SWIRE BLUE OCEAN A/S

(Incorporated in Denmark. Registration Number (CVR no.): 31 18 05 03)
(Arne Jacobsens Allé 7, 7., DK-2300 Copenhagen S, Denmark)

ANNUAL REPORT

For the financial year ended 31 December 2019
(RESTATED)

Approved at the Company's extraordinary general meeting on 21 October 2020

Chairman:

Richard Lawrence Sell

SWIRE BLUE OCEAN A/S
(Incorporated in Denmark)

ANNUAL REPORT
For the financial year ended 31 December 2019

Contents

STATEMENT BY MANAGEMENT
For the financial year ended 31 December 2019

The Board of Directors and the Executive Board have today discussed and approved the restated annual report of Swire Blue Ocean A/S for 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the Company faces.

We recommend that the annual report be approved at the extraordinary general meeting.

Copenhagen, 21 October 2020

Executive Board:

Mikkel Gleerup
CEO

Martin Møller Olesen
CFO

Board of Directors:

Richard Lawrence Sell
Chairman

Roy George Shearer

Brian Townsley

Mikkel Gleerup

Martin Møller Olesen

To the shareholder of Swire Blue Ocean A/S

Opinion

We have audited the financial statements of Swire Blue Ocean A/S for the financial year 1 January – 31 December 2019, which comprise statement of profit and loss and other comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Emphasis of matter in the financial statements

We draw attention to note 25 to the financial statements, which discloses that the Company has restated its financial statements for the financial year 1 January – 31 December 2019 due to a subsequent identified error in the recognition of revenue related to 2019. We have not modified our opinion in respect of this matter.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, 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 control.
- Obtain an understanding of internal control 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 control.
- 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 in preparing the financial statements 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 21 October 2020
EY Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28

Jens Thordahl Nøhr
State Authorised Public Accountant
mne32212

Company details

Name	Swire Blue Ocean A/S
Address, Postal code, City	Arne Jacobsens Allé 7, 7., DK-2300 Copenhagen S, Denmark
Registration no. (CVR no.)	31 18 05 03
Established	15 January 2008
Registered office	Copenhagen, Denmark
Financial year	1 January - 31 December
Website	www.swireblueocean.com
Board of Directors	Richard Lawrence Sell, Chairman Roy George Shearer Brian Townsley Mikkel Gleerup Martin Møller Olesen
Executive Board	Mikkel Gleerup, CEO Martin Møller Olesen, CFO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, DK-2000 Frederiksberg, Denmark

Financial highlights

EUR'000	2019	2018	2017	2016	2015
Key figures	IFRS	IFRS	Danish GAAP	Danish GAAP	Danish GAAP
Charter hire revenue	32,667	61,172			
Other revenue	5,715	10,481			
Revenue (total)	38,382	71,653	44,644	70,472	99,651
EBITDAR*	11,774	36,964	19,568	39,908	66,939
Gross (loss)/profit	(6,249)	16,198			
Operating profit/(loss)	(13,645)	6,718	(7,819)	9,894	19,073
Net financials	(8,538)	(11,345)	(65)	(849)	589
Profit/(loss) for the year	(23,763)	(6,339)	(6,338)	7,053	15,038
Total assets	111,169	134,843	25,789	29,208	21,023
Non-current asset	93,153	108,794	50	42	12
Total liabilities	124,269	124,180	8,786	5,869	4,737
Equity	(13,100)	10,663	17,002	23,339	16,286
Cash flow from:					
- operating activities	(2,012)	12,151			
- investing activities	(64)	28			
(of which investment in property, plant and equipment)	(64)	(172)	(31)	(42)	(12)
- financing activities	2,922	(12,579)			
Cash and cash equivalents	1,243	397			

Financial ratios

Return on assets (%)	-21.4%	4.7%	-24.6%	24.1%	71.5%
Equity ratio (%)	-11.8%	7.9%	65.9%	79.9%	77.5%
Contracted days (no. of days)	383	443	403	474	544
Utilization (%)	52.5%	60.7%	55.2%	64.9%	74.5%
Average day rate (EUR'000)	85.3	138.1	102.8	133.0	176.0

Share related key figures

Earnings per share (EPS), EUR	(30.5)	(8.1)	(8.1)	9.0	19.3
Diluted earnings per share (diluted EPS), EUR	(30.5)	(8.1)	(8.1)	9.0	19.3

Average number of employees	**33**	**32**	**28**	**27**	**27**

Financial ratios are calculated in accordance with the terms and definitions included in the accounting policies (Note 2.18 to the financial statements).

2019 and 2018 figures are prepared in accordance with IFRS and 2017, 2016 and 2015 are prepared in accordance with Danish GAAP, however converted from DKK to EUR. The principal difference between IFRS and Danish GAAP is the application of IFRS 16 (as further set out in note 3 to the financial statements).

The audited financial statements for 2017, 2016 and 2015 did not provided a revenue split. The company did not present cash flow statements nor gross profit/(loss) under Danish GAAP. Therefore, cash flow statements and gross profit/(loss) are not presented for 2017, 2016 and 2015.

*EBITDAR is equal to Earnings Before Interest, Tax, Depreciation, Amortization, unrealized foreign exchange gains/losses and bareboat Rent (in the form of variable lease fee and right-of-use asset amortization calculated in accordance with IFRS 16). Refer to note 20 to the financial statements.

Management's review

Business review

The Company is a leading offshore wind farm transportation and installation ("T&I") contractor headquartered in Copenhagen, Denmark. The Company operates two offshore jack up windfarm installation vessels, Pacific Orca and Pacific Osprey. In addition to wind farm installation, these vessels can perform maintenance, construction, decommissioning, and other tasks within the offshore industry. The Company has completed approximately 30 offshore projects from 2012 to 2020. The Company has a leading market position and strong relations with blue-chip customers in the industry.

Most of the Company's early work was installing foundations. The vessels' size made them better at doing this than competing vessels. The vessels were also better suited to this work than to installing the then small wind turbine generators (WTGs). The Company has installed 414 foundations since 2013. Now that WTGs have increased significantly in size, installing them is the most appropriate work for the Company's vessels. Vessels which cannot jack up, cannot compete except where the water is too deep for vessels to jack up.

The Company has installed 287 wind turbines since 2014. Industry records have been achieved (fastest installation, deepest soil penetration, largest offshore wind turbine and first hurricane turbine). The number of WTGs installed by the Company is expected to double in the coming years, with projects already secured in the pipeline.

The Company has done three operations and maintenance ("O&M") projects, including one of the largest O&M projects in the offshore wind industry, with 600 days of work on more than 20 sites. The Company has done accommodation work for the electrical completion of offshore substations and decommissioning work. These types of work help to keep utilisation high between installation projects and to cover operating costs, however typically at lower day rates.

Swire Blue Ocean is a wholly-owned subsidiary of Swire Pacific Offshore Group, based in Singapore, and is a constituent of the Marine Services Division of Swire Pacific Limited, listed in Hong Kong. Further information can be found in the annual report of Swire Pacific Limited.

The Company's vision is to provide excellence in offshore marine services to the offshore wind industry and to be environmentally sustainable. As of 31 December 2019, the vessels have contributed to over 3 GW of offshore wind energy in European waters. The Company aims to increase its involvement in the offshore wind industry, supporting a sustainable energy source for millions of households, both in Europe and around the world.

Financial review

For the year commencing 1 January 2019, Management has decided that the Company will prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). This decision was made to ensure the accounts were more comparable with non-Danish companies. Reference is made to note 3 in the financial statements for an explanation of the impact of the application of IFRS.

Revenue in 2019 was significantly down vs 2018 (-46.4%) and prior years. This was due to 1) a decrease in utilization (-13.5%) due to a crane incident that occurred late in 2018 resulting in one of the vessels being out of service for all of 2019; 2) a reduction in day rates (-38.2%) due to a management decision to build specific maintenance capabilities and take on a long term maintenance project during 2019. The crane incident will also impact 2020 results, as the vessel only returned to service in June 2020.

The reduction in revenue was partially mitigated by a reduction in costs (-19.9%), but the cost reduction was not significant enough to avoid a loss, and for 2019 the Company incurred a loss of EUR 23,763 thousand compared to a loss of EUR 6,339 thousand in 2018. A significant proportion of the loss in 2018 was due to the foreign exchange rate adjustment of the lease liability for the bareboat agreement, which is denominated in USD. The foreign currency exchange rate loss on the lease liability revaluation in 2019 was EUR 2,625 compared to a loss of EUR 5,827 thousand in 2018 (refer to note 7).

The loss in 2019 has resulted in the Company being in a net liability position. As of 31 December 2019, the equity of the Company is negative EUR 13,100 thousand.

On 25 September 2020, the Company's parent company made a non-cash contribution of EUR 200 million of equity and provided an intercompany term loan of EUR 49 million, which were used to acquire the two vessels currently held under bareboat leasing arrangements to the Company (via newly established, fully owned vesselcos) for a total consideration of USD 290 million. This equity injection has strengthened the financial position and returned the Company to a net asset position as well as improved the cash flow generation going forward due to the discontinuation of the leasing arrangements. The Company will use the vessels as basis for securing external funding to facilitate intercompany debt repayment and working capital requirements going forward.

The Company's parent company has furthermore provided a letter of support in which it undertakes to provide financial support to enable the Company to meet its liabilities as and when they fall due for at least 12 months from the signing date of the financial statements ending 31 December 2019.

The Company's principal activity is dependent on the bareboat charter agreements entered into with a related company, Swire Pacific Offshore Cyprus Ltd. (CYP). The bareboat charter agreements covering the period 1 January 2017 - 31 December 2021 were signed 18 January 2017. With committed customer contracts going into 2025 and embedded parent company guarantees, Management expects to use their implicit option to extend the bareboat charter agreements until 2025. As such the bareboat agreements with CYP have been classified and recognised as IFRS 16 leasing contracts for the period up until 2025, as the Company has signed windfarm installation projects going into the years 2020 – 2025 with multiple customers. Accordingly, the Company has recognised a right-of-use asset and a leasing liability related to the bareboat charter agreements in accordance with IFRS 16.

In 2019, the Company underwent a transfer pricing audit conducted by the Danish Tax Authorities. The transfer-pricing audit was concluded 14 May 2020 and resulted in adjustments to prior year tax expense of EUR 1.6 million and interest expenses of EUR 642 thousand, which have been provided for at 31 December 2019. The interest expenses have been recognised under finance expenses.

An expansion of the Danish tonnage tax regime to cover wind farm installation vessels was passed in January 2020 with retroactive effect from 2017, 2017 inclusive. On this basis, the Company has informed the Danish Tax Authorities that it elects tonnage taxation. That choice has retroactive effect from 2017 inclusive. However, uncertainty exists over whether the Company has met all the requirements for tonnage taxation and thus been eligible for tonnage tax in 2017-2019. Given that uncertainty, Management has concluded not to account for the adoption of tonnage tax in these financial statements (refer to note 2.17). Management has applied for a binding ruling from the Danish National Tax Council on the applicability of tonnage taxation in 2017-2019.

Restatement of financial statements for 2019

These financial statements for 2019 are a restatement of the initial version dated 30 September 2019 due to an identified error in the recognition of revenue related to 2019. Refer to note 25 to the financial statements for a detailed description of the restatement. Due to the error, the initial version of the financial statements is replaced by this restated version.

Knowledge resources

It is essential for Swire Blue Ocean's continued growth to attract and maintain highly skilled labor, including engineers with expertise to modify the vessels for customer projects and to support the continued operation of the vessels and commercial people with network in the industry.

Research and development activities

The Company does not undertake any research and development activities. The focus of the Company is to support its customers with the construction of offshore wind farms.

Special risks

The Company only has two vessels and is vulnerable in the event of a loss of revenue of any such vessel.

The Company's fleet currently consists of the two Windfarm Installation Vessels, Pacific Orca and Pacific Osprey (together the vessels). If any of the vessels are taken out of operation, this could materially impact the Company's financial results.

The Company is exposed to hazards that are inherent to offshore operations

The Company is operating in the offshore industry and is thus subject to inherent hazards, such as breakdowns, technical problems, harsh weather conditions, environmental pollution, force majeure situations (nationwide strikes, etc.), collisions and groundings. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. Windfarm Installation Vessels, including the Company's Vessels, will also be subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal operating conditions, failure of subcontractors to perform or supply goods or services or personnel shortages.

The Company is dependent on the employment of the vessels

The Company’s income is dependent on project contracts and vessel charters for the employment of the vessels. Typically, these contracts are concluded several years in advance, giving visibility of future deployment. However, there is a risk that it may be difficult for the Company to obtain future cover for the vessels and utilization may drop. Windfarm installation projects are sanctioned at irregular intervals and installation projects in some locations are seasonal. Consequently, the vessels may need to be deployed on lower-yielding work-scopes or remain idle for periods without any compensation to the Company. There can also be off-hire periods as a consequence of accidents, technical breakdown and non-performance. The cancellation or postponement of one or more employment contracts can have a material adverse impact on the earnings of the Company.

Financial risks and dependency of related parties

The Company’s parent company is committed to provide continuing financial support to enable the Company to meet its obligations as and when they fall due.

The Company's principal activity is furthermore dependent on the bareboat charter agreements entered into with a related company in the Swire Pacific Limited Group. Furthermore, the Swire Pacific Limited Group provides crewing services as well as management services to the Company.

Foreign exchange risks

The Company is exposed to foreign currency risks. Income is primarily invoiced in EUR, as are the majority of costs or in DKK, which is pegged to the EUR. A significant proportion of the Company's operating and administrative costs are invoiced and paid in USD, including the bareboat charter agreements.

Credit risks

The Company adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The Company deals only with customers with an appropriate history and obtains sufficient security where appropriate to mitigate credit risk. Historically only immaterial credit losses has been experienced.

Impact on the external environment

Sustainability is a strategic objective for the Company and is key to its ability to create long-term value for its shareholder. It represents an opportunity for innovation and improved efficiency and a foundation for building sustained growth.

The Company has been committed to delivering leadership in environmental, health and safety, employment, business partnerships and community matters across its value chain. The Company is committed to pursue the long-term goals of radical decarbonisation and optimising energy efficiency. The Company strives constantly to identify and reduce the negative impacts that its business has on the environment, to monitor performance and identify areas for improvement. This is done, inter alia:

- through investment in a REDD+ (Reduced Emissions from avoided Deforestation and Forest Degradation) forest conservation scheme in Paraguay, which aims to preserve primary forests and biodiversity of the endemic species of flora and fauna;
- by the vessels being fully compliant with MARPOL II requirements and operating with low sulphur fuels;

- through participation in the production of Global Reporting Initiative (GRI) compliant sustainable performance reports since 2008.

Statutory CSR report

For the statutory statement on corporate responsibility cf. section 99a of the Danish Financial Statements Act, Swire Blue Ocean A/S is part of the Swire Pacific Group, who has developed a Sustainability Report that covers the entire Group. For Swire Blue Ocean's statutory report on Corporate Social Responsibility, please see Swire Pacific Group's Sustainability Report (included in the 2019 Annual report for Swire Pacific Group):
https://www.swirepacific.com/en/ir/reports/ar19.pdf (pp. 113-119).

Account of the gender composition of Management

Swire Blue Ocean had set a goal of having at least one woman included in the Board of Directors before 2020. As there have not been any changes to the Board of Directors, the goal of having at least one woman in the Board of Directors was not met in 2019, and at the date of the approval of the 2019 financial statements, the Board of Directors therefore comprised 5 men and 0 women. Swire Blue Ocean has reassessed the strategy and determined to achieve the goal in 2021.

During 2019, none of our Managers at other managerial positions were women. We wish to ensure a diverse workforce and have a policy of increasing the underrepresented gender on management levels. In order to support this policy, Swire Blue Ocean seeks to have at least one of each gender represented among the last three candidates in the hiring process for management positions.

Overall, the current gender composition in Swire Blue Ocean as of 31 December 2019 is 67.7% men and 33.3% women.

Events after the balance sheet date

After the balance sheet date 31 December 2019, the COVID-19 pandemic negatively impacted Denmark and the rest of the world. However, with no material cancellations or deferrals, the COVID-19 pandemic has not impacted current or future projects and Management considers the outbreak to constitute a non-adjusting event. As a result, Management has not adjusted any figures in the financial statements for 2019 in light of the COVID-19 pandemic.

As announced on 16 September 2020, Swire Blue Ocean intends to order a new vessel with an option for a second new-build, while planning to invest in new cranes for both Pacific Osprey and Pacific Orca. No firm capital commitments have yet been entered into by the Company.

On 25 September 2020, the Company's parent company made a non-cash contribution of EUR 200 million of equity and provided an intercompany term loan of EUR 49 million, which were used to acquire the two vessels currently held under bareboat leasing arrangements to the Company (via newly established, fully owned vesselcos) for a total consideration of USD 290 million. This equity injection has strengthened the financial position and returned the Company to a net asset position (equity at 31 December 2019 was negative EUR 13,100 thousand) as well as improved the cash flow generation going forward due to the discontinuation of the leasing arrangements. The Company will use the vessels as basis for securing external funding to facilitate intercompany debt repayment and working capital requirements going forward.

On 25 September 2020, the Company added the secondary name, CADELER A/S, to its registration with the Danish Business Authority.

As announced on 8 October 2020, the Company intends to be listed on the Oslo Stock Exchange in Norway. In connection with the listing, Swire Blue Ocean will undergo a full rebranding, and future operations will be executed under a new name: CADELER.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Swire Blue Ocean will continue to provide support to the offshore wind industry and the decommissioning of offshore oil & gas operations. Due to the current contract coverage and planned repair and maintenance work of the vessels in 2020, the financial performance of the Company for 2020 is expected to result in revenue between EUR 19 million to EUR 24 million compared to revenue of EUR 38.4 million in 2019.

As a performance measure, the Company uses EBITDAR as it provides an estimate of the EBITDA that would be derived if the Company directly owned its vessels instead of leasing them from a related party. EBITDAR is earnings before interest, tax, depreciation, amortization, foreign exchange gains/losses and bareboat rent in the form of variable lease fee and right-of-use asset amortisation. Refer to Note 20.

EBITDAR is expected to be in the range of EUR -6 million to EUR -1 million in 2020 compared to an EBITDAR of EUR 11.8 million for 2019. This expectation excludes any cost implications from the Company's intended listing on the Oslo Stock Exchange in Norway.

With a number of signed contracts for committed projects in 2021 to 2025, the project pipeline over this period is significantly stronger and Management expects that the Company will return to profit during this period.

Swire Blue Ocean has made a strategic decision to build up capabilities to become a Transport and Installation (T&I) contractor, which means the office staff will grow from app. 30 people to app. 45 people. These resources are mainly hired to handle the increased bidding complexity, but also to prepare the business for new requirements in the execution phase e.g. quality management, supply chain management and subcontractor management.

It is not the intention to build up a large fixed overhead, while bidding and operating as a T&I contractor, but more to rely on a smaller and agile set-up, and partnerships with other companies for the work that is considered to be outside our "standard" scope.

Furthermore, the Company has started to explore new offshore wind markets, primarily in Asia and the US, and will continue to monitor these markets to allow the business to evaluate, whether it is possible to build a pipeline of projects, which could drive a healthy business model in markets outside the EU.

SWIRE BLUE OCEAN A/S

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019** **EUR'000**	2018 EUR'000
Revenue	4	**38,382**	71,653
Cost of sales	5	**(44,631)**	(55,455)
Gross (loss)/profit		**(6,249)**	16,198
Other income		**7**	-
Administrative expenses	5, 6	**(7,403)**	(9,480)
Operating profit/(loss)	20	**(13,645)**	6,718
Finance income	7	**-**	200
Finance expenses	7	**(8,538)**	(11,545)
Loss before income tax		**(22,183)**	(4,627)
Income tax expense	8	**(1,580)**	(1,712)
Loss for the year		**(23,763)**	(6,339)
Other comprehensive income			
Other comprehensive income/(loss) for the year, net of tax		**-**	-
Total comprehensive income for the year, net of tax		**(23,763)**	(6,339)
Loss for the year attributable to:			
Equity holders of the parent		**(23,763)**	(6,339)
		(23,763)	(6,339)
Total comprehensive income attributable to:			
Equity holders of the parent		**(23,763)**	(6,339)
		(23,763)	(6,339)
Earnings per share			
Basic, loss for the year attributable to ordinary equity holders of the parent, EUR per share of DKK 1		**(30.47)**	(8.13)
Diluted, loss for the year attributable to ordinary equity holders of the parent, EUR per share of DKK 1		**(30.47)**	(8.13)

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

BALANCE SHEET
As at 31 December 2019

	Note	31 December 2019 EUR'000	31 December 2018 EUR'000	1 January 2018 EUR'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	**130**	147	50
Rights-of-use assets	14	**92,813**	108,376	123,939
Leasehold deposits		**210**	206	271
		93,153	108,729	124,260
Current assets				
Inventories	11	**261**	842	646
Trade and other receivables	10	**16,425**	12,877	3,268
Receivables from group entities	22	**-**	11,882	19,118
Other current assets	12	**87**	116	63
Deferred tax asset	16	**-**	-	1,575
Cash and bank balances	9	**1,243**	397	797
		18,016	26,114	25,467
TOTAL ASSETS		**111,169**	134,843	149,727
EQUITY				
Issued share capital	17	**104**	104	104
(Accumulated losses)/retained earnings		**(13,204)**	10,559	16,898
Total equity		**(13,100)**	10,663	17,002
LIABILITIES				
Non-current liabilities				
Lease liabilities	19	**87,951**	101,173	105,392
Other payables	15	**134**	-	-
Deferred charter hire income	4	**4,959**	64	-
		93,044	101,237	105,392
Current liabilities				
Trade and other payables	15	**3,226**	1,795	1,652
Payables to group entities	22	**10,846**	-	-
Deferred charter hire income	4	**-**	6,540	7,134
Lease liabilities	19	**15,519**	14,457	18,547
Income tax payable	8	**1,634**	151	-
		31,225	22,943	27,333
Total liabilities		**124,269**	124,180	132,725
TOTAL EQUITY AND LIABILITIES		**111,169**	134,843	149,727

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Issued share capital EUR'000	(Accumulated losses)/ retained earnings EUR'000	Total EUR'000
2018			
Beginning of financial year	104	16,898	17,002
Loss for the year	0	(6,339)	(6,339)
Other comprehensive income for the year, net of tax	0	0	0
Total comprehensive income for the year	0	(6,339)	(6,339)
End of financial year	**104**	**10,559**	**10,663**
2019			
Beginning of financial year	104	10,559	10,663
Loss for the year	0	(23,763)	(23,763)
Other comprehensive income for the year, net of tax	0	0	0
Total comprehensive loss for the year	0	(23,763)	(23,763)
End of financial year	**104**	**(13,204)**	**(13,100)**

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019

	Note	**2019** **EUR'000**	2018 EUR'000
Cash flows from operating activities			
Loss for the year		**(23,763)**	(6,339)
Adjustments for:			
- Depreciation and amortisation		**15,644**	15,638
- Interest expenses		**8,288**	11,506
- Interest income		**-**	(200)
- Income tax expense		**1,580**	1,712
		1,749	22,317
Changes in working capital:			
- Inventories		**581**	(196)
- Trade and other receivables		**(3,523)**	(9,597)
- Trade and other payables		**923**	143
- Deferred revenue		**(1,645)**	(530)
Net change in working capital		**(3,664)**	(10,180)
Income tax paid		**(97)**	14
Net cash provided by operating activities		**(2,012)**	12,151
Cash flows from investing activities			
Additions to property, plant and equipment		**(64)**	(172)
Interest received		**-**	200
Net cash (used in)/provided by investing activities		**(64)**	28
Cash flows from financing activities			
Principal repayment of lease liabilities		**(14,784)**	(14,136)
Interest paid		**(5,022)**	(5,679)
Receivables from group entities		**11,882**	7,236
Payables to group entities		**10,846**	-
Net cash used in financing activities		**2,922**	(12,579)
Net increase/(decrease) in cash and cash equivalents		**846**	(400)
Cash and cash equivalents at beginning of financial year	9	**397**	797
Cash and cash equivalents at end of financial year	9	**1,243**	397

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Denmark. The address of its registered office is Arne Jacobsens Allé 7, 7., DK-2300 Copenhagen S, Denmark.

The Company is a leading offshore wind farm T&I contractor headquartered in Copenhagen, Denmark. The Company operates two offshore jack up windfarm installation vessels, Pacific Orca and Pacific Osprey. In addition to wind farm installation, these vessels can perform maintenance, construction, decommissioning, and other tasks within the offshore industry.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU as well as additional Danish disclosure requirements applying to large reporting class C entities. Further they are prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

For periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with the Danish Financial Statement Act. These financial statements for the year ended 31 December 2019 are the first the Company has prepared in accordance with IFRS. Refer to note 3 for information on how the Company adopted IFRS and the effects from the change from the Danish Financial Statement Act to IFRS.

The Company’s financial statement have been prepared based on the historical cost convention, except as disclosed in the accounting policies below from 1 January 2018.

The preparation of these financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are further described in note 2.17.

The financial statements are presented in euros and all values are rounded to the nearest thousand (EUR’000), except when otherwise indicated.

These financial statements for 2019 are a restatement of the initial version dated 30 September 2019 as detailed in note 25.

Going concern assessment

Due to the loss of EUR 23,763 thousand incurred in 2019, the Company is in a net liabilities position as at 31 December 2019 (equity at 31 December 2019 was negative EUR 13,100 thousand).

On 25 September 2020, the Company's parent company made a non-cash contribution of EUR 200 million of equity and provided an intercompany term loan of EUR 49 million, which were used to acquire the two vessels currently held under bareboat leasing arrangements to the Company (via newly established, fully owned vesselcos) for a total consideration of USD 290 million. This equity injection has strengthened the financial position and returned the Company to a net asset position as well as improved the cash flow generation going forward due to the discontinuation of the leasing arrangements. The Company will use the vessels as basis for securing external funding to facilitate intercompany debt repayment and working capital requirements going forward.

The Company's parent company has furthermore provided a letter of support in which it undertakes to provide financial support to enable the Company to meet its liabilities as and when they fall due for at least 12 months from the signing date of the financial statements ending 31 December 2019.

On this background, Management considers the Company as a going concern and accordingly these financial statements are prepared on a going concern basis.

2.2 Revenue recognition

(a) Time charter revenue

Revenue from time charter revenue is generated from leasing of vessels and provision of services within wind farming projects, catering and accommodation and mobilisation.

A time charter contract consists of a leasing component (the bareboat element) and a service component. The service component is within the scope of IFRS 15, while the leasing component is within the scope of IFRS 16. Refer to Note 2.8 on accounting policy for leases. Both the service component and the leasing component are recognised as revenue over time over the leasing period.

Prepayments from customers for which the service component has yet to be provided are recognised as deferred charter hire income and recognised as revenue over the period during which the services are performed.

Payments from customers for the bareboat element are recognised over time in accordance with the length of the customer contract. Prepayments from customers for the leasing component are recognised as deferred charter hire income. Refer to Note 2.13 for accounting policy on deferred charter hire income.

(b) Catering and accommodation income

Catering and accommodation income comprise income derived from catering services and the provision of accommodation. Revenue is recognised as the service is being provided over time.

(c) Mobilisation income

Mobilisation income comprises income for vessel mobilisation to support customer projects. Revenue is recognised over time as the service is being provided.

(d) Sundry income

Sundry income comprises income derived from the mark up on cost recharged to clients for example fuel, and specific charter equipment requests by the customer. Revenue is recognised on consumption or delivery of charter equipment.

(e) Contract cancellation fee income

Contract cancellation fee income comprises income derived from customers based on contractual penalties triggered by the customer's cancellation of a customer contract.

(f) Interest income

Interest income is recognised using the effective interest method.

2.3 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Employee compensations include wages and salaries, including compensated absence and pensions, as well as other social security contributions made to the entity's employees or public & government authorities. The item is net of support schemes made by public & government authorities.

2.4 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.5 Income taxes

(a) Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory covers fuel, lube and other immaterial items. Major spare parts are recorded as fixed assets.

2.7 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over the assets' estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Cars	5 years
Other fixtures and fittings	2 to 3 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.8 Leases

When the company is the lessor

Lessor - Operating leases

The Company leases vessels (the bareboat element under time charter contracts) under operating leases to non-related parties. The sublease is classified as an operational lease, as such leases do not cover a significant part of the economic life of the head lease contract and the Company retains substantially all risks and rewards incidental to ownership of the leased assets. Rental income from operating leases is recognised in profit or loss on an over time basis over the lease term and included in revenue.

Initial direct costs incurred by the Company in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

When the company is the lessee

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

a. Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities using an incremental borrowing rate adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

b. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The Company pays a utilization lease fee when the vessels are utilized. These payments are not included in the lease liability, as they are only paid when the vessels are utilized. The utilization lease fee has been classified as being a variable fee.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. Short-term and low-value leases

The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term. Short-term and low-value leases consists of cars, coffee machines and AV equipment.

2.9 Impairment of non-financial assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.10 Financial assets

The Company measures its financial assets at amortised cost.

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

(i) At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) At subsequent measurement

Debt instrument

Debt instruments of the Company mainly comprise of cash and bank balances, trade receivables and other current assets.

There are three prescribed subsequent measurement categories, depending on the Company's business model in managing the assets and the cash flow characteristic of the assets. The Company manages these group of financial assets by collecting the contractual cash flow and these cash flows represent solely payment of principal and interest. Accordingly, these group of financial assets are measured at amortised cost subsequent to initial recognition.

Interest income from these financial assets are recognised using the effective interest rate method.

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For trade and other receivables, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and bank balances, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.13 Deferred charter hire income

Time charter revenue received in advance and reservation fees are deferred and recognised as current liabilities if the service is due within one year or less. Otherwise, they are presented as non-current liabilities. Deferred charter hire income is recognised as revenue in profit or loss over timer over the period during which the related service is performed.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are deducted against the share capital account.

2.15 Currency translation

The financial statements are presented in Euro (EUR), which is also the functional currency of the Company. See note 3 on reassessment of the functional and presentation currency in connection with conversion to IFRS.

Transactions in a currency other than the EUR (“foreign currency”) are translated into EUR using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within finance income or finance costs.

2.16 Cash flow statement

Statement of cash flows

The statement of cash flows shows the Company's cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year

Positive amounts indicate cash inflows, whereas negative amounts indicate cash outflows.

Cash flows from operating activities

Cash flows from operating activities are stated as the profit/loss for the year adjusted for non-cash operating items such as depreciation, changes in working capital and income tax paid or received. Working capital includes current assets less current liabilities, excluding cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from the acquisition and sale of non-current assets.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from instalments on lease liabilities, and interest paid/received.

Cash and cash equivalents

Cash and cash equivalents are measured in the balance sheet nominal value, and mainly consists of short term deposits and cash and bank balances.

2.17 Significant accounting judgements, estimates and assumptions

Leases – Estimating the incremental borrowing rate and lease term

The Company cannot readily determine the implicit borrowing rate, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the leases. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The lease term on the bareboat agreements where the Company is a lessee is determined as the non-cancellable term of the lease together with the period covered by committed customer contracts which are embedded with parent company guarantees, and which would require the Company to exercise the implicit option to extend the bareboat agreements to fulfil these contracts. Refer to note 14.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset including right-of-use assets or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available sales transactions conducted at arms length terms, if available. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and the most recent project pipeline. These cash flows do not include restructuring activities or significant future investments which will enhance the performance of the assets or CGU being tested. The recoverable amount is sensitive to the discount rate used in the DCF model as well as future cash in-flows and growth rate assumptions. Refer to note 14.

Tonnage tax

An expansion of the Danish tonnage tax regime to cover wind farm installation vessels was passed in January 2020 with retroactive effect from 2017, 2017 inclusive. On this basis, the Company has informed the Danish Tax Authorities that it elects tonnage taxation. That choice has retroactive effect from 2017 inclusive. However, uncertainty exists over whether the Company has met all the requirements for tonnage taxation and thus been eligible for tonnage tax in 2017-2019. Given that uncertainty, Management has concluded not to account for the adoption of tonnage tax in these financial statements. Management has applied for a binding ruling from the Danish National Tax Council on the applicability of tonnage taxation in 2017-2019.

If the binding ruling is in favour of the Company, the tonnage tax regime will be adopted with retrospective effect from the income year 2017, which will result in the reversal of the Company's current and deferred taxes accounted for in 2017, 2018 and 2019. Further, the value of the Company's tax loss to be carried forward as at 31 December 2019 (not recognized) would then be reduced to nil (refer to note 16). The EUR 1.6 million recognized as a tax expense in 2019 would however not be reversed, as this tax expense relates to a transfer pricing audit of income years prior to 2017.

It would also require the recognition of tonnage tax charges for 2017, 2018 and 2019, which will amount to approximately EUR 12 thousand per year. These adjustments have not been reflected in the financial statements.

2.18 Financial ratios and operational metrics

Return on assets	<u>Profit/loss from operating activities</u> Total assets, year-end

Year-end total assets has been adopted due to the adoption of IFRS and in particular IFRS 16 which creates significant variance in total assets in 2018 vs 2017.

Equity ratio	<u>Equity, year-end</u> Total equity and liabilities, year-end
Contracted days	Number of on hire days in the fiscal year (in total for both vessels)
Utilization	<u>Contracted days</u> Days in the year (365*two vessels)
Average day rate	<u>Charter hire revenue</u> Contracted days

3. First time IFRS adoption and reconciliation

These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2018, the Group prepared its financial statements in accordance with the Danish Financial Statements Act (Danish GAAP).

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2019, together with the comparative period data for the year ended 31 December 2018, as described in the summary of significant accounting policies (refer to note 2). In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2018, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Danish GAAP financial statements, including the statement of financial position as at 1 January 2018 and 31 December 2018 and the statement of profit and loss and other comprehensive income for the year ended 31 December 2018.

Reassessment of functional and presentation currency

Under Danish GAAP the Company used Danish kroner as the functional and presentation currency, in line with the Danish GAAP requirements. In connection with the conversion to IFRS, the Company has reassessed their functional and presentation currency. In order to better reflect the primary economic environment that the Company operates in and generates and expends cash, the Company sees it fit to apply EUR as the functional and presentation currency to reflect this. Given the fact that EUR and DKK have been fixed since 1999, the change in the functional currency has not given raise to any material effect.
The exchange rate from EUR to DKK has for the following dates been 1 January 2018, 31 December 2018 and 31 December 2019 respectively been 7.44; 7.47 and 7.47 (DKK per 1 EUR).

The change in currency has been reflected prospectively in the financial statement using the exchange rate at the date of the change.

3.1 Reconciliation of balance sheet as at 1 January 2018 (date transitioned to IFRS)

EUR'000	Notes	Danish GAAP	Reclassifications and Remeasurements	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment		50	-	50
Rights-of-use assets	A	-	123,939	123,939
Leasehold deposits		271	-	271
		321	123,939	124,260
Current assets				
Inventories		646	-	646
Trade and other receivables		3,268	-	3,268
Receivables from group entities		19,118	-	19,118
Other current assets		63	-	63
Deferred tax asset		1,575	-	1,575
Cash and bank balances		797		797
		25,739	-	25,467
TOTAL ASSETS		25,789	123,939	149,727
EQUITY				
Issued share capital		104	-	104
(Accumulated losses)/retained earnings		16,898	-	16,898
Total equity		17,002	-	17,002
LIABILITIES				
Non-current liability				
Lease liabilities	A	-	105,392	105,392
		-	105,392	105,392
Current liabilities				
Trade and other payables		1,652	-	1,652
Deferred charter hire income		7,134	-	7,134
Lease liabilities	A	-	18,547	18,547
		8,786	18,547	27,333
Total liabilities		8,786	123,939	132,725
TOTAL EQUITY AND LIABILITIES		25,788	123,939	149,727

3.1A Adoption of IFRS 16 *Leases*

IFRS 16 requires that right of use assets and lease liabilities be recognised in the balance sheet, which was not a requirement of Danish GAAP. As at 1 January 2018 the right of use assets (ROU assets) and lease liabilities are:

	2018 EUR'000
Right of use assets	
Bareboat leases	122,367
Office leases	1,572
	123,939
Lease liabilities	
Non-current	
Bareboat leases	104,136
Office leases	1,256
	105,392
Current	
Bareboat leases	18,232
Office leases	315
	18,547

Prior to the adoption of IFRS 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Company's accounting policy on leases after the adoption of IFRS 16 is disclosed in Note 2.8.

The Company has elected to apply the following practical expedients regarding application of IFRS 16:

On a lease-by-lease basis, the Company has:
(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) accounted for leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases;
(c) excluded initial direct costs in the measurement of the right of use ("ROU") asset at the date of initial application; and
(d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as operating leases on 1 January 2018, the Company has applied the following transition provisions:

(i) On a lease-by-lease basis, the Company chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2018).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2018 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

An explanation of the differences between the operating lease commitments previously disclosed in the Company's financial statements as at 31 December 2017 and the lease liabilities recognised in the balance sheet as at 1 January 2018 are as follows:

	EUR'000
Operating lease commitments disclosed as at 31 December 2017 (under Danish GAAP)	74,399
Additional lease term included based on implicit extension option identified	73,507
Less: Leases with low value	(110)
Less: Discounting effects using weighted average incremental borrowing rate of 4.5%	(23,857)
Lease liabilities recognised as at 1 January 2018	123,939

Please refer to note 14 for details on the calculation of the present value of the lease payments and accordingly the right-of-use assets.

3.2 Reconciliation of balance sheet as at 31 December 2018

EUR'000	Note	Danish GAAP	Reclassifications and Remeasurements	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment		147	-	147
Rights-of-use assets	A	-	108,376	108,376
Leasehold deposits		271	-	271
		418	108,376	108,794
Current assets				
Inventories		842	-	842
Trade and other receivables		12,876	-	12,876
Receivables from group entities		11,882	-	11,882
Other current assets		52	-	52
Cash and bank balances		397	-	397
		26,320	-	26,050
TOTAL ASSETS		26,467	108,376	134,843
EQUITY				
Issued share capital		104	-	104
(Accumulated losses)/retained earnings		17,813	(7,254)	10,559
Total equity		17,917	(7,254)	10,663
LIABILITIES				
Non-current liability				
Lease liabilities	A	-	101,173	101,173
Deferred charter hire income		64	-	64
		64	101,173	101,237
Current liabilities				
Trade and other payables		1,795	-	1,795
Deferred charter hire income		6,540	-	6,540
Lease liabilities	A	-	14,457	14,457
Income tax payable		151	-	151
		8,486	14,457	22,943
Total liabilities		8,4550	115,630	124,180
TOTAL EQUITY AND LIABILITIES		26,467	108,376	134,843

3.2A Adoption of IFRS 16 *Leases*

IFRS 16 requires that right of use assets and lease liabilities be recognised in the balance sheet, which was not a requirement of Danish GAAP. As at 31 December 2018 the right of use assets (ROU assets) and lease liabilities are:

	2018 EUR'000
Right of use assets	
Bareboat leases	107,082
Office leases	1,294
	108,376
Lease liabilities	
Non-current	
Bareboat leases	100,111
Office leases	1,062
	101,173
Current	
Bareboat leases	14,197
Office leases	260
	14,457

The reduction of equity (increase in accumulated losses) is due to the timing differences between depreciation (straight line) and principal reduction of the lease liabilities. This difference will net off at the end of the lease term. Refer to note 3.3.

3.3 Reconciliation of statement of profit and loss and other comprehensive income for the year ended 31 December 2018

EUR'000	Note	Danish GAAP	Reclassifications and Remeasurements	IFRS
Revenue		71,653	-	71,653
Cost of sales	A	(59,660)	4,205	(55,455)
Gross (loss)/profit		11,993	4,205	16,198
Administrative expenses		(9,517)	37	(9,480)
Operating profit		2,476	4,242	6,718
Finance income		200	-	200
Finance costs	A	(48)	(11,497)	(11,545)
Loss before income tax		2,628	(7,255)	(4,627)
Income tax expense		(1,712)	-	(1,712)
Loss for the year		916	(7,255)	(6,339)
Other comprehensive income				
Other comprehensive income/(loss) for the year, net of tax		0	0	0
Total comprehensive income for the year, net of tax		916	(7,255)	(6,339)

3.3A Adoption of IFRS 16 *Leases*

The adoption of IFRS and thus the application of IFRS 16 requires that operating leases that were previously not recognised in the balance sheet under Danish GAAP now be recognised as right of use assets and lease liabilities. The cost of operating and financing these assets are recognised in the P&L via depreciation (Cost of sales) and interest expenses (finance costs).

The bareboat agreements, which give rise to the right of use assets and lease liabilities, comprise a standby rate and a variable rate (when the vessel is on hire) and are denominated in USD. Only the standby rate is included in the right of use asset and lease liability calculation as the on hire rate is variable and included as an expense (Cost of sales) as incurred. The right of use asset is a non-monetary assets (recognised in EUR), however the lease liability is denominated in USD and revalued at each reporting date.

4. Revenue

(a) Disaggregation of revenue from contracts with customers

	2019 **EUR'000**	2018 EUR'000
Revenue from contracts with customers		
- Time charter hire	**30,998**	58,782
- Catering and accommodation	**1,032**	1,871
- Mobilisation	**1,669**	2,390
- Sundry income	**1,183**	8,610
- Contract cancellation fee	**3,500**	-
Total revenue	**38,382**	71,653

	2019 **EUR'000**	2018 EUR'000
Revenue from contract with customers		
- Service revenue	**13,968**	15,651
- Bareboat revenue	**19,731**	47,392
- Sundry income	**4,683**	8,610
Total revenue	**38,382**	71,653

All the revenues are recognised over-time.

Charter hire services are contracts with customers where the Company utilises its vessels, equipment and crew to deliver a service to the customer based on either a fixed day rate or milestone deliverables. Despite the accounting treatment difference of a leasing component (use of the vessels) and a service component (vessel operation) of time charter contracts, these components are not treated or priced separately in the contracts, nor does the Company offer either of the services separately.

Time charter hire revenue derived from milestone based time charters or contracts with a fixed price is deemed to be 100% service revenue as the risk is with the Company. The Company will have a higher concentration of milestone and fixed price contracts going forward.

Time charter hire revenue derived from day rate contracts is split into service and bareboat revenue elements. This split is determined by calculating service revenue as crewing costs for the contract at a 6% mark-up. The residual is deemed to be bareboat revenue.

Catering and accommodation income is derived from the provision of food and accommodation on the vessels, and is deemed service revenue.

Mobilisation are the fees earned for the movement of the vessel form one location to another in order to deliver a project, and is deemed to be bareboat revenue.

In 2019, revenue with two customers exceed 10% of total revenue. The revenue derived from these two customers was EUR 25.0 million and EUR 8.4 million respectively.

In 2018, revenue with three customers exceed 10% of total revenue. The revenue derived from these three customers was EUR 33.9 million, EUR 22.4 million and EUR 15.4 million respectively.

Operating segments
The Company's management or chief operating decision maker is not operating or making decisions based on customers' types, type of services or geographical segments. The Company operates two windfarm installations vessels, which are viewed as one segment and can operate in all geographical areas required for the specification of a specific windfarm project. Accordingly, the Company only has one operating segment.

(b) Deferred charter hire income

Revenue recognised in relation to deferred charter hire income

	2019 **EUR'000**	2018 EUR'000
Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period		
- Time charter hire services	**6,604**	7,134
Total liabilities at the beginning of the period	**6,604**	7,134

The contract liabilities relate to consideration received from customers for the unsatisfied performance obligation in the charter contracts. Revenue will be recognised when the related services are provided to the customers.

5. Expenses by nature

	2019	2018
	EUR'000	EUR'000
Cost of sales		
(includes operating costs related to the operation of the vessels)		
Right of use asset amortisation, leasehold vessels (Note 14)	**15,285**	15,285
Bareboat charter hire (variable on hire lease fee)	**9,774**	14,608
Crewing costs paid to a related and an external party	**11,603**	12,510
Fuel and oil	**1,758**	3,113
Maintenance	**2,148**	1,923
Messing costs	**1,062**	1,267
Seafarer travel	**462**	432
Specific charter costs	**1,891**	5,221
Utilities	**448**	495
Other operating expenses	**200**	600
Total vessel operation costs	**44,631**	55,455
Administrative expenses		
(include costs related to the administrative functions of the Company including on-shore employees)		
Depreciation and amortisation, other than leasehold vessels (Note 13, 14)	**358**	353
Employee compensation (Note 6)	**3,940**	3,830
Repair and maintenance expenses	**172**	767
Legal and professional fees	**432**	1,587
Rental expenses – short term or low value assets	**362**	334
Travel expense	**556**	394
Management fees to a related party	**853**	1,601
Marketing and entertainment expenses	**342**	232
Other expenses	**388**	382
Total administrative expenses	**7,403**	9,480
Auditor remuneration		
Administrative expenses include fee to the auditors appointed by the shareholder at the Annual General Meeting:		
Statutory audit	**40**	14
Tax services	**182**	96
Other services	**33**	21
	256	131

6. Employee compensation

Included in note 6

	2019 EUR'000	2018 EUR'000
Wages and salaries	**3,664**	3,286
Employer's contribution to defined contribution plans	**15**	20
Other short-term benefits	**260**	524
	3,939	3,830

	2019	2018
Average number of full time employees	**33**	32

Wages/salaries include expenses for temps and temporary assistance, but they are not reflected in the average number of full-time employees

Key management compensation is as follows:

	2019 EUR'000	2018 EUR'000
Wages and salaries	**433**	384
Other short-term benefits	**39**	39
	472	423

Key management refers to directors of the Company. The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. There is not distinct fee paid to non-executive directors to act as a director of the Company, and is covered in their base remuneration, which is not paid by the Company, but are paid by another entity within the Swire Pacific Limited Group. The Company incurs a management fee from the parent company, which covers management and other parent company support services. Refer to note 22. Approx. EUR 55 thousand of this management fee relates to the compensation of non-executive directors for their management roles with the Company.

7. Finance income and expenses

	2019 EUR'000	2018 EUR'000
Interest income	**0**	200
Finance income	**0**	200
Interest expense		
- Interest on tax owed	**642**	-
- Bank balances	**-**	9
- Lease liabilities	**5,021**	5,670
Foreign currency loss		
- Operations	**225**	12
- USD denominated bareboat agreements	**2,625**	5,827
Bank fees	**25**	27
Finance expenses	**8,538**	11,545

8. Income taxes

(a) Income tax expense

	2019 EUR'000	2018 EUR'000
Tax expense attributable to profit/loss is made up of:		
Current tax	**0**	147
Change in deferred tax balances net of write-downs	**0**	1,575
Current tax, prior year adjustments	**1,637**	0
Refund in joint taxation	**(57)**	(10)
Income tax expense	**1,580**	1,712

In 2019, the Company underwent a transfer pricing audit conducted by the Danish Tax Authorities. The audit was concluded 14 May 2020 and resulted in adjustments to prior year tax expense of EUR 1.6 million and interest expenses of EUR 642 thousand, which have been provided for at 31 December 2019. The interest expenses have been recognised under finance expenses.

(b) Effective tax rate

	2019		2018	
	EUR'000	**%**	EUR'000	%
Tax expense attributable to profit is made up of:				
Accounting profit before income tax	**(22,183)**		(4,627)	
Calculated tax at statutory tax rate in Denmark, 22 %	**4,880**	**(22.0)**	1,018	(22.0)
Tax impact from:				
- Non-deductible expenses	**(143)**	**0.6**	(3)	0.0
- Refund in joint taxation	**57**	**(0.3)**	10	(0.2)
- Refund in joint taxation – from taxable income in previous years	**0**	**0.0**	(10)	0.2
- Adjustment regarding previous years	**(1,637)**	**7.4**	0	0.0
- Change in impairment of deferred tax assets in the year	**(4,737)**	**21.4**	(2,727)	58.9
Income tax expense, reported	**(1,580)**	**7.1**	(1,712)	37.0
Effective tax rate (%)	**7.1 %**		37.0 %	

9. Cash and bank balances

	December 31 2019 EUR'000	December 31 2018 EUR'000	1 January 2018 EUR'000
Cash at bank and on hand	**1,243**	397	797
	1,243	397	797

10. Trade and other receivables

	31 December 2019 EUR'000	31 December 2018 EUR'000	1 January 2018 EUR'000
Trade receivables:			
- Non-related parties	**14,881**	12,542	3,114
- Other receivables	**1,544**	335	154
	16,425	**12,877**	**3,268**

Expected credit loss on trade receivables

The Company has historically only experienced immaterial losses on trade receivables, if any. Further, a material part of the cash flows in the contracts are prepayments received up front. Customer payments terms are typically short term, 30-90 days from date of invoice.

The Company's expected credit losses are, based on historical data, a low number of high quality debtors and expectations to the future, therefore immaterial. All balances as of 31 December 2019 have been collected during 2020.

31 December 2019	**Trade receivables EUR'000**	Expected loss EUR'000	Total EUR'000
Not due	**14,881**	-	14,881
Overdue 1-30 days	**-**	-	-
Overdue 31 to 60 days	**-**	-	-
Overdue +61 days	**-**	-	-
Total	**14,881**	**-**	**14,881**

31 December 2018	**Trade receivables EUR'000**	Expected loss EUR'000	Total EUR'000
Not due	**10,728**	-	10,728
Overdue 1-30 days			
Overdue 31 to 60 days	**1,814**	-	1,814
Overdue +61 days	**-**	-	-
Total	**12,542**	**-**	**12,542**

1 January 2018	**Trade receivables EUR'000**	Expected loss EUR'000	Total EUR'000
Not due	**3,072**	-	3,072
Overdue 1-30 days	**5**	-	5
Overdue 31 to 60 days	**-**	-	-
Overdue +61 days	**37**	-	37
Total	**3,114**	**-**	**3,114**

11. Inventories

	31 December		1 January
	2019 EUR'000	2018 EUR'000	2018 EUR'000
Fuel and lube oil	**261**	842	646

12. Other current assets

	31 December		1 January
	2019 EUR'000	2018 EUR'000	2018 EUR'000
Prepayments	**87**	116	63
Total other current assets	**87**	**116**	**63**

13. Property, plant and equipment

	Useful lives
Cars	5 years
Other fixtures and fittings	2 to 3 years

	Car EUR'000	Other fixtures and fittings EUR'000	Total EUR'000
2018			
Cost			
Beginning of financial year	86	346	432
Additions	-	172	172
Disposals	-	(260)	(260)
End of financial year	86	258	344
Accumulated depreciation			
Beginning of financial year	78	304	382
Depreciation charge	8	67	75
Disposals	-	(260)	(260)
End of financial year	86	111	197
Net book value	**-**	**147**	**147**

	Car EUR'000	Other fixtures and fittings EUR'000	Total EUR'000
2019			
Cost			
Beginning of financial year	86	258	344
Additions	-	65	65
Disposals	(86)	-	(86)
End of financial year	-	323	323
Accumulated depreciation			
Beginning of financial year	86	111	197
Depreciation charge	-	82	82
Disposals	(86)	-	(86)
End of financial year	-	193	193
Net book value	**-**	**130**	**130**

14. Right-of-use assets

Nature of the Company's leasing activities

Vessels
The Company has entered into two bareboat lease agreements with a related company, Swire Pacific Offshore Cyprus Ltd. (CYP). The bareboat lease agreements relate to two special purpose offshore jack up windfarm installation vessels, Pacific Orca and Pacific Osprey, which are mainly utilised on larger windfarm installation projects.

The bareboat charter agreements covering the period 1 January 2017 - 31 December 2021 were signed 18 January 2017. With committed customer contracts going into 2025 and embedded parent company guarantees, Management expects to use their implicit option to extend the bareboat charter agreements until 2025. As such the bareboat agreements have been recognised for a lease term up until 2025 in accordance with IFRS 16.

The bareboat leases comprise a standby rate of USD 30,000 per vessel per day and a variable additional on-hire rate of USD 30,000 per vessel per day when the vessel is on contract to a customer.

In calculating the present value of the lease payments, the Company uses it's incremental borrowing rate at the lease commencement date (4.5%). The calculation is based on the fixed leasing payments in the contract. The lease payments are not based on an index or another rate used to adjust the fixed fee. When the vessels are utilized, an extra fee is added to the fixed payments, so the Company pays a higher total lease fee. The extra fee is seen as a variable element and is therefore not included in calculating the lease liability (the present value of the fixed lease payments).

The bareboat agreements contain a clause, which enables either party to terminate the agreement with 30 days written notice. However, given that both parties to the agreements are under common control, the mutual economic benefit, and the fact that a number of customer contracts in 2020-25 contain parent company guarantees, it is the expectation of Management that neither party will terminate the contracts.

Office space
The Company leases office space for the purpose of office operations. The lease term of the office is based on the first date at which the Company can exit without penalty (31 August 2023).

Impairment test
The Company has prepared an impairment test on the right-of-use assets as of 31 December 2019. The test showed no indication of impairment based on the Company's value in use calculation for the forecast period 2020-2025, which based on the current contract pipeline assumes increasing rates over the period. In determining the value in use, the cash flows were discounted at a rate of 8.5% on a pre-tax basis.

	Leasehold vessels EUR'000	Office space EUR'000	Total EUR'000
2018			
Cost			
Beginning of financial year	122,367	1,572	123,939
End of financial year	122,367	1,572	123,939
Accumulated amortisation			
Beginning of financial year	-	-	-
Amortisation charge	15,285	278	15,563
End of financial year	15,285	278	15,563
Net book value	**107,082**	**1,294**	**108,376**
2019			
Cost			
Beginning/end of financial year	122,367	1,572	123,939
Accumulated amortisation			
Beginning of financial year	15,285	278	15,563
Amortisation charge	15,286	277	15,563
End of financial year	30,571	555	31,126
Net book value	**91,796**	**1,017**	**92,813**

Please refer to note 19 for disclosure on lease liabilities.

The projected total standby rate (non-variable lease fee) cash outflow for 2020 to 2025 is EUR 117,053 thousand.

Lease interest expenses recognised in profit and loss:

(a) Interest expense

	2019 EUR'000	**2018 EUR'000**
Interest expense on lease liabilities (vessels and office)	**5,021**	**5,670**

(b) Lease expense not capitalised in lease liabilities

	2019 EUR'000	**2018 EUR'000**
Short-term lease expense	26	26

(c) Total cash outflow for all leases in 2019 and 2018 were EUR 19,832 thousand and EUR 19,832 thousand respectively, excluding variable lease fee (refer to Note 7, 19).

15. Trade and other payables

	31 December		1 January
	2019	2018	2018
	EUR'000	EUR'000	EUR'000
Trade payables:			
- Non-related parties	**1,304**	1,000	929
- Other payables	**1,922**	795	723
	3,226	1,795	1,652

16. Deferred income taxes

	31 December		1 January
	2019	2018	2018
	EUR'000	EUR'000	EUR'000
Property, plant and equipment	**(32)**	(34)	(40)
Right-of-use assets (IFRS 16)	**20,419**	23,843	0
Lease liabilities (IFRS 16)	**(22,763)**	(25,438)	0
Other temporary differences	**(108)**	(23)	0
Tax losses carry forwards (22% tax value)	**(5,163)**	(1,257)	(1,719)
Write-down of deferred tax assets	**7,647**	2,909	183
Deferred taxes	**0**	0	(1,575)

In 2018 and 2019, the Company has not recognised deferred tax assets related to tax loss carry-forwards and temporary differences as disclosed above. As it is uncertain if these tax losses and temporary differences can be utilized within a foreseeable future, their carrying amount has not been recognised in the financial statements.

17. Issued share capital

	No. of shares	31 December		1 January
	'000	**2019**	2018	2018
		EUR'000	EUR'000	EUR'000
Ordinary shares				
Beginning and end of financial year	780	**104**	104	104
Issued and paid in share capital		**104**	104	104

The Company's issued and paid in share capital amounts to DKK 780 thousand, equal to EUR 104 thousand, consisting of 780,000 shares of DKK 1. The Company's share capital has remained unchanged over the past 5 years.

18. Commitments

Low value and short-term lease commitments

The future minimum lease payables under non-cancellable low value and short-term leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	31 December		1 January
	2019	2018	2018
	EUR'000	EUR'000	EUR'000
Not later than one year	**26**	26	26
Between one and five years	**32**	58	84
	58	84	110

Low value and short-term leases relate to AV equipment, cars and coffee machines.

19. Financial risk management

Financial risk factors

The Company's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The financial risk management of the Company is managed by the intermediate holding corporation, Swire Pacific Offshore Holdings Limited.

The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the management team and the Board of Directors of Swire Pacific Offshore Holdings Limited. The information presented below is based on information received by the management team.

(a) Market risk

(i) Currency risk

The Company's business is exposed to the Danish Kroner ("DKK") and United States Dollar ("USD") as certain operating expenses are denominated in these currencies. To ensure efficient cash management the parent company operates a cash pooling mechanism, a part of which is to manage currency risk. With a diverse global footprint and operational currencies the parent company seeks in order to manage currency risk with natural hedges. However, if required maintain exposure within acceptable levels the parent company may enter into currency forwards with banks or hedge contracts on behalf of the Company. As of 31 December 2019 and 31 December 2018, no currency forwards or hedge contracts were entered into on behalf of the company.

The largest USD expense of the company is the lease liability for the bareboat agreements, which is not hedged. A change in the USD/EUR exchange rate of +/- 5 % would affect financial items in profit and loss and thereby result for the year and retained earnings, with approximately EUR 5 million due to USD denominated lease liabilities recognised. As the EUR is pegged to DKK, no material currency risk has been identified against the DKK even though the Company has costs denominated in DKK.

(ii) Interest rate risk

The Company has no external borrowings and thus the Company's exposure to interest rate risk on its borrowings and bank deposits is not significant.
As at 31 December 2019 and 31 December 2018, the interest rate risk arising from borrowings and bank deposits is not significant to the financial statements.

With no external borrowings, given the poor performance in 2018 and 2019, the Company has been funded via intercompany liabilities (Note 22). These intercompany payables are repayable on demand and interest free, and as such the interest rate risk arising from such liabilities is not significant to the financial statements.

(b) Credit risk

(i) Risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company adopts the following policy to mitigate credit risk.

For banks and financial institutions, the Company mitigates its credit risks by transacting only with counterparties who are rated “A” and above by independent rating agencies.

The Company adopts the policy of dealing only with customers of appropriate history and obtaining sufficient security where appropriate to mitigate credit risk. The Company adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. These credit terms are normally contractual and credit policies spell out clearly the guidelines on extending credit to customers, including monitoring the process and using related industry’s practices as reference. This includes assessment and valuation of customers’ credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

Related party credit risk is managed and reviewed by the intermediate holding corporation, Swire Pacific Offshore Holdings Limited. Credit risk exposure for carrying amount of receivables due from related parties has been minimized as the related parties are financially supported by Swire Pacific Offshore Holdings Limited to meet their liabilities as and when they fall due.

The maximum exposure to credit risk is the carrying amount of trade receivables and other receivables, receivables from group entities and cash and bank balances presented on the balance sheet.

(ii) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its financial assets which are trade and other receivables, cash and bank balances and receivables from group entities. Financial assets are written-off when there is no reasonable expectation of recovery, such as a non-related debtor failing to engage in a repayment plan with the Company. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Company has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for trade receivables from customers. To measure the expected credit losses, the Company grouped receivables based on shared credit characteristics and days past due.

Trade receivables from external customers that are neither past due nor impaired are with creditworthy companies. Based on the provision matrix, the trade receivables from external customers are subject to immaterial credit loss.

The Company has assessed that receivables from group entities that are repayable on demand are subject to an immaterial credit loss as these related parties are financially supported by Swire Pacific Offshore Holdings Limited to meet their liabilities as and when they fall due.

For cash and bank balances and other receivables that are measured at amortised cost, the Company has considered these financial assets as low credit risk. Cash and bank balances are mainly deposits with banks who have high credit-ratings as determined by international credit-rating agencies. As at 31 December 2019 and 31 December 2018, cash and bank balances and other receivables are subject to immaterial credit loss.

<u>Financial assets that are neither past due nor impaired</u>

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks with have high credit-ratings as determined by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Company.

Other than the above, there are no credit loss allowance for other financial asset at amortised cost as at 31 December 2019 and 31 December 2018.

(c) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and available funding through committed credit facilities, from its group entities including its immediate holding company, to enable it to meet its operational requirements.

The table below analyses the maturity profile of the financial liabilities of the Company based on contractual undiscounted cash flows:

	Less than 1 year EUR'000	Between 1 and 5 years EUR'000	After 5 years EUR'000
2018			
Trade and other payables	(1,795)	-	-
Lease liabilities	(19,368)	(77,418)	(38,158)
	(21,163)	(77,418)	(38,158)
2019			
Trade and other payables	(3,226)	(134)	-
Payable to group entities	(10,846)	-	-
Lease liabilities	(19,859)	(78,857)	(19,491)
	(33,931)	(78,991)	(19,491)

Change in lease liabilities during the year:

	2019 EUR'000	2018 EUR'000
Lease liabilities 1 January (current and non-current)	**115,630**	123,939
Cash flows	**(14,785)**	(14,136)
Foreign exchange effect	**2,625**	5,827
Lease liabilities 31 December (current and non-current)	**103,470**	115,630

(d) Capital management

The Company's objectives when managing capital are to ensure the Company's ability to continue as a going concern and to maintain an optimal capital structure.

Due to the loss of EUR 23,763 thousand incurred in 2019, the Company is in a net liabilities position as at 31 December 2019 (equity at 31 December 2019 was negative EUR 13,100 thousand).

On 25 September 2020, the Company's parent company made a non-cash contribution of EUR 200 million of equity and provided an intercompany term loan of EUR 49 million, which were used to acquire the two vessels currently held under bareboat leasing arrangements to the Company (via newly established, fully owned vesselcos) for a total consideration of USD 290 million. This equity injection has strengthened the financial position and returned the Company to a net asset position as well as improved the cash flow generation going forward due to the discontinuation of the leasing arrangements. The Company will use the vessels as basis for securing external funding to facilitate intercompany debt repayment and working capital requirements going forward.

Further, the Company's parent company has provided a letter of support in which it undertakes to provide financial support to enable the Company to meet its liabilities as and when they fall due for at least 12 months from the signing date of the financial statements ending 31 December 2019.

	31 December		1 January
	2019	2018	2018
	EUR'000	EUR'000	EUR'000
Total equity	**(13,100)**	10,663	17,002
Total capital	**(13,100)**	10,663	17,002

The Company is not subject to any externally imposed capital requirements.

20. Operating profit/(loss)

As a performance measure, the Company uses EBITDAR as it provides an estimate of the EBITDA that would be derived, if the Company directly owned its vessels instead of leasing them from a related party.

EBITDAR is Earnings Before Interest, Tax, Depreciation, Amortisation, foreign exchange gains/losses and bareboat Rent in the form of variable lease fee (and right-of-use asset amortisation).

EBITDAR is calculated as shown below:

	2019 **EUR'000**	2018 EUR'000
Operating profit as reported in the statement of profit and loss	**(13,645)**	6,718
Right-of-use asset amortisation (Note 14)	**15,563**	15,563
Depreciation and amortisation (Note 13)	**82**	75
Bareboat charter hire (variable on hire lease fee) (Note 5)	**9,774**	14,608
EBITDAR	**11,774**	36,964

21. Immediate and ultimate holding companies

The Company is a wholly-owned subsidiary of Swire Pacific Offshore Operations (Pte) Ltd, incorporated in Singapore. The intermediate holding companies include Swire Pacific Offshore Holding Limited, incorporated in Bermuda, and Swire Pacific Limited the penultimate holding company, incorporated and publicly listed in Hong Kong. The ultimate holding company is John Swire & Sons Limited, incorporated in England.

22. Related party transactions

The following significant transactions took place between the Company and related parties within the Swire Pacific Offshore Holdings Group at terms agreed between the parties:

	2019 **EUR'000**	2018 EUR'000
Bareboat rental payments to related parties	**(19,420)**	(19,365)
Variable bareboat rental expenses paid to related parties	**(9,845)**	(14,734)
Crew hire expenses paid to related parties	**(10,616)**	(10,913)
Management fees paid to related parties	**(853)**	(1,601)
Receivables from group entities at year-end	**-**	11,882
Payables to group entities at year-end	**10,846**	-
Right of use asset with a group entity as lessor	**91,796**	107,082
Lease liabilities payable to group entities	**102,409**	114,308

Further to the transactions and balances with related parties disclosed above, the Company's parent company and the Company's intermediate holding company have each provided a letter of support in which they undertake to provide financial support to enable the Company to meet its liabilities as and when they fall due for at least 12 months from the signing date of the financial statements ending 31 December 2019.

The Company is jointly taxed with the Danish group entity. As the administrative company, the Company is jointly taxed with the other Danish group entities and has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation group. At 31 December 2019, the net taxes payable to SKAT by the companies included in the joint taxation amounted to EUR 2,289 thousand (DKK 17,059 thousand). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

23. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

24. Events after reporting period

After the balance sheet date 31 December 2019, the COVID-19 pandemic negatively impacted Denmark and the rest of the world. However, with no material cancelations or deferrals, the COVID-19 pandemic has not impacted current or future projects and Management considers the outbreak to constitute a non-adjusting event. As a result, Management has not adjusted any figures in the financial statements for 2019 in light of the COVID-19 pandemic.

As announced on 16 September 2020, Swire Blue Ocean intends to order a new vessel with an option for a second new-build, while planning to invest in new cranes for both Pacific Osprey and Pacific Orca. No firm capital commitments have yet been entered into.

On 25 September 2020, the Company's parent company made a non-cash contribution of EUR 200 million of equity and provided an intercompany term loan of EUR 49 million, which were used to acquire the two vessels currently held under bareboat leasing arrangements to the Company (via newly established, fully owned vesselcos) for a total consideration of USD 290 million. This equity injection has strengthened the financial position and returned the Company to a net asset position (equity at 31 December 2019 was negative EUR 13,100 thousand) as well as improved the cash flow generation going forward due to the discontinuation of the leasing arrangements. The Company will use the vessels as basis for securing external funding to facilitate intercompany debt repayment and working capital requirements going forward.

On 25 September 2020, the Company added the secondary name, CADELER A/S, to its registration with the Danish Business Authority.

As announced on 8 October 2020, the Company intends to be listed on the Oslo Stock Exchange in Norway. In connection with the listing, Swire Blue Ocean will undergo a full rebranding, and future operations will be executed under a new name: CADELER.

25. Restatement of financial statements for 2019

These financial statements for 2019 are a restatement of the initial version dated 30 September 2020 due to a subsequent identified error in the recognition of revenue related to 2019. The error relates to a non-recurring revenue stream in the form of contract cancellation fee income, which has been invoiced and received in 2020, but relates to 2019 in the amount of EUR 3,500 thousand. The correction of the error has increased revenue and reduced the reported loss for 2019 by EUR 3,500 thousand and increased total assets and equity at 31 December 2019 by a corresponding amount. Reported cash flows from operating activities for 2019 as well as all comparative figures for 2018 are not impacted.

Furthermore, deferred charter hire income in the amount of EUR 4,959 thousand has been reclassified from current to non-current liabilities at 31 December 2019.

No other changes have been made to the restated financial statements for 2019.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Swire Blue Ocean A/S on 21 October 2020 and recommend for approval of the shareholder of the Company at the extraordinary general meeting held on 21 October 2020.