



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

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: Eirik Fjelde
Dato for fastsettelse av årsregnskapet: 30.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 23.08.2023



Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue	14	39 612 385	24 980 129
Gain/(loss) on disposal of plant and equipment		5 382	-223 600
Sum inntekter		39 617 767	24 756 529
Kostnader			
Vessel operating costs		36 634 298	32 326 223
Depreciation of plant and equipment		24 397 332	34 831 817
Nedskrivning av varige driftsmidler og immaterielle eiendeler		0	633 837 888
Other operating income/(expenses)		-558 181	2 459 244
Sum kostnader		60 473 449	703 455 172
Driftsresultat		-20 855 682	-678 698 643
Finansinntekter og finanskostnader			
Dividend income		270 283	3 854 691
Finance income	15	334 254	707 126
Sum finansinntekter		604 537	4 561 817
Finance costs		2 749 823	15 988 419
Sum finanskostnader		2 749 823	15 988 419
Netto finans		-2 145 286	-11 426 602
Ordinært resultat før skattekostnad	16	-23 000 968	-690 125 245
Tax expense	17	1 038 726	11 510
Ordinært resultat etter skattekostnad		-24 039 694	-690 136 755
Årsresultat		-24 039 694	-690 136 755



Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Plant and equipment	4	288 123 506	297 741 186
Sum varige driftsmidler		288 123 506	297 741 186
Finansielle anleggsmidler			
Investering i datterselskap	5	3 195 274	3 196 274
Sum finansielle anleggsmidler		3 195 274	3 196 274
Sum anleggsmidler		291 318 780	300 937 460
Omløpsmidler			
Varer			
Inventories	6	695 654	626 088
Sum varer		695 654	626 088
Fordringer			
Trade and other receivables	7	5 910 749	27 019 813
Prepayments		509 664	711 862
Sum fordringer		6 420 413	27 731 675
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	11 585 945	32 586 726
Sum bankinnskudd, kontanter og lignende		11 585 945	32 586 726
Sum omløpsmidler		18 702 012	60 944 489
SUM EIENDELER		310 020 792	361 881 949

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: USD	Note	2021	2020
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		-900 977 879	-876 938 185
Sum opptjent egenkapital		-900 977 879	-876 938 185
Sum egenkapital		258 230 470	282 270 164
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld	11	45 995 378	2 602 871
Provision for taxation		1 050 000	11 652
Accruals	12	4 744 944	57 730 702
Other liabilities	13	0	19 266 560
Sum kortsiktig gjeld		51 790 322	79 611 785
Sum gjeld		51 790 322	79 611 785
SUM EGENKAPITAL OG GJELD		310 020 792	361 881 949



Prosafe Rigs Pte. Ltd.
Registration Number: 200721493C

Annual Report
Year ended 31 December 2021

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act 2006 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 2021

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 2021.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS30 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 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 Companies Act 1967 and Financial Reporting Standards in Singapore; 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
Karine Betty Cosemans
Chang Chin Fen
Eirik Fjelde (Appointed on 25 April 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:

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	–
Stig Harry Christiansen (Resigned on 25 April 2022)	54,000	–
Karine Betty Cosemans	1,200	–
Chang Chin Fen	78	–



Prosafe Rigs Pte. Ltd.
Directors' statement
Year ended 31 December 2021

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 date of appointment if later, 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

Eirik Fjelde
Director

Karine Betty Cosemans
Director

9 May 2022



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

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

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 2021, 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 FS30.

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 2021 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.

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.

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Prosafe Rigs Pte. Ltd.
Independent auditors' report
Year ended 31 December 2021

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.

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.



*Prosafe Rigs Pte. Ltd.
Independent auditors' report
Year ended 31 December 2021*

- 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 BLP
Public Accountants and
Chartered Accountants*

Singapore
9 May 2022



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

Statement of financial position
As at 31 December 2021

	Note	2021 US\$	2020 US\$
Non-current assets			
Plant and equipment	4	288,123,506	297,741,186
Investments in subsidiaries	5	3,195,274	3,196,274
		<u>291,318,780</u>	<u>300,937,460</u>
Current assets			
Inventories	6	695,654	626,088
Trade and other receivables	7	5,910,749	27,019,813
Prepayments		509,664	711,862
Cash and cash equivalents	8	11,585,945	32,586,726
		<u>18,702,012</u>	<u>60,944,489</u>
Total assets		<u>310,020,792</u>	<u>361,881,949</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		(900,977,879)	(876,938,185)
Total equity		<u>258,230,470</u>	<u>282,270,164</u>
Current liabilities			
Trade and other payables	11	45,995,378	2,602,871
Accruals	12	4,744,944	57,730,702
Other liabilities	13	–	19,266,560
Provision for taxation		1,050,000	11,652
		<u>51,790,322</u>	<u>79,611,785</u>
Total liabilities		<u>51,790,322</u>	<u>79,611,785</u>
Total equity and liabilities		<u>310,020,792</u>	<u>361,881,949</u>

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

FS1



Prosafte Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

Statement of comprehensive income
Year ended 31 December 2021

	Note	2021 US\$	2020 US\$
Revenue	14	39,612,385	24,980,129
Costs and expenses			
Direct costs:			
Vessel operating costs		(36,634,298)	(32,326,223)
Depreciation of plant and equipment		(24,397,332)	(34,831,817)
Gross loss		(21,419,245)	(42,177,911)
Impairment of plant and equipment		–	(633,837,888)
Gain/(loss) on disposal of plant and equipment		5,382	(223,600)
Other operating income/(expenses)		558,181	(2,459,244)
Results from operating activities		(20,855,682)	(678,698,643)
Dividend income		270,283	3,854,691
Finance income	15	334,254	707,126
Finance costs		(2,749,823)	(15,988,419)
Loss before tax	16	(23,000,968)	(690,125,245)
Tax expense	17	(1,038,726)	(11,510)
Loss for the year, representing total comprehensive expense for the year		(24,039,694)	(690,136,755)

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

FS2



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

Statement of changes in equity
Year ended 31 December 2021

	Share capital US\$	Merger reserve US\$	Accumulated losses US\$	Total US\$
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>
At 1 January 2021	2,781,040,000	(1,621,831,651)	(876,938,185)	282,270,164
Total comprehensive expense for the year:				
Loss for the year, representing total comprehensive expense for the year	–	–	(24,039,694)	(24,039,694)
At 31 December 2021	<u>2,781,040,000</u>	<u>(1,621,831,651)</u>	<u>(900,977,879)</u>	<u>258,230,470</u>

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

FS3



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

Statement of cash flows
Year ended 31 December 2021

	Note	2021 US\$	2020 US\$
Cash flows from operating activities			
Loss before tax		(23,000,968)	(690,125,245)
Adjustments for:			
Impairment of plant and equipment	4	–	633,837,888
Depreciation of plant and equipment	4	24,397,332	34,831,817
(Gain)/loss on disposal of plant and equipment		(5,382)	223,600
Interest income	15	(334,254)	(707,126)
Finance costs		2,749,823	15,988,419
Dividend income		(270,283)	(3,854,691)
		<u>3,536,268</u>	<u>(9,805,338)</u>
Changes:			
Inventories		(69,566)	369,436
Trade and other receivables		20,065,660	756,166
Prepayments		202,198	348,700
Trade and other payables [#]		28,745,733	(8,191,530)
Accruals		(39,121,933)	(2,415,157)
Cash generated from/(used in) operations		<u>13,358,360</u>	<u>(18,937,723)</u>
Interest received		1,377,658	140,882
Interest paid		(15,137,355)	–
Net cash used in operating activities		<u>(401,337)</u>	<u>(18,796,841)</u>
Cash flows from investing activities			
Acquisition of plant and equipment		(14,779,652)	(2,214,801)
Proceeds from/(loss on) disposal of plant and equipment		5,382	(124,127)
Proceed from disposal of investment in subsidiary		1,000	–
Dividend received from a subsidiary*		270,283	715,967
Net cash used in investing activities		<u>(14,502,987)</u>	<u>(1,622,961)</u>
Cash flows from a financing activity			
Interest paid		(6,096,457)	(1,130,379)
Net cash used in a financing activity		<u>(6,096,457)</u>	<u>(1,130,379)</u>
Net decrease in cash and cash equivalents		(21,000,781)	(21,550,181)
Cash and cash equivalents at beginning of year		32,586,726	54,136,907
Cash and cash equivalents at end of year	8	<u>11,585,945</u>	<u>32,586,726</u>

Significant non-cash transaction

[#] In 2021, the seller's credit payables and interest payables related to seller's credit were offset against the amounts due from the holding company.

* 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.

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

FS4



*Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021*

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 9 May 2022.

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 2021 of US\$24,039,694 (2020: US\$690,136,755) which included impairment charge of nil (2020: US\$633,837,888) relating to plant and equipment (see note 4) and as at that date, the Company is in net current liabilities position of US\$33,088,310 (2020: 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 2021, 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 18). The carrying amount of interest-bearing borrowings under the facilities was US\$343.4 million (2020: US\$1,378.8 million). As such, the Company is exposed to potential material financial obligations in future in relation to the guarantees provided.

In December 2021, its holding company, Prosafe SE had fully implemented and completed a financial restructuring whereby the majority of external debt was refinanced. The renegotiation of the terms of certain group financial liabilities included issuing equity instruments to creditors to extinguish all or part of the liabilities. As part of the financial restructuring process, the creditor of the Company's seller's credit was granted shares as part of the equitisation of debt (note 13). There was also partial payment for the Westcon claim, with the remaining balance equitized to shares (note 12).

As such, the going concern assumption is considered to be appropriate as the Board of Directors is of the view that the agreed financial solution is robust and sustainable beyond the near term.

FS5



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

2.2 Statement of compliance

The financial statements have been prepared in accordance with 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.

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

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 2021:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116)*

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.

FS6



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

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.

Investments 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.

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.

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.

FS7



Prosafe Rigs Pte. Ltd.
Financial statements
Year ended 31 December 2021

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.

3.4 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.

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(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.

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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.

(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.

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(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.

3.5 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.

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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.

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.

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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 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. 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.

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.

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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.

3.9 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.

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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.

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.

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 to substantively enacted by the reporting date and reflects uncertainty related to income taxes, if any.

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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.

3.12 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 2021 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.

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to FRS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to FRS 37)*
- *Classification of Liabilities as Current or Non-current (Amendments to FRS 1)*
- *Annual Improvements to FRSs 2018 – 2020*
- *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)*

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4 Plant and equipment

	Accommodation rigs US\$	Construction- in-progress ("CIP") US\$	Total US\$
Cost			
At 1 January 2020	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
Additions	–	14,779,652	14,779,652
Disposals	(59,097,051)	–	(59,097,051)
Transfer from CIP	10,890,949	(10,890,949)	–
At 31 December 2021	1,638,058,261	5,934,048	1,643,992,309
Accumulated depreciation			
At 1 January 2020	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
Depreciation charge for the year	24,397,332	–	24,397,332
Disposals	(52,838,951)	–	(52,838,951)
At 31 December 2021	323,309,840	–	323,309,840
Accumulated impairment			
At 1 January 2020	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
Disposals	(6,258,100)	–	(6,258,100)
At 31 December 2021	1,032,558,963	–	1,032,558,963
Carrying amounts			
At 1 January 2020	916,311,734	7,332,768	923,644,502
At 31 December 2020	295,695,841	2,045,345	297,741,186
At 31 December 2021	282,189,458	5,934,048	288,123,506

The Company's accommodation rigs and construction-in-progress are mortgaged for the holding company's bank borrowings. See note 18 for the intra-group financial guarantees.

Impairment assessment

The management has performed an impairment assessment of the accommodation rigs and related construction-in-progress. In 2020, the recoverable amount of the assets was less than net book value as at 31 December 2020 and as a result, the Company recognised an impairment loss of US\$633,837,888 based on the valuation-in-use calculation used in 2020 as below. Management has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021 and hence no value-in-use calculation was performed.

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In 2020, the recoverable amount was determined based on value-in-use (“VIU”), by discounting the future cash flow approved by management. The VIU calculations were 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 was 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%

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

iii) Long-term growth rate

There was 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% was 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 was the long-term average growth rate appropriate to the assets of 2%.

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 Investments in subsidiaries

	2021 US\$	2020 US\$
Unquoted equity shares, at cost	3,195,274	3,196,274

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Name	Principal activities	Country of incorporation	Effective equity held by the Company	
			2021 %	2020 %
<i>Held by the Company:</i>				
Prosafe Offshore Accommodation Ltd	Secondment of personnel and management support	Jersey	–	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	100

During the year, the subsidiary, Prosafe Offshore Accommodation Ltd was liquidated and was deemed to be dissolved on 28 April 2021.

In 2020, the subsidiary, Prosafe Rigs (Cyprus) Limited was liquidated and was 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.

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

	2021 US\$	2020 US\$
Bunker fuel	695,654	626,088

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.

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7 Trade and other receivables

	2021	2020
	US\$	US\$
Current		
Amounts due from related companies (trade)	4,187,220	6,057,839
Amounts due from a subsidiary (trade)	1,410,390	5,437,492
Amounts due from the holding company (loans)	–	15,043,404
Other receivables	313,139	481,078
	<u>5,910,749</u>	<u>27,019,813</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 the holding company (loans)

In 2020, loan amounts due from the holding company were unsecured and bears interest at 3-month LIBOR plus 3.2% per annum with final maturity of the loans extended to 4 May 2021 and 7 November 2021 respectively. During the year, the Company entered into a settlement agreement with the holding company, whereby the holding company made payment to settle the Company's seller's credit liability and Westcon liability on its behalf, offsetting against the amount due to the Company under the loan.

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 19.

8 Cash and cash equivalents

	2021	2020
	US\$	US\$
Restricted cash deposit	–	5,224,315
Cash at banks	11,585,945	27,362,411
	<u>11,585,945</u>	<u>32,586,726</u>

In 2020, restricted cash deposit was 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. The cash deposit was restricted until final court judgement.

9 Share capital

	2021	2020
	No. of shares	No. of shares
Fully paid ordinary shares with no par value:		
At 1 January and 31 December	<u>2,781,040,000</u>	<u>2,781,040,000</u>

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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.

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

	2021 US\$	2020 US\$
Trade payables	–	19,097
Amounts due to the holding company (trade)	41,351,669	89,287
Amounts due to related companies (trade)	4,499,492	1,419,300
Amounts due to subsidiaries (trade)	144,217	1,075,187
	<u>45,995,378</u>	<u>2,602,871</u>

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

The Company's exposure to liquidity and currency risks related to trade and other payable is disclosed in note 19.

12 Accruals

	2021 US\$	2020 US\$
Fixed assets acquisition	–	40,651,061
Interest accrued	–	13,863,825
Others	4,744,944	3,215,816
	<u>4,744,944</u>	<u>57,730,702</u>

In April 2021, the Gulating Court of Appeal has decided that the Company shall pay to Westcon US\$40,651,061 as a fixed asset acquisition cost and US\$13,863,825 as related interest expenses for the dispute between Westcon and the Company which was related to a substantial cost overrun for the conversion of the Safe Scandinavia to a tender support vessel. This was an adjusting event subsequent to 31 December 2020, the Company had accrued the fixed asset acquisition cost and the related interest expenses related to Westcon matter in 2020.

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13 Other liabilities

	2021 US\$	2020 US\$
<i>Current</i>		
Seller's credit payables	–	14,646,396
Interest payables related to seller's credit	–	4,620,164
	–	19,266,560

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

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 was subject to certain contractual subordination and coordination arrangements with the financial lenders of the holding company, and discussions with the lender on this payment was ongoing in 2020 and completed in December 2021.

During the year, the holding company made payment to settle the seller's credit liability on behalf of the Company. As a result, the Company recognised an intra-group liability to the holding company of an amount equal to the amount of the Company's seller's credit liability. The seller's credit liability was released upon the repayment.

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 2020	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
Changes from financing activities			
Interest paid	–	(4,986,178)	(4,986,178)
Total changes from financing activities	–	(4,986,178)	(4,986,178)
Other liabilities changes			
Interest expense	–	366,014	366,014
Trade and other payables	(14,646,396)	–	(14,646,396)
Total other liabilities changes	(14,646,396)	366,014	(14,280,382)
Balance as at 31 December 2021	–	–	–

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14 Revenue

	2021 US\$	2020 US\$
Charter revenue	39,612,385	24,879,638
Management, crew services, catering and other related income	–	100,491
	<u>39,612,385</u>	<u>24,980,129</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.

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.

15 Finance income

	2021 US\$	2020 US\$
Interest income from:		
- cash at banks	–	140,882
- loan to the holding company	334,254	566,244
	<u>334,254</u>	<u>707,126</u>

16 Loss before tax

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

	2021 US\$	2020 US\$
Personnel costs		
- salaries, bonuses and related cost	9,321,033	9,149,397
- defined contribution plan	1,384,446	524,915
- other short-term benefits	1,585,332	887,955
Foreign exchange gain	<u>(777,303)</u>	<u>(96,511)</u>

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17 Tax expense

	2021 US\$	2020 US\$
Current income tax		
Current year	1,050,000	11,510
Over provision in prior year	(11,274)	–
	<u>1,038,726</u>	<u>11,510</u>
Reconciliation of effective income tax rate		
Loss before tax	<u>(23,000,968)</u>	<u>(690,125,245)</u>
Tax using the Singapore tax rate of 17% (2020: 17%)	(3,910,165)	(117,321,292)
Tax exempt income	(103,686)	(4,229,538)
Non-deductible expenses	6,646,525	121,562,340
Differential in domestic rates applicable to loss in the countries where the Company operates	(814,634)	–
Utilisation of deferred tax assets not recognised	(768,040)	–
Over provision in prior year	(11,274)	–
	<u>1,038,726</u>	<u>11,510</u>

Unrecognised deferred tax assets

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

	2021 US\$	2020 US\$
Unutilised capital allowances	1,680,427,000	1,750,298,000
Unutilised tax losses	320,849,000	175,278,000
	<u>2,001,276,000</u>	<u>1,925,576,000</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 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.

18 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

In 2021, the holding company, Prosafe SE, entered into a framework agreement with Global Maritime. Under the framework agreement, the Group has engaged Global Maritime to undertake projects for the Group's vessels. Global Maritime is majority-owned by HitecVision, which through one or more entities is a major shareholder of Prosafe SE. The Global Maritime projects value is about US\$1.7 million, of which US\$0.7 million was transacted during the year and the outstanding balance of US\$0.4 million were due and payable under normal payment terms.

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

	2021	2020
	US\$	US\$
Related corporations		
Charter revenue received from related companies	30,800,911	–
Charter revenue received from a subsidiary	8,811,474	21,020,138
Management fees paid to subsidiaries	(2,610,183)	(3,132,911)
Management fees paid to related companies	(5,467,006)	(5,314,778)
Dividend income received from a subsidiary	270,283	3,854,691
Interest income from the holding company	334,254	566,244

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 2021, the carrying amount of interest bearing debt under the Facilities mentioned above was US\$343,400,000 (2020: US\$1,378,800,000). The amount is co-guaranteed by another related company.

19 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.

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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 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 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

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 2021, 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 and related companies:

	2021 US\$	2020 US\$
Current	2,562,677	3,925,644
1 – 30 days past due	3,034,933	41,333
31 – 60 days past due	–	105,924
61 – 90 days past due	–	1,401,048
More than 90 days past due	–	6,021,382
	<u>5,597,610</u>	<u>11,495,331</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.

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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. 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 18). As at 31 December 2021, the carrying amount of interest bearing debt under the Facilities was US\$343,400,000 (2020: US\$1,378,800,000).

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			
2021			
Trade and other payables	45,995,378	(45,995,378)	(45,995,378)
Accruals	4,744,944	(4,744,944)	(4,744,944)
	<u>50,740,322</u>	<u>(50,740,322)</u>	<u>(50,740,322)</u>
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>

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.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The loans to the holding company and sellers' credit payables were settled during the financial year and therefore there is no exposure to interest rate risk as at 31 December 2021.

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. The application of these amendments to standards and interpretations does not 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 are as follows:

	SGD	GBP	NOK	EUR
	US\$	US\$	US\$	US\$
2021				
Trade and other receivables	21,714	–	89,940	–
Cash and cash equivalents	5,928	5,368,042	–	25,296
Trade and other payables	–	(4,156,554)	–	–
	<u>27,642</u>	<u>1,211,488</u>	<u>89,940</u>	<u>25,296</u>
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>

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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:

	2021 US\$	2020 US\$
SGD	1,382	3,848
GBP	60,574	68,953
NOK	4,497	23,495
EUR	1,265	23

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 2021				
Trade and other receivables	7	5,910,749	–	5,910,749
Cash and cash equivalents	8	11,585,945	–	11,585,945
		<u>17,496,694</u>	–	<u>17,496,694</u>
Trade and other payables	11	–	(45,995,378)	(45,995,378)
Accruals	12	–	(4,744,944)	(4,744,944)
		–	<u>(50,740,322)</u>	<u>(50,740,322)</u>

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	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	12	–	(57,730,702)	(57,730,702)
Other liabilities	13	–	(19,266,560)	(19,266,560)
		<u>–</u>	<u>(79,600,133)</u>	<u>(79,600,133)</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.

20 Subsequent event

Capitalisation of amounts due to the holding company

On 24 March 2022, the Company issued 40,000,000 ordinary shares to its holding company, Prosafe SE, for a total consideration of US\$40,000,000 by way of offsetting against part of the amounts owing to Prosafe SE by the Company. Following the aforesaid allotment exercise, the Company's ordinary shares increased from 2,781,040,000 to 2,821,040,000.

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