments and variation orders, construction supervision, equipment, spare parts and capitalised interest. Depreciation will commence when the vessel is ready for use.

The gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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The estimated useful lives for the current and comparative periods are as follows:

- Accommodation rigs 5 to 35 years

Construction in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed, and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, and terms that may adjust the contractual coupon rate, including variable rate features.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables and other liabilities.

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(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(vii) Intra-group financial guarantees

Intra-group financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

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3.5 Impairment

(i) Non-derivative financial assets and contract assets

The Company recognises loss allowances for expected credit losses (ECLs) on: financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Every rig is seen as an individual cash generating unit (CGU). In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples.

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Impairment losses are recognised in profit or loss.

In respect of other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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3.9 Revenue recognition

Rendering of services and charter revenue

Revenue from rendering of services and chartering of vessel in the ordinary course of business are recognised when the Company satisfies a performance obligation (PO) by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual stand-alone selling price of a service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those PO.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

3.10 Finance costs

The Company's finance costs include interest expense on financial assets and financial liabilities.

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and tax laws that have been enacted to substantively enacted by the reporting date and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.12 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116)

4 Plant and equipment

	Accommodation rigs US\$	Construction- in-progress ("CIP") US\$	Total US\$
Cost			
At 1 January 2019	1,665,020,303	5,781,337	1,670,801,640
Additions	–	7,144,114	7,144,114
Disposals	(1,200,256)	–	(1,200,256)
Transfer from CIP	5,592,683	(5,592,683)	–
At 31 December 2019	1,669,412,730	7,332,768	1,676,745,498
Additions	–	42,865,862	42,865,862
Disposals	(31,301,652)	–	(31,301,652)
Transfer from CIP	48,153,285	(48,153,285)	–
At 31 December 2020	1,686,264,363	2,045,345	1,688,309,708
Accumulated depreciation			
At 1 January 2019	275,408,376	–	275,408,376
Depreciation charge for the year	73,131,868	–	73,131,868
Disposals	(1,200,235)	–	(1,200,235)
At 31 December 2019	347,340,009	–	347,340,009
Depreciation charge for the year	34,831,817	–	34,831,817
Disposals	(30,420,367)	–	(30,420,367)
At 31 December 2020	351,751,459	–	351,751,459

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	Accommodation rigs US\$	Construction- in-progress ("CIP") US\$	Total US\$
Accumulated impairment			
At 1 January 2019	183,406,651	–	183,406,651
Charge for the year	222,354,336	–	222,354,336
At 31 December 2019	405,760,987	–	405,760,987
Charge for the year	633,837,888	–	633,837,888
Disposals	(781,812)	–	(781,812)
At 31 December 2020	1,038,817,063	–	1,038,817,063
Carrying amounts			
At 1 January 2019	1,206,205,276	5,781,337	1,211,986,613
At 31 December 2019	916,311,734	7,332,768	923,644,502
At 31 December 2020	295,695,841	2,045,345	297,741,186

The Company's accommodation rigs and construction-in-progress are mortgaged for the holding company's bank borrowings. See note 19 for the intra-group financial guarantees.

Impairment losses

During the year, having regard to the current economic condition, the Company tested its accommodation rigs and related construction-in-progress for impairment. The recoverable amounts of the assets are less than their net book value as at 31 December 2020. Hence, the Company recognised an impairment loss of US\$633,837,888 (2019:US\$222,354,336).

The recoverable amount was determined based on value-in-use ("VIU"), by discounting the future cash flow approved by management. The VIU calculations are based on an updated long-term forecast for 2020-2024 and until the end of each vessel's useful life. The main assumptions used in the computations were charter rates, utilisation, operating expenses and overheads, capital expenditures, discount rate and long-term growth rate. In consideration of the projected weak and oversupplied market till the end of 2024, management has also reviewed the VIU calculation model and revised the terminal value calculation in two stages to reflect the return to sustainable earnings.

The present value of the estimated cash flows from the cash-generating units is based on the following inputs:

i) EBITDA

Budgeted EBITDA was estimated taking into account past experience, adjustment to revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated vessel utilisation rate and contract price for the next five years.

ii) Discount rate of 9% (2019: 9%)

Discount rate is derived from weighted average cost of capital after tax.

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iii) Long-term growth rate

There is a revised terminal value calculation in two stages to reflect the return to sustainable earnings as mentioned above. In the first stage, from 2025 until the end of 2039, a growth rate of 6.6% is applied to reflect the Company's assumptions of a gradual normalisation of return as a result of an anticipated gradual reduction in supply. After 2039, the growth rate applied is the long-term average growth rate appropriate to the assets of 2% (2019: 1.7% from 2024).

Key source of estimation uncertainty

The Company determines whether plant and equipment are impaired whenever indicators of impairment are identified. This requires an estimation of the fair value or value in use of the Company's individual assets. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from each asset and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

5 Investment in subsidiaries

			2020	2019
			US\$	US\$
Unquoted equity shares, at cost			3,196,274	354,550
			<u>3,196,274</u>	<u>354,550</u>
Name	Principal activities	Country of incorporation	Effective equity held by the Company	
			2020	2019
			%	%
<i>Held by the Company:</i>				
Prosafe Rigs (Cyprus) Limited	Investment holding	Cyprus	–	100
Prosafe Offshore Accommodation Ltd	Secondment of personnel and management support	Jersey	100	100
Prosafe Servicos Maritimos LTDA	Secondment of personnel and management support	Brazil	100	100
Prosafe Offshore B.V.	Operating offshore accommodation and support service rigs	Netherlands	100	–

During the year, the subsidiary, Prosafe Rigs (Cyprus) Limited was liquidated and is deemed to be dissolved on 8 April 2021. As part of the liquidation process, Prosafe Rigs (Cyprus) Limited transferred all its shares in Prosafe Offshore B.V. to the Company.

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Impairment losses on investments in subsidiaries

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. Management judgement is required in assessing whether events or changes in circumstances have occurred that may indicate that the carrying value of investments in subsidiaries may no longer be recoverable. If any such indicator exists, the assets' recoverable amounts were determined based on the value in use, which approximated the net assets value of the subsidiary. Based on management's assessment, the Company's investments in subsidiaries are not impaired.

6 Inventories

	2020	2019
	US\$	US\$
Bunker fuel	<u>626,088</u>	<u>995,524</u>

The Company's inventories are bunker fuel belonging to the Company, which will be transferred to an external party upon the start of vessel charter contract.

7 Trade and other receivables

	2020	2019
	US\$	US\$
<i>Current</i>		
Trade receivables	–	377,288
Amounts due from related companies (trade)	6,057,839	12,172,390
Amounts due from a subsidiary (trade)	5,437,492	–
Amounts due from holding company (loans)	15,043,404	14,477,160
Other receivables	481,078	182,897
	<u>27,019,813</u>	<u>27,209,735</u>

Amounts due from related companies and a subsidiary (trade)

Amounts due from related companies and a subsidiary are unsecured, interest-free and repayable on demand.

Amounts due from holding company (loans)

Loan amounts due from holding company are unsecured and bears interest at 3-month LIBOR plus 3.2% per annum. During the year, the final maturity of the loans were extended to 4 May 2021 and 7 November 2021 respectively (2019: 4 June 2020 and 7 May 2020 respectively). Subsequent to year end, the final maturity for one of the loans was extended to 4 May 2022.

There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

The Company's exposure to credit and currency risk related to trade and other receivables is disclosed in note 20.

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8 Cash and cash equivalents

	2020 US\$	2019 US\$
Restricted cash deposit	5,224,315	5,211,254
Cash at banks	27,362,411	48,925,653
	<u>32,586,726</u>	<u>54,136,907</u>

Restricted cash deposit is pledged under a bank guarantee of the holding company. The holding company issued a bank guarantee on behalf of the Company for Westcon dispute case (note 21). Cash deposit will be restricted until final court judgement.

9 Share capital

	2020 No. of shares	2019 No. of shares
In issued at 1 January	2,781,040,000	2,893,040,000
Capital reduction	–	(112,000,000)
In issued at 31 December	<u>2,781,040,000</u>	<u>2,781,040,000</u>

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with one another with regards to the Company's residual assets.

In 2019, the Company undertook a capital reduction exercise involving a distribution amounting to US\$112 million to return surplus capital to shareholders.

10 Merger reserve

The merger reserve arose due to a corporate group restructuring involving the transfer of accommodation rigs business from a fellow subsidiary in the financial year 2007. The Company has adopted the "pooling of interests" method to account for this transaction.

11 Trade and other payables

	2020 US\$	2019 US\$
Trade payables	19,097	18,553
Other payables	–	30
Amounts due to holding company (trade)	89,287	264,715
Amounts due to related companies (trade)	1,419,300	5,136,329
Amounts due to subsidiaries (trade)	1,075,187	3,028,760
	<u>2,602,871</u>	<u>8,448,387</u>

Amounts due to holding company, related companies and subsidiaries are unsecured, interest-free and repayable on demand.

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The Company's exposure to liquidity and currency risks related to trade and other payable is disclosed in note 20.

12 Contract liabilities

In 2019, the contract liabilities primarily relate to advance consideration received from customers for mobilisation service.

13 Accruals

	2020 US\$	2019 US\$
Fixed assets acquisition (note 21)	40,651,061	–
Interest accrued (note 21)	13,863,825	–
Others	3,215,816	5,472,329
	<u>57,730,702</u>	<u>5,472,329</u>

14 Other liabilities

	2020 US\$	2019 US\$
<i>Current</i>		
Seller's credit payables	14,646,396	14,646,396
Interest payables related to seller's credit	4,620,164	3,873,880
	<u>19,266,560</u>	<u>18,520,276</u>

The Company was granted seller's credit in relation to the acquisition of a vessel.

As at 31 December 2019, the remaining balance of US\$14,646,396 of the seller's credit together with the interest of 4.35% per annum was due to be repaid in a single payment on or before reporting date. Final payment of US\$18,520,276 owed and due under the seller's credit was not made.

In 2020, the brought forward balance of US\$18,520,276 bears interest at 3-month LIBOR plus 3.00% per annum until the date of actual payment. As at 31 December 2020, the remaining balance of US\$14,646,396 of the seller's credit together with the accrued interest of US\$4,620,164 owed and due under the seller's credit have not been made.

This payment is subject to certain contractual subordination and coordination arrangements with the financial lenders of the holding company, and discussions with the lender on this payment are ongoing.

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Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other liabilities		Total US\$
	Seller's credit payables US\$	Interest payables related to seller's credit US\$	
Balance as at 1 January 2019	18,605,289	4,196,754	22,802,043
Changes from financing activities			
Repayment of seller's credit	(3,958,893)	–	(3,958,893)
Interest paid	–	(1,545,342)	(1,545,342)
Total changes from financing activities	(3,958,893)	(1,545,342)	(5,504,235)
Other liability changes			
Interest expense	–	1,222,468	1,222,468
Total other liability changes	–	1,222,468	1,222,468
Balance as at 31 December 2019	14,646,396	3,873,880	18,520,276
Changes from financing activities			
Interest paid	–	(1,130,379)	(1,130,379)
Total changes from financing activities	–	(1,130,379)	(1,130,379)
Other liability changes			
Interest expense	–	1,876,663	1,876,663
Total other liability changes	–	1,876,663	1,876,663
Balance as at 31 December 2020	14,646,396	4,620,164	19,266,560

15 Revenue

	2020 US\$	2019 US\$
Charter revenue	24,879,638	107,309,751
Management, crew services, catering and other related income	100,491	433,572
	<u>24,980,129</u>	<u>107,743,323</u>

Charter revenue includes mobilisation/demobilisation income and are considered as a single performance obligation. The revenue is recognised over the charter period.

Management, crew services, catering and other related income are recognised over time as the services are provided. The related costs are recognised in profit or loss when they are incurred.

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The Company applies the practical expedient in paragraph 121 of FRS 115 and does not disclose information about its remaining performance obligations if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2020	2019
	US\$	US\$
Trade receivables	–	377,288
Contract liabilities	–	(2,553,869)

During the year, mobilisation service has been performed and the contract liabilities at the beginning of the year had been recognised as revenue.

16 Finance income

	2020	2019
	US\$	US\$
Interest income from:		
- cash at banks	140,882	436,219
- loan to holding company	566,244	3,115,420
- others	–	322,874
	<u>707,126</u>	<u>3,874,513</u>

17 Loss before tax

The following items have been charged in arriving at loss before tax:

	2020	2019
	US\$	US\$
Personnel costs		
- salaries, bonuses and related cost	9,149,397	12,027,202
- defined contribution plan	524,915	913,227
- other short-term benefits	887,955	1,536,379
Foreign exchange (gain)/loss	<u>(96,511)</u>	<u>391,171</u>

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18 Tax expense/(credit)

	2020	2019
	US\$	US\$
Current income tax		
Current year	11,510	–
Over provision in prior year	–	(272,706)
	<u>11,510</u>	<u>(272,706)</u>
 Reconciliation of effective income tax rate		
Loss before tax	<u>(690,125,245)</u>	<u>(195,478,685)</u>
Income tax calculated at statutory income tax rate of 17% (2019: 17%)	(117,321,292)	(33,231,376)
Tax exempt income	(4,229,538)	(18,242,658)
Non-deductible expenses	121,562,340	52,238,724
Utilisation of deferred tax assets not recognised	–	(764,690)
Over provision in prior year	–	(272,706)
	<u>11,510</u>	<u>(272,706)</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2020	2019
	US\$	US\$
Unutilised capital allowances	1,750,298,000	1,750,808,000
Unutilised tax losses	175,278,000	49,299,000
	<u>1,925,576,000</u>	<u>1,800,107,000</u>

The unutilised capital allowances and tax losses were subject to agreement by the tax authority and compliance with respective tax regulations in Singapore and Norway. These amounts are currently not yet expired under respectively tax legislations.

19 Related parties

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The directors of the Company are considered as key management personnel of the Company.

The directors are either directors and/or employees of related companies, and no consideration is paid to these companies for the services rendered by these directors.

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Other related party transactions

Other than disclosed elsewhere in the financial statements, significant transactions carried out in the normal course of business on terms agreed with related parties are as follows:

	2020	2019
	US\$	US\$
Related corporations		
Charter revenue received from related companies	–	106,559,751
Charter revenue received from a subsidiary	21,020,138	–
Management fees paid to subsidiaries	(3,132,911)	(2,937,260)
Management fees paid to related companies	(5,314,778)	(3,892,967)
Dividend income received from a subsidiary	3,854,691	5,250,000
Interest income from holding company	566,244	3,115,420

Intra-group financial guarantees

The Company is one of the guarantors of the credit facilities (the "Facilities") granted by banks to the holding company, Prosafe SE.

As at 31 December 2020, the carrying amount of interest bearing debt under the Facilities mentioned above was US\$1,378,800,000 (2019: US\$1,314,100,000). The amount is co-guaranteed by another related company.

20 Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from the holding company and related companies.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of those assets as indicated in the statement of financial position, and is generally limited to the amounts, if any, by which the counter-party's obligations exceed the obligations of the Company.

Trade receivables

Trade receivables are mainly arising from the related companies. None of these balances are credit-impaired or have been written off at the reporting date.

Expected credit loss assessment for trade receivables

The Company applies the simplified approach where the loss allowance is measured at an amount equal to lifetime ECLs. In order to measure the credit losses, trade receivables are grouped based on credit risk characteristics of its customers. The Company applies forward-looking variables for expected credit losses. As at 31 December 2020, the Company's receivables are mainly arising from related companies that have good records with the Company. No impairment loss allowance was recorded as the expected credit loss is not material.

The following table provides information about the exposure to credit risk for trade receivables due from a subsidiary, related companies and third parties:

	2020	2019
	US\$	US\$
Current	3,925,644	5,896,703
1 – 30 days past due	41,333	1,346,253
31 – 60 days past due	105,924	4,223,072
61 – 90 days past due	1,401,048	1,083,650
More than 90 days past due	6,021,382	–
	<u>11,495,331</u>	<u>12,549,678</u>

Other receivables

Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

The cash and cash equivalents are held with banks which are reputable. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the bank. The amount of the allowance on cash and cash equivalents was negligible.

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Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. At the end of the reporting period, the Company does not have any borrowings or significant contractual commitments. Funding will be obtained from its holding company when necessary.

The Company is one of the guarantors of the credit facilities (the "Facilities") granted by banks to the holding company, Prosafe SE (note 19). As at 31 December 2020, the carrying amount of interest bearing debt under the Facilities was US\$1,378,800,000 (2019: US\$1,314,100,000).

As disclosed in note 2.1, the finalisation of term sheet negotiations and implementation of an agreed solution is expected to result in significant equitisation of the Facilities. As part of the dialogue with lenders, Prosafe SE has and will continue to defer making payments of scheduled instalments and interests under its Facilities until the implementation of the agreed solutions.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount US\$	Cash flows	
		Contractual cash flows US\$	Within 1 year US\$
Non-derivative financial liabilities			
2020			
Trade and other payables	2,602,871	(2,602,871)	(2,602,871)
Accruals	57,730,702	(57,730,702)	(57,730,702)
Other liabilities	19,266,560	(19,866,108)	(19,866,108)
	<u>79,600,133</u>	<u>(80,199,681)</u>	<u>(80,199,681)</u>
2019			
Trade and other payables	8,448,387	(8,448,387)	(8,448,387)
Accruals	5,472,329	(5,472,329)	(5,472,329)
Other liabilities	18,520,276	(18,749,684)	(18,749,684)
	<u>32,440,992</u>	<u>(32,670,400)</u>	<u>(32,670,400)</u>

The interest payments on variable interest rate related to seller's credit in the table above reflect the interest rates at year end and these amounts may change as market interest rates changes. Except for these interest payables, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company is exposed to interest rate risk on its loan to holding company and seller's credit payables.

The Company's loan to holding company and seller's credit payable at variable rates is denominated in USD. At 31 December 2020, if the USD interest rate had increased/decreased by 1% with all other variables including tax rate being held constant, the loss after tax for the period would have been lower/higher by US\$38,000 (2019: US\$118,000) as a result of higher/lower interest income on the interest bearing asset.

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and transition details. The Company expects to adopt Phase 2 amendments when the rates are replaced, and the application of the Phase 2 amendments is not likely to have a material effect on the financial statements.

Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD), Great British pound (GBP), Norwegian Kroner (NOK) and European dollar (EUR).

The Company's exposures to foreign currency risk is as follows:

	SGD US\$	GBP US\$	NOK US\$	EUR US\$
2020				
Trade and other receivables	11,272	34	469,772	–
Cash and cash equivalents	65,684	2,504,002	–	462
Trade and other payables	–	(1,124,985)	122	–
	<u>76,956</u>	<u>1,379,051</u>	<u>469,894</u>	<u>462</u>
2019				
Trade and other receivables	235	62,411	182,661	–
Cash and cash equivalents	52,919	607,595	183,155	50,026
Trade and other payables	(30)	(1,994,918)	(42,903)	–
	<u>53,124</u>	<u>(1,324,912)</u>	<u>322,913</u>	<u>50,026</u>

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Sensitivity analysis

A 5% strengthening of the foreign currencies against United States dollars at 31 December would have increased/(decreased) loss before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant:

	2020	2019
	US\$	US\$
SGD	3,848	2,656
GBP	68,953	(66,246)
NOK	23,495	16,146
EUR	23	2,501

A 5% weakening of the above currencies against United States dollars at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company defines "capital" as its total shareholder's equity. The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares or obtain new borrowings. There was no change to the Company's approach to capital management during the year.

Accounting classifications and fair values

The table below set out below is a comparison by category of the carrying amounts of all the Company's financial instruments that are carried in the financial statements.

	Note	Amortised cost US\$	Other financial liabilities US\$	Total carrying amount US\$
31 December 2020				
Trade and other receivables	7	27,019,813	–	27,019,813
Cash and cash equivalents	8	32,586,726	–	32,586,726
		<u>59,606,539</u>	<u>–</u>	<u>59,606,539</u>
Trade and other payables	11	–	(2,602,871)	(2,602,871)
Accruals	13	–	(57,730,702)	(57,730,702)
Other liabilities	14	–	(19,266,560)	(19,266,560)
		<u>–</u>	<u>(79,600,133)</u>	<u>(79,600,133)</u>

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	Note	Amortised cost US\$	Other financial liabilities US\$	Total carrying amount US\$
31 December 2019				
Trade and other receivables	7	27,209,735	–	27,209,735
Cash and cash equivalents	8	54,136,907	–	54,136,907
		<u>81,346,642</u>	<u>–</u>	<u>81,346,642</u>
Trade and other payables	11	–	(8,448,387)	(8,448,387)
Accruals	13	–	(5,472,329)	(5,472,329)
Other liabilities	14	–	(18,520,276)	(18,520,276)
		<u>–</u>	<u>(32,440,992)</u>	<u>(32,440,992)</u>

Estimation of fair values

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, other liabilities, accruals, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

21 Subsequent Event

Westcon dispute update

On 8 March 2018, Stavanger District Court made a favourable decision in the court case regarding the dispute with Westcon Yards AS (Westcon). The dispute between Westcon and the Company was related to a substantial cost overrun of Westcon's price estimate for the conversion of the Safe Scandinavia to a tender support vessel. Westcon claimed an additional compensation of approximately NOK 306 million plus interest, whereas the Company disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the Company that Westcon must repay the Company NOK 344 million plus interest and NOK 10.6 million of legal costs.

In April 2018, Westcon had filed an appeal against Stavanger City Court judgement and the Company has filed a counter appeal.

In April 2021, the Gulating Court of Appeal has decided that the Company shall pay to Westcon NOK 302.5 million plus interest and legal costs of NOK 162.2 million, which in aggregate amounts to approximately NOK 464.7 million (US\$ 54.5 million). The judgement implies full payment to Westcon of the amount claimed. Compared to the judgement in the first instance by the Stavanger District Court, the result in the Gulating Court of Appeal is a complete reversal of the result. A judgement from a Court of Appeal is usually final, as the possibilities of further appeal are very limited. The initial evaluation based on the judgement in the Stavanger District Court had been that the appeal would uphold the initial judgement and as such this had been accounted as a contingent asset with no provision recognised for the contingent liability.

As an adjusting event subsequent to 31 December 2020, the Company has accrued US\$ 40,651,061 as a fixed asset acquisition cost, and consequently recognised an impairment loss of US\$ 40,651,061 based on the valuation-in-use model disclosed in Note 4. In addition, the Company has also accrued US\$ 13,863,825 of related interest expenses.

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In May 2021, the Company filed an appeal to the Supreme Court.

Restructuring plan

As disclosed in note 2.1, a moratorium protection has been granted to the Company and its holding company, Prosafe SE, in the Singapore Court until 30 September 2021 as part of the group's ongoing financial process. This is to facilitate the protection of going concern value pending finalisation of term sheet negotiations with its major creditors and, thereafter, implementation of an agreed solution. As at 31 December 2020, the Company's creditors of approximately US\$ 73.8 million are part of the major creditors' negotiation. In the event that a fully consensual solution is not achievable, the intention of the Company is to implement a solution using a Singapore Scheme of Arrangement combined with other arrangements, to the extent required.

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