Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	920 998 356
Organisasjonsform:	Norskreg. utenlandsk foretak
Foretaksnavn:	PROSAFE OFFSHORE PTE LIMITED
Forretningsadresse:	Forusparken 2 4031 STAVANGER

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

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:	Bård Haugan
Dato for fastsettelse av årsregnskapet:	04.07.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 05.08.2024

Resultatregnskap

Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Revenue	11	83 911 977	76 984 779
Gain on disposal of fixed assets		29 361	836 091
Sum inntekter		**83 941 338**	**77 820 870**
Kostnader			
Vessel operating costs		66 152 859	64 511 351
Depreciation		2 202 095	2 921 703
Other operating expenses		707 697	262 028
Sum kostnader		**69 062 651**	**67 695 082**
Driftsresultat		**14 878 687**	**10 125 788**
Finansinntekter og finanskostnader			
Other financial income		66 440	0
Sum finansinntekter		**66 440**	**0**
Other financial expenses		5 132	37 958
Sum finanskostnader		**5 132**	**37 958**
Netto finans		**61 308**	**-37 958**
Ordinært resultat før skattekostnad		**14 939 995**	**10 087 830**
Tax expense		417 290	340 035
Ordinært resultat etter skattekostnad		**14 522 705**	**9 747 795**
Årsresultat		**14 522 705**	**9 747 795**

Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Plant and equipment	4	9 165 925	10 320 275
Sum varige driftsmidler		**9 165 925**	**10 320 275**
Sum anleggsmidler		**9 165 925**	**10 320 275**
Omløpsmidler			
Varer			
Inventories	5	1 805 506	
Sum varer		**1 805 506**	
Fordringer			
Trade and other receivables	6	14 198 629	883 547
Prepayments		201 524	131 657
Sum fordringer		**14 400 153**	**1 015 204**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	11 289 283	12 814 661
Sum bankinnskudd, kontanter og lignende		**11 289 283**	**12 814 661**
Sum omløpsmidler		**27 494 942**	**13 829 865**
SUM EIENDELER		**36 660 867**	**24 150 140**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
share capital	8	646 036 660	646 036 660
Sum innskutt egenkapital		**646 036 660**	**646 036 660**

Balanse

Beløp i: USD	Note	2022	2021
Opptjent egenkapital			
Merger reserve	9	1 462 792	1 462 792
Udekket tap		631 118 079	635 640 784
Sum opptjent egenkapital		**-629 655 287**	**-634 177 992**
Sum egenkapital		**16 381 373**	**11 858 668**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld	10	3 992 992	2 119 579
accruals		6 953 578	818 369
provision for taxation		9 332 924	9 353 524
Sum kortsiktig gjeld		**20 279 494**	**12 291 472**
Sum gjeld		**20 279 494**	**12 291 472**
SUM EGENKAPITAL OG GJELD		**36 660 867**	**24 150 140**

Regnskapsregisteret

Prosafe Offshore Pte Limited

Postboks 39 Forus
4068 STAVANGER

Vedlegg til innsending av årsregnskap for *Prosafe Offshore Pte Limited NUF*

Selskapet Prosafe Offshore Pte Limited har hjemstat i Singapore, men er skattemessig hjemmehørende i Norge for hele 2022.

Som en konsekvens av skatteplikt til Norge har selskapet opprettet Prosafe Offshore Limited NUF som er et regnskapspliktig norskregistrert utenlandsk foretak.

Selskapet som helhet driver utelukkende virksomhet i Norge slik at det årsregnskap som er avlagt, revidert og sendt inn i hjemstaten Singapore omfatter den samme virksomhet som er omfattet av regnskapsplikten i Norge.

Det avlagte regnskapet i hjemstat er likevel ikke utarbeidet, revidert og fastsatt i samsvar med lover og forskrifter som gjelder i Norge. For å overholder regnskaps- og revisjonsplikt i Norge er det derfor utarbeidet et eget årsregnskap for selskapets virksomhet i 2022 som er avlagt i samsvar med regnskapsloven og revidert i samsvar med revisorloven.

Begge årsregnskap er inkludert som del av denne forsendelse og innsending av disse dokumentene anses tilstrekkelige til fullt ut å oppfylle det norskregistrerte utenlandske foretakets regnskaps- og revisjonsplikt i Norge.

Prosafe Offshore Pte. Limited
Registration Number: 200602261H

Annual Report
Year ended 31 December 2022

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 2022.

In our opinion:

(a) the financial statements set out on pages FS1 to FS27 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

(b) at the date of this statement, 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 in office at the date of this statement are as follows:

Bard Haugan	(Appointed on 1 June 2023)
Karine Betty Cosemans	
Chang Chin Fen	
Reese Worth Mc Neel	(Appointed on 10 August 2022)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967, 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 in the Company and in related corporations are as follows:

	Direct interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**
The holding company		
Prosafe SE		
Ordinary shares		
Chang Chin Fen	1	1

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 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 options.

Auditors

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

On behalf of the Board of Directors

Reese Worth Mc Neel
Director

Karine Cosemans

Karine Betty Cosemans
Director

28 June 2023

KPMG LLP
12 Marina View #15-01
Asia Square Tower 2
Singapore 018961

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Member of the Company
Prosafe Offshore Pte. Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prosafe Offshore Pte. Limited ('the Company'), which comprise the statement of financial position as at 31 December 2022, 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 FS27.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ('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 2022 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 2.1 and Note 16 to the financial statements which describe that the Company is one of the guarantors of credit facilities ('the Facilities') granted by various banks to the holding company, Prosafe SE. The Company's accommodation rigs and construction-in-progress are mortgaged for the Facilities (Note 4) and cash at banks of the Company is pledged under the credit facilities of the holding company and might be called upon by the lenders, when requested, in the event of a default (Note 7).

Based on Prosafe SE group's 12 months cashflow forecast, the holding company's management foresees a possible breach of the minimum liquidity covenant contained in Prosafe SE's Facilities contracts with the lenders. As a result, the holding company's US$250 million and US$93 million credit facilities may become due and payable. The breach of this minimum liquidity requirement may expose the Company to a potential material financial obligation in relation to the guarantees and other commitments described above. These events or conditions, along with the other matters set forth in Note 2.1, 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.

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.

KPMG

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.

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.

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 June 2023

Prosafe Offshore Pte. Limited
Financial statements
Year ended 31 December 2022

Statement of financial position
As at 31 December 2022

	Note	2022 US$	2021 US$
Non-current assets			
Plant and equipment	4	9,165,925	10,320,275
Current assets			
Inventories	5	1,805,506	–
Trade and other receivables	6	14,198,629	883,547
Prepayments		201,524	131,657
Cash and cash equivalents	7	11,289,283	12,814,661
		27,494,942	13,829,865
Total assets		36,660,867	24,150,140
Equity			
Share capital	8	646,036,660	646,036,660
Merger reserve	9	1,462,792	1,462,792
Accumulated losses		(631,118,079)	(635,640,784)
Total equity		16,381,373	11,858,668
Current liabilities			
Trade and other payables	10	3,992,992	2,119,579
Accruals		6,953,578	818,369
Provision for taxation		9,332,924	9,353,524
		20,279,494	12,291,472
Total liabilities		20,279,494	12,291,472
Total equity and liabilities		36,660,867	24,150,140

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

__Prosafe Offshore Pte. Limited__
Financial statements
Year ended 31 December 2022

Statement of comprehensive income
Year ended 31 December 2022

	Note	2022 US$	2021 US$
Revenue	11	83,911,977	76,984,779
Costs and expenses			
Direct costs:			
Vessel operating costs		(66,152,859)	(64,511,351)
Depreciation of plant and equipment		(2,202,095)	(2,921,703)
Gross profit		15,557,023	9,551,725
Gain on disposal of plant and equipment		29,361	836,091
Other operating expenses		(707,697)	(262,028)
Results from operating activities		14,878,687	10,125,788
Finance income	12	66,440	–
Finance costs	13	(5,132)	(37,958)
Net finance income/(costs)		61,308	(37,958)
Profit before tax	14	14,939,995	10,087,830
Tax expense	15	(417,290)	(340,035)
Profit for the year, representing total comprehensive income for the year		14,522,705	9,747,795

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

Prosafe Offshore Pte. Limited
Financial statements
Year ended 31 December 2022

Statement of changes in equity
Year ended 31 December 2022

	Share capital US$	Merger reserve US$	Accumulated losses US$	Total US$
At 1 January 2021	646,036,660	1,462,792	(645,388,579)	2,110,873
Total comprehensive income for the year:				
Profit for the year, representing total comprehensive income for the year	–	–	9,747,795	9,747,795
At 31 December 2021	646,036,660	1,462,792	(635,640,784)	11,858,668
At 1 January 2022	646,036,660	1,462,792	(635,640,784)	11,858,668
Total comprehensive income for the year:				
Profit for the year, representing total comprehensive income for the year	–	–	14,522,705	14,522,705
Transactions with owners:				
Dividend distributed*	–	–	(10,000,000)	(10,000,000)
At 31 December 2022	646,036,660	1,462,792	(631,118,079)	16,381,373

* During the year, an interim exempt (one-tier) dividend of US$0.0155 per ordinary share on the 646,050,000 fully paid issued shares amounting to US$10,000,000 was declared and paid by the Company.

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

Prosafe Offshore Pte. Limited
Financial statements
Year ended 31 December 2022

Statement of cash flows
Year ended 31 December 2022

	Note	2022 US$	2021 US$
Cash flows from operating activities			
Profit before tax		14,939,995	10,087,830
Adjustments for:			
Depreciation of plant and equipment	4	2,202,095	2,921,703
Gain on disposal of plant and equipment		(29,361)	(836,091)
Finance income	12	(66,440)	–
Finance costs	13	5,132	37,958
Operating cash flows before working capital changes		17,051,421	12,211,400
Changes in working capital:			
Inventories		(1,805,506)	543,061
Trade and other receivables		(13,315,082)	(769,243)
Prepayments		(69,867)	(38,520)
Trade and other payables		1,873,465	(8,117,461)
Accruals		6,135,209	567,264
Cash generated from operations		9,869,640	4,396,501
Interest received		66,440	–
Interest paid		(5,132)	(37,958)
Tax paid		(437,942)	(160,609)
Net cash generated from operating activities		9,493,006	4,197,934
Cash flows from investing activities			
Purchase of plant and equipment		(1,047,745)	(1,926,441)
Disposal of plant and equipment		29,361	868,136
Net cash used in investing activities		(1,018,384)	(1,058,305)
Cash flows from financing activity			
Dividend paid		(10,000,000)	–
Net cash used in financing activity		(10,000,000)	–
Net (decrease)/increase in cash and cash equivalents		(1,525,378)	3,139,629
Cash and cash equivalents at beginning of year		12,814,661	9,675,032
Cash and cash equivalents at end of year	7	11,289,283	12,814,661

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

FS4

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 28 June 2023.

1 Domicile and activities

Prosafe Offshore Pte. Limited ('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 Basis of preparation

2.1 Going concern basis of accounting

In relation to the wider Prosafe SE group operation, a slow North Sea market in 2023 combined with working capital and investments required for new contracts is expected to have a significant negative impact on liquidity in 2023. Based on the group's 12 months cashflow forecast, the group's management foresees a possible breach of the minimum liquidity covenant of US$23 million in contracts with its lenders from the second half of 2023. As a result, the holding company's US$250 million and US$93 million credit facilities ('the Facilities') may become due and payable.

As at 31 December 2022, the Company and its related company, Prosafe Rigs Pte. Ltd. are the guarantors of the Facilities granted by banks to the holding company, Prosafe SE (Note 16). Further, the Company's accommodation rigs and construction-in-progress are mortgaged for the Facilities (Note 4). Cash at banks of the Company is pledged under the credit facilities of the holding company and might be called upon by the lenders, when requested, in the event of default (Note 7). The carrying amount of interest bearing borrowings under the Facilities was US$344.2 million. As such, in the event of the breach of the minimum liquidity requirement, the Company is exposed to potential material financial obligations in relation to the guarantees and other commitments described above.

In response to the situation, the holding company is pursuing various options, including further working capital management, cost savings, potential minor asset disposals and fund raising to ensure sufficient liquidity. Other than this, the holding company may also request a waiver of any potential breach of covenants which would require the consent of two thirds of its lenders.

On 24 May 2023, Prosafe SE completed a private share capital placement of 2,720,000 new shares at a price per share of NOK 117 which raised additional funds of US$30 million (refer Note 18). Given this, the financial statements of the Company have been prepared on a going concern basis.

2.2 Statement of compliance

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

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

There are no areas of significant estimates and judgements that will have a significant effect for the Company.

2.6 Changes in accounting policies

New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 January 2022:

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to FRS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to FRS 37)*
- *Annual Improvements to FRSs 2018-2020*

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 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.

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.

3.2 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.

If significant 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.

Construction-in-progress is stated at cost. Expenditure relating to construction-in-progress are capitalised when incurred. Cost components include payments for works enhancing the vessels, equipment, spare parts, specific periodic surveys, etc.

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.

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

Accommodation rigs

- Superstructure: 35 years or less
- Living quarters and other equipment: 5 to 35 years
- Periodic maintenance: 5 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.

3.3 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.

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 accruals, and trade and other payables.

(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 either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - 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.

Transferred assets are not derecognised when 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.

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.

3.4 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 costs and contract asset.

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 Company considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

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

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 carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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 greater of its fair value less costs of disposal 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. 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.

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.

3.5 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.

3.6 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.

3.7 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.

3.8 Revenue

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 standalone 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 POs.

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.

3.9 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.

3.10 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.

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 tax rates and tax laws that have been enacted or 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.

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.

3.11 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022 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)*
- *Disclosure of Accounting Policies (Amendments to FRS 1 and FRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to FRS 8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to FRS 12)*

4 Plant and equipment

	Accommodation rigs US$	Construction-in-progress ('CIP') US$	Total US$
Cost			
At 1 January 2021	619,337,145	486,862	619,824,007
Additions	–	1,926,441	1,926,441
Disposals	(308,805,612)	–	(308,805,612)
Transfer from CIP	2,285,802	(2,285,802)	–
At 31 December 2021	312,817,335	127,501	312,944,836
Additions	–	1,047,745	1,047,745
Transfer from CIP	1,010,944	(1,010,944)	–
At 31 December 2022	313,828,279	164,302	313,992,581
Accumulated depreciation			
At 1 January 2021	(153,293,487)	–	(153,293,487)
Depreciation charge for the year	(2,921,703)	–	(2,921,703)
Disposals	85,914,891	–	85,914,891
At 31 December 2021	(70,300,299)	–	(70,300,299)
Depreciation charge for the year	(2,202,095)	–	(2,202,095)
At 31 December 2022	(72,502,394)	–	(72,502,394)
Accumulated impairment			
At 1 January 2021	(455,182,938)	–	(455,182,938)
Disposals	222,858,676	–	222,858,676
At 31 December 2021 and 31 December 2022	(232,324,262)	–	(232,324,262)
Carrying amounts			
At 1 January 2021	10,860,720	486,862	11,347,582
At 31 December 2021	10,192,774	127,501	10,320,275
At 31 December 2022	9,001,623	164,302	9,165,925

The Company's accommodation rigs and construction-in-progress are mortgaged for the holding company's bank borrowings. See Note 16 for the intra-group financial guarantees.

Impairment assessment

The management has performed an impairment assessment of the accommodation rigs and related construction-in-progress. Management has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021 and 31 December 2022 and hence no value-in-use calculation was performed.

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 Inventories

	2022 US$	2021 US$
Bunker fuel (at cost)	1,805,506	–

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

6 Trade and other receivables

	2022 US$	2021 US$
Trade receivables	11,901,958	523,452
Amounts due from a related company (trade)	1,111,896	–
Other receivables	1,184,775	92,058
	14,198,629	615,510
Contract assets	–	268,037
	14,198,629	883,547

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

In 2021, the contract assets related to deferred charter incentive as a result of contract modification. The contract assets were recognised as a deduction of revenue over the performance obligation of the contract.

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 17.

7 Cash and cash equivalents

	2022 US$	2021 US$
Cash at banks	11,289,283	12,814,661

Cash at banks of the Company is pledged under the credit facilities of the holding company and might be called upon by the Lenders, when requested, in the event of default.

8 Share capital

	2022 No. of shares	2021 No. of shares
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	646,050,000	646,050,000

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.

9 Merger reserve

The merger reserve arose due to a corporate group restructuring in 2020 involving the amalgamation of the Company with its subsidiary, Prosafe Offshore Employment Company Pte. Limited and its related companies, Prosafe Offshore Services Pte. Ltd. and Prosafe Offshore Asia Pacific Pte. Ltd. These companies were under common control.

10 Trade and other payables

	2022 US$	2021 US$
Trade payables	72,663	462,549
Amounts due to related companies (trade)	3,920,329	1,639,596
Other payables	–	17,434
	3,992,992	2,119,579

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

The Company's exposure to liquidity and currency risk related to trade and other payables is disclosed in Note 17.

11 Revenue

	2022 US$	2021 US$
Charter revenue	72,776,486	64,276,936
Management, crew services, catering and other related income	11,135,491	12,707,843
	83,911,977	76,984,779

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.

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 assets from contracts with customers.

	2022 US$	2021 US$
Trade receivables	11,901,958	523,452
Contract assets	–	268,037

12 Finance income

	2022 US$	2021 US$
Interest income from cash at banks	66,440	–

13 Finance costs

	2022 US$	2021 US$
Interest expense	–	43
Other financial charges	5,132	37,915
	5,132	37,958

14 Profit before tax

The following items have been (credited)/charged in arriving at profit before tax:

	2022 US$	2021 US$
Professional fees	244,564	183,465
Net foreign exchange loss	458,497	57,815
Personnel costs:		
- Salaries, bonuses and related costs	14,198,873	14,063,710
- Defined contribution plan	119,634	45,027
- Other short-term benefits	107,014	(141)

15 Tax expense

	2022 US$	2021 US$
Current income tax		
Current year	439,388	340,000
(Over)/under provision in prior years	(22,098)	35
	417,290	340,035

Reconciliation of effective tax rate

	2022 US$	2021 US$
Profit before tax	14,939,995	10,087,830
Tax using the Singapore tax rate of 17% (2021: 17%)	2,539,799	1,714,931
Non-deductible expenses	572,180	926,948
Differential in domestic rates applicable to profit in the countries where the Company operates	275,747	134,730
(Over)/under provision in prior years	(22,098)	35
Effect of utilisation of previously unrecognised tax losses	(2,948,338)	(2,436,609)
	417,290	340,035

Unrecognised deferred tax assets

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

	2022 US$	2021 US$
Unutilised capital allowances	462,696,000	474,359,000
Unutilised tax losses	153,554,000	125,595,000
	616,250,000	599,954,000

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

Deferred tax asset has not been recognised in respect of the deductible temporary differences because it was not probable that future taxable profits would be available against which the Company could utilise the benefits.

16 Related parties

Transactions with key management personnel

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.

Other related party transactions

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

	2022	**2021**
	US$	**US$**
Related corporations		
Management fees paid to related companies	4,263,852	3,763,362
Rigs operation related services from a related company	25,466,393	23,760,911
Dividend paid to holding company	10,000,000	–

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 2022, the carrying amount of interest bearing debt under the Facilities mentioned above was US$344,200,000 (2021: US$343,400,000). The amount is co-guaranteed by another related company.

17 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.

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 cash and cash equivalents and trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going 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

At the reporting date, 97% (2021: 99%) of the Company's trade receivables were due from two customers (2021: two customers). The balance has not been written off or are credit-impaired at the reporting date.

Expected credit loss assessment for trade receivables

The Company applies the simplified method of credit reserves, i.e. the reserve will correspond to the expected loss over the whole life of the trade receivable. 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 2022, no credit reserve has been recorded as the Company's clients are typically major oil companies and national oil companies and the receivables are usually received within 3 months. The expected credit loss is not material.

The following table provides information about the exposure to credit risk for trade receivables:

	2022 US$	**2021 US$**
Current	5,027,435	201,683
1 – 30 days past due	6,874,523	321,769
	11,901,958	523,452

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.

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 except for those highlighted in Note 2.1.

The Company is one of the guarantors of the credit facilities ('the Facilities') granted by banks to the holding company, Prosafe SE (Note 16). As at 31 December 2022, the carrying amount of interest bearing debt under the Facilities was US$344,200,000 (2021: US$343,400,000). As disclosed in Note 2.1, in the event of the breach of the minimum liquidity requirement, the Company is exposed to potential material financial obligations in relation to the guarantees and other commitments described in Note 4 and Note 16.

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:

	-------------------- Cash flows	--------------------	--------------------
	Carrying amount US$	**Contractual cash flows US$**	**Within 1 year US$**
Non-derivative financial liabilities			
31 December 2022			
Trade and other payables	3,992,992	(3,992,992)	(3,992,992)
Accruals	6,953,578	(6,953,578)	(6,953,578)
	10,946,570	(10,946,570)	(10,946,570)
31 December 2021			
Trade and other payables	2,119,579	(2,119,579)	(2,119,579)
Accruals	818,369	(818,369)	(818,369)
	2,937,948	(2,937,948)	(2,937,948)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates 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.

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 Great Britain pound ('GBP') and Norwegian Kroner ('NOK').

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

	GBP	**NOK**
	US$	**US$**
2022		
Trade and other receivables	2,759,349	43,468
Cash and cash equivalents	1,785,181	66,546
Trade and other payables	(3,883,174)	–
	661,356	110,014
2021		
Trade and other receivables	403,612	69,898
Cash and cash equivalents	4,246,548	330,851
Trade and other payables	(1,111,446)	(17,434)
	3,538,714	383,315

Sensitivity analysis

A 5% strengthening of the foreign currencies against United States dollars at 31 December would have increased/(decreased) profit 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:

	Profit before tax	
	2022	**2021**
	US$	**US$**
GBP	33,068	176,936
NOK	5,501	19,166

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 2022				
Trade and other receivables	6	14,198,629	–	14,198,629
Cash and cash equivalents	7	11,289,283	–	11,289,283
		25,487,912	–	25,487,912
Trade and other payables	10	–	(3,992,992)	(3,992,992)
Accruals		–	(6,953,578)	(6,953,578)
		–	(10,946,570)	(10,946,570)
31 December 2021				
Trade and other receivables*	6	615,510	–	615,510
Cash and cash equivalents	7	12,814,661	–	12,814,661
		13,430,171	–	13,430,171
Trade and other payables	10	–	(2,119,579)	(2,119,579)
Accruals		–	(818,369)	(818,369)
		–	(2,937,948)	(2,937,948)

* *Exclude contract assets*

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, accruals, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

18 Subsequent event

(i) Prosafe SE's share capital private placement
On 24 May 2023, Prosafe SE has completed a US$ 30 million share capital private placement from the issuance of 2,720,000 new shares at NOK117 per share.

(ii) Declaration of dividend
On 28 June 2023, the Company declared a final exempt (one-tier) dividend of US$0.00697 per ordinary share amounting to a total of US$4,500,000 for the financial year ended 31 December 2022. These financial statements do not reflect this dividend, which will be accounted for in the financial year ending 31 December 2023.