

Orange Rederiet ApS

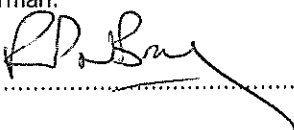
Ørestads Boulevard 73, 9, 2300 Copenhagen S

CVR no. 71 09 57 11

Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Orange Rederiet ApS for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 31 May 2017
Executive Board:

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Lars Blicher

Board of Directors:

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Rupert Peter Napier Bray
Chairman

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Seng Yum Ronald Tham

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Charles Miles Fulton De
Zoete

.....
Colin John Payne

Independent auditor's report

To the shareholders of Orange Rederiet ApS

Opinion

We have audited the financial statements of Orange Rederiet ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 about 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 the 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 the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- u 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.
- u 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.
- u Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- u 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 conclusion is 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.
- u 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.

Statement on 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 form of 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 our procedures, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Jens Thordahl Nøhr

State Authorised Public Accountant

Management's review

Company details

Name	Orange Rederiet ApS
Address, Postal code, City	Ørestads Boulevard 73, 9, 2300 Copenhagen S
CVR no.	71 09 57 11
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Rupert Peter Napier Bray, Chairman Seng Yum Ronald Tham Charles Miles Fulton De Zoete Colin John Payne
Executive Board	Lars Blicher
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Management commentary

Business review

The Company is engaged in shipping operations in the offshore industry.

Financial review

The Company reported a loss of USD 9,502,196 for the year ended 31 December 2016, compared to a profit of USD 82,926 for the prior year. A decline in chartering activity was experienced in 2016.

The results for the year also included the recognition of withholding tax provisions in relation to chartering activities in Malaysia in prior years.

The equity at the end of 2016 amounted to a negative balance of USD 7,096,216, compared to a positive balance of USD 2,405,980 at the end of the prior year. Despite the negative equity and loss of the share capital, the Financial Statements have been prepared on a going concern basis as the immediate holding 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 2016.

Special risks

The Company's earnings are significantly affected by the market fluctuations in the spot rates of charter hire.

Events after the balance sheet date

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

Outlook

The Company's Management expects that charter hire will continue to decrease in 2017.

Financial statements for the period 1 January - 31 December

Income statement

Note	USD	2016	2015
	Gross margin	-759,198	81,934
3	Staff costs	0	0
	Profit/loss before net financials	-759,198	81,934
4	Financial income	0	42,994
5	Financial expenses	-61,590	0
	Profit/loss before tax	-820,788	124,928
6	Tax for the year	-8,681,408	-42,002
	Profit/loss for the year	<u>-9,502,196</u>	<u>82,926</u>
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	<u>-9,502,196</u>	<u>82,926</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	USD	<u>2016</u>	<u>2015</u>
	ASSETS		
	Non-fixed assets		
	Receivables		
	Trade receivables	1,099,569	1,791,362
	Receivables from group entities	0	910,239
	Prepayments	<u>6,712</u>	<u>6,711</u>
		<u>1,106,281</u>	<u>2,708,312</u>
	Cash	2,024,940	25,000
	Total non-fixed assets	<u>3,131,221</u>	<u>2,733,312</u>
	TOTAL ASSETS	<u><u>3,131,221</u></u>	<u><u>2,733,312</u></u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	USD	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	30,936	30,936
	Share premium account	75,574	75,574
	Retained earnings	-7,202,726	2,299,470
	Total equity	<u>-7,096,216</u>	<u>2,405,980</u>
	Provisions		
	Tax provisions	8,038,214	0
	Total provisions	<u>8,038,214</u>	<u>0</u>
	Liabilities		
	Current liabilities		
	Trade payables	169,742	201,079
	Payables to group entities	1,992,622	96,534
	Joint taxation contribution payable	26,859	29,719
		<u>2,189,223</u>	<u>327,332</u>
	Total liabilities	<u>2,189,223</u>	<u>327,332</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>3,131,221</u></u>	<u><u>2,733,312</u></u>

- 1 Accounting policies
- 2 Going concern assessment
- 7 Contractual obligations and contingencies, etc.
- 8 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

USD	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	30,936	75,574	2,216,544	2,323,054
Transfer through appropriation of profit	<u>0</u>	<u>0</u>	<u>82,926</u>	<u>82,926</u>
Equity at 1 January 2016	30,936	75,574	2,299,470	2,405,980
Transfer through appropriation of loss	<u>0</u>	<u>0</u>	<u>-9,502,196</u>	<u>-9,502,196</u>
Equity at 31 December 2016	<u><u>30,936</u></u>	<u><u>75,574</u></u>	<u><u>-7,202,726</u></u>	<u><u>-7,096,216</u></u>

The share capital consists of 210 shares of a nominal value of DKK 1,000. No shares carry any special rights. The Company's share capital has remained unchanged at DKK 210,000 equal to USD 30,936 over the past 5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Orange Rederiet ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Due to reduced activity, the Company is no longer required to prepare the annual report in accordance with the provisions applying to reporting class C entities which reduces the disclosure requirements compared to last year.

Comparative figures have been restated with the following reclassifications,

- USD 29,719 previously reported as Other payables has been presented as Joint taxation contribution payable
- USD 49,420 previously reported as Deferred income has been presented as part of Trade payables.

Reporting currency

The financial statements are presented in USD as the Company's most significant transactions are settled in USD. At the balance sheet date, the DKK/USD exchange rate was 7.0528 (2015: 6.8300).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from charter hire and associated services is recognised in the income statement when delivery and transfer of risk has incurred before year end.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, cost of sales and other external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the charter-hire expenses for chartered vessels.

The costs are recognised over the period of chartering in accordance with the charter hire agreements.

Other external expenses

Other external expenses primarily comprise administrative expenses. The Company's administrative expenses include expenses relating to office premises/expenses for administrative purposes.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and exchange gain/losses.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entity are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the administrative company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash and cash equivalents comprise cash.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

2 Going concern assessment

The Company's equity amounted to a negative balance of USD 7,096,216 at 31 December 2016, principally arising from the recognition of provisions as detailed in note 6.

The Financial Statements are prepared on a going concern basis as the immediate holding 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 2016.

3 Staff costs

The Company has no employees.

4 Financial income

Exchange gain	0	42,994
	<u>0</u>	<u>42,994</u>

5 Financial expenses

Exchange losses	61,590	0
	<u>61,590</u>	<u>0</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6	Tax for the year		
	Estimated tax charge for the year	25,580	29,719
	Tax adjustments, prior years	8,655,828	12,283
		<u>8,681,408</u>	<u>42,002</u>

The tax expenses for the year were significantly impacted by the recognition of provisions for withholding tax charges related to chartering activities in Malaysia in prior years. The charges are subject of an ongoing dispute with the Malaysian tax authorities and provisions for the uncertain tax position have been recognised.

7 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with the other Danish group entity, Swire Blue Ocean A/S, and has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2016, the net taxes payable to SKAT by the entities included in the joint taxation amounted to USD 595 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes, etc., may entail that the entities' liability will increase.

Other financial obligations

Rent and lease liabilities vis-à-vis the parent company and its other subsidiaries:

USD	2016	2015
Rent and lease liabilities	<u>0</u>	<u>1,223,550</u>

8 Related parties

Orange Rederiet ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Swire Pacific Offshore Holdings Limited	Bermuda	Immediate holding company

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Swire Pacific Limited	Hong Kong	www.swirepacific.com