Seajacks 2 Limited

Annual Report and Financial Statements

Year Ended

31 March 2021

Company Number 07964961

Seajacks 2 Limited

Company Information

Directors	H L Baker C Mackey H Taiko
Company secretary	Burness Paull LLP
Registered number	07964961
Registered office	South Denes Business Park South Beach Parade Great Yarmouth, Norfolk NR30 3QR
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Seajacks 2 Limited

Contents

Seajacks 2 Limited

Strategic Report
For the year ended 31 March 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2021 (referred to hereafter as "FY 2021").

Principal activity and review of the business

The Company's principal activity is the ownership and leasing of a self-propelled jack-up vessel, the Seajacks Leviathan. The Company bareboat charters the vessel to a fellow subsidiary to service the offshore wind farm industry and the oil and gas industry.

The loss for the year after taxation amounted to US$88,654,000 (2020 - profit of US$2,141,000).

The Company's operating markets have continued to be relatively soft during this financial year. The soft market has resulted in significant idleness for the Seajacks vessels, which again has negatively impacted Company revenue and profitability.

As forecast, the Group (or Seajacks) experienced continued weak markets during FY 2020, caused partly by a delay in offshore oil/gas projects due to COVID-19 and partly by FY 2020 being a low-cycle period for the installation of new offshore wind projects. The Company expects a continuation of these market factors to adversely impact European and UK markets during the year ended 31 March 2022 (referred to hereafter as "FY 2021"), however, the Company expects significant strengthening in activity in the Asia Pacific wind farm installation market in FY 2021 which is underpinned by a firm contract backlog in Asia-Pacific and Northern Europe of approximately USD 300 million. Many of the European and UK oil/gas market projects that were planned for FY 2020-2021 have been delayed due to COVID-19, and are expected to materialise during FY 2022- 2023 instead.

Within offshore wind, a number of new wind farms will be installed during FY 2021 onwards and as such the Group has secured additional European and UK contract backlog of USD 76 million in FY 2022 and FY 2023. Even if the negative effects of COVID-19 should continue for an extended period of time, the Group has sufficient firm client contracts and shareholder guaranteed funding to ensure a continued business within the Company for at least the coming 12 months. The offshore wind activity level after FY 2022 is expected to remain high and the Company therefore envisages significant long-term project opportunities in Europe, Asia Pacific and in the United States.

Principal risks and uncertainties

Financial risks

The Company through its activities in the wider Group is exposed to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's board of directors meets on a regular basis to monitor and manage the Company's sensitivity to financial risk. The board reviews the management financial statements and key financial data to consider measures to mitigate financial risk.

Interest rate risk

The Company is subject to interest rates on loans issued by its parent undertaking. Interest rates are fixed and loan balances are fully supported, giving rise to minimal interest risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's credit risk concentration exists for its receivables which are all are represented by receivables due from fellow subsidiaries or from the parent undertaking. At the end of the current reporting period, the Company is not exposed to any credit risk.

Principal risks and uncertainties (continued)

Financial risks (continued)

Currency risk

The value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates.

During the year, the Company did not recognise any foreign exchange gains or losses (2020 - US$Nil). There were no foreign currency balances at the end of prior or current year.

Liquidity risk

The Company's finance department monitors the liquidity position of the Company by preparing cash-flow forecasts to ensure sufficient funds are available. The Company's loans and receivables are adequate for the Company to meet its external obligations. The Company is dependent upon its immediate parent company's financial support to manage its liquidity risk (see note 2.3).

Operational risks

The Company's activities also expose it to a number of operational risks as discussed below:

Concentration of charterer risk

The Company is dependent on bareboat charter income from a fellow subsidiary and the fee is based on a fixed daily rate. Management aim to arrange secure charter parties to third parties, six to twelve months in advance to ensure stability and predictability of income.

Health and safety risk

The Company is subject to various regulations designed to ensure that the vessels are operating in accordance with the relevant safety requirements. The Company operates formal procedures including daily monitoring to ensure that health and safety is always at the forefront of the Company's operations. The vessels are also subject to inspections by independent third parties.

Future developments

Although the market for FY 2020 is soft, the future prospects for the Group remain positive as there are strong government efforts both in Northern Europe, the US and Asia Pacific to significantly increase the level of offshore wind based electricity production. The Group has already secured significant contract coverage in Asia Pacific for FY 2021, 2022 and in Europe for FY 2023.

The oil and gas maintenance market also has high potential due to old infrastructure with significant maintenance overhang and a need for well intervention and / or decommissioning services.

The Directors continue to monitor the impact on the business environment due to Brexit and at this stage, the Directors do not consider a significant impact on its business.

Future developments (continued)

The outbreak of COVID-19 significantly impacted the global economy. The situation continued to prevail after the FY 2021 year-end. The COVID-19 situation is a significant consideration for management. Directors believe, even if the negative effects of COVID-19 should continue / increase for an extended period of time, the Group has sufficient firm client contracts and shareholder guaranteed funding and support to continue without significant impact on the business.

Finally, the Directors do not anticipate a significant impact on the business arising from the Russian invasion of Ukraine. None of the Group's vessels trade in the Black Sea and there are no Russian charterers in its customer base.

This report was approved by the board and signed on its behalf.

C Mackey
Director

Date: 23 May 2022

Directors' Report
For the year ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and dividends

The loss for the year, after taxation, amounted to US$88,654,000 (2020 - profit of US$2,141,000).

The Company did not pay an interim dividend during the year (2020 - US$Nil). The directors do not recommend
the payment of a final dividend (2020 - US$Nil).

Directors

The directors who served during the year and up to the date of signing of this report were:

T Berg (resigned 20 December 2021)
T Hisatomi (resigned 1 April 2021)
P Niklai (resigned 13 August 2021)
H Taiko (resigned 13 August 2021)
T Toyoda (resigned 13 August 2021)
S Harada (resigned 1 April 2020)
K Tashiro (resigned 1 April 2020)
H Tachigami (appointed 1 April 2020, resigned 13 August 2021)
T Yoshikawa (appointed 1 April 2020, resigned 16 November 2020)
H Sawada (appointed 16 November 2020, resigned 13 August 2021)
Y Miyake (appointed 1 April 2021, resigned 13 August 2021)
H L Baker (appointed 20 December 2021)
C Mackey (appointed 20 December 2021)

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Going concern

The accompanying financial statements of the Company have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes that we will continue in operation for at least a period of one year after the date these financial statements are issued, and contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

As at the end of the reporting period, current liabilities of the Company exceeds current assets by US$198,946k (2020 – US$209,165k). In August 2020, the wider Group agreed with its lenders to make an extraordinary repayment of approximately US$38,000k in exchange for a subsequent reduction in the quarterly repayments from approximately US$9,000k to US$1,500k. This repayment restructuring, combined with the outstanding shareholder guarantees and the wider Group's significant order backlog for FY21 and FY22 gives the directors a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have considered the impact of the COVID-19 pandemic on the Company and the resultant global economic uncertainties and have undertaken a re-assessment of the cash flow forecasts covering a period of at least 12 months from the date these financial statements are issued.

Even if the negative effects of COVID-19 should continue for an extended period of time, the Company has sufficient firm client contracts and ongoing financial support from its shareholder to ensure a continued business for at least the coming 12 months. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements (Further details - see note 2).

Matters covered in the Strategic Report

Information required to be included in the Directors' Report in respect of the financial instruments can be found in the Strategic Report in accordance with S414C(11) of the Companies Act 2006.

Post reporting date events

On 5 August 2021, Eneti Inc. (NYSE: NETI) ("Eneti"), Marubeni Corporation, INCJ Ltd and Mitsui OSK Lines Ltd. entered into a definitive agreement under which Eneti would acquire 100% of Atlantis Investorco Limited (the Company's UK parent company) and its subsidiaries. The transaction was completed on 12 August 2021.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf.

C Mackey
Director

23 May 2022

Seajacks 2 Limited

Directors' Responsibilities Statement
For the year ended 31 March 2021

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Seajacks 2 Limited

Opinion on the financial statements

Opinion on the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Seajacks 2 Limited ("the Company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (UK Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our testing included but was not limited to:

- We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made in areas involving significant estimates;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud. This included revenue, where we fully recalculated amounts earned in the year and verified that revenue recognised was in line with contractual terms;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business; and
- We made enquiries of management and those charged with governance as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements.

Furthermore, based on our understanding of the Company and industry, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

The Company is also subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We therefore identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, maritime law and employment law.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Seajacks 2 Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Michael Simms
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Michael Simms (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 23 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Seajacks 2 Limited

Statement of Comprehensive Income
For the year ended 31 March 2021

	Note	2021 US$000	2020 US$000
Revenue	4	**12,773**	12,773
Gross profit		**12,773**	12,773
Administrative expenses		**(99,376)**	(8,394)
Operating (loss)/profit	5	**(86,603)**	4,379
Interest payable and similar charges	7	**(3,406)**	(3,406)
(Loss)/profit on ordinary activities before taxation		**(90,009)**	973
Tax credit	8	**1,355**	1,168
(Loss)/profit for the financial year		**(88,654)**	2,141

All amounts relate to continuing activities.

There was no other comprehensive income for 2021 (2020 - US$Nil).

The notes on pages 14 to 29 form part of these financial statements.

Seajacks 2 Limited
Registered number:07964961

Statement of Financial Position
As at 31 March 2021

	Note	2021 US$000	2021 US$000	2020 US$000	2020 US$000
Non-current assets					
Intangible assets	9		**29,540**		54,626
Goodwill	10		-		37,972
Property, plant and equipment	11		**86,261**		122,436
			115,801		215,034
Current assets					
Deferred tax asset	14	**995**		-	
Current liabilities					
Trade and other payables	13	**(199,941)**		(209,165)	
Net current liabilities			**(198,946)**		(209,165)
Total assets less current liabilities			**(83,145)**		5,869
Provisions for liabilities					
Deferred tax liability	14		-		(360)
Net (liabilities)/assets			**(83,145)**		5,509
Capital and reserves					
Share capital	15		-		-
(Accumulated losses)/retained earnings	16		**(83,145)**		5,509
Total (deficit)/equity			**(83,145)**		5,509

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

C Mackey
Director

23 May 2022

The notes on pages 14 to 29 form part of these financial statements.

Seajacks 2 Limited

Statement of Changes in Equity
For the year ended 31 March 2021

	Share capital US$000	Accumulated losses US$000	Total equity US$000
At 1 April 2020	-	5,509	5,509
Comprehensive income for the year			
Loss for the year	-	(88,654)	(88,654)
Total comprehensive income for the year	-	(88,654)	(88,654)
At 31 March 2021	-	(83,145)	(83,145)

Statement of Changes in Equity
For the year ended 31 March 2020

	Share capital US$000	Retained earnings US$000	Total equity US$000
At 1 April 2019	-	3,368	3,368
Comprehensive income for the year			
Profit for the year	-	2,141	2,141
Total comprehensive income for the year	-	2,141	2,141
At 31 March 2020	-	5,509	5,509

The notes on pages 14 to 29 form part of these financial statements.

1. General information

Seajacks 2 Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page of these financial statements and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is US Dollars (US$). Values are rounded to the nearest thousand US Dollars (US$).

First time application of FRS 101

In the current year the Company has adopted FRS 101. In previous years the financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

This change in the basis of preparation has no impact on the recognition and measurement requirements previously applied in accordance with EU endorsed IFRS.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 of IAS 8 to disclose the future impact of new IFRS's in issue but not yet effective at the reporting date
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Going concern

The accompanying financial statements of the Company have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes that we will continue in operation for at least a period of one year after the date these financial statements are issued, and contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

At the end of the reporting period, current liabilities of the Company exceed current assets by US$198.9 million (2020 – US$209.2 million). During the year ended 31 March 2021, the Company incurred a net loss of US$88.7 million (2020 – profit of US$2.1 million). As of 31 March 2021, the Company had accumulated losses of US$83.1 million (2020 – retained earnings of US$5.5 million).

The directors continue to monitor the impact of COVID-19. Based on the Company's experience in 2021, the focus of the Company and its customers has shifted towards developing processes to 'live with' COVID-19 in 2022 and beyond. For the Company's projects, COVID-19 has caused the Company some delays and extra costs, but these additional costs have primarily been borne by customers.

In assessing the going concern basis of preparation of the financial statements for the year ended 31 March 2021, we have taken into consideration detailed cash flow forecasts for the Company, the wider Group's forecast compliance with bank covenants, and the continued availability of funding to the Group from banks and shareholders.

We have considered the impact of the COVID-19 pandemic on the Company and wider Group and the resultant global economic uncertainties and have undertaken a re-assessment of the cash flow forecasts covering a period of at least 12 months from the date these financial statements are issued.

Cash flow forecasts have been prepared for the wider Group through to December 2023 based on a range of scenarios including, but not limited to, committed contracts in place for key vessels, lower than expected levels of utilisation for the wider Group's vessels, the timing of repayment of current borrowing facilities and no further debt or equity funding expected to take place over this period.

Existing charters relating to the wider Group's vessels for at least the coming 12 months, provide certainty relating to committed future revenue streams and cash flows. The Company has a significant order backlog in Asia-Pacific and Northern Europe for the years ending 31 March 2022 and 31 March 2023.

On 12 August 2021, the ultimate UK parent company, Atlantis Investorco Limited, and its subsidiaries were acquired by Eneti Inc, a NYSE listed company with the ability to raise new equity capital, refinance and upsize existing credit facilities.

The Company's immediate parent undertaking, Seajacks International Limited, has undertaken to provide financial support to the Company to enable it to meet its obligations as they fall due, for a period of at least 12 months form the date of approval of these financial statements.

Based on the above, the financial statements have been presented on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. Accordingly, we continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2021.

2. Accounting policies (continued)

2.4 New interpretations and revised standards effective for the year ended 31 March 2021

The Company has adopted the following new interpretations and revised standards effective for the year ended 31 March 2021:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions

The adoption of these interpretations and revised standards did not have a material impact on the disclosures and presentation of the financial statements.

2.5 Revenue/lease income

The Company bareboat charters its vessel to a fellow subsidiary. Bareboat charter agreements are determined to be lease contracts which fall under IFRS 16 Leases, therefore this is out of scope of IFRS 15.

When the Company acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or an operating lease.

The lease of assets whereby the Company retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.6 Foreign currencies

The functional and presentation currency is US dollars (US$). Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date.

Revenue, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of transactions. Foreign exchange gains and losses are included in profit or loss. During the year ended 31 March 2021, the average GBP/USD exchange rate was 1.29 (2020 - 1.27) and the closing rate was 1.41 (2020 - 1.24).

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.8 Taxation

Current tax is provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.9 Property, plant and equipment

The vessel is stated at cost less accumulated depreciation and any provisions for impairment. For the vessel acquired during a prior period, cost represents the fair value at acquisition. Depreciation is provided on the basis that the book value of the vessel, less any estimated residual value, is written off on a straight-line basis over the remaining useful economic life, taken to be 30 years from the date the vessel is available for its intended use. The residual value is based on Management's estimates of the value of the vessel at the reporting date assuming they were already of an age and condition expected at the end of their useful economic life, usually with reference to expected scrap value.

2. Accounting policies (continued)

2.10 Intangible assets

Intangible assets are recognised at cost, less any amortisation and any impairment losses. The cost of intangible assets acquired is their fair value at the date of acquisition. Each identifiable asset is amortised over its own estimated useful economic life.

The estimated useful lives range as follows:

Trade name	-	33 years

Useful economic lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

An intangible asset is derecognised on disposal or when no further future economic benefits are expected from its use. Gains or losses arising on de-recognition are recognised in profit or loss as they arise.

Purchased intangible assets are capitalised at fair value on the date of acquisition if they relate to a business combination and otherwise capitalised at cost, less any amortisation and any impairment losses.

2.11 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and fair value of the identifiable assets and liabilities acquired. Goodwill is recognised as a non-current asset and is reviewed for impairment annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

2.12 Impairment of assets

At the end of each financial reporting period, the Company assesses whether there is any indication that its vessels, other fixed assets, goodwill and intangible assets may have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount. Goodwill is assessed annually for impairment.

The assessment of whether there is an indication that an asset is impaired is made with reference to trading results, predicted trading results, market rates, technical and regulatory changes and market values. If any such indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of any impairment loss.

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. A cash generating unit (CGU) represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level CGUs, the Company considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. CGU's cannot be larger than an individual operating segment. Based on the above, the Company has determined at the reporting date that it has one CGU comprising of the individual vessel.

2. Accounting policies (continued)

2.12 Impairment of assets (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is determined as the amount at which assets may be disposed of on a willing seller, willing buyer basis, less directly associated costs of disposal. In estimating fair value, the Company considers recent market transactions for similar assets, and the views of reputable shipbrokers.

If the recoverable amount is less than the carrying amount of the asset or the CGU, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel or the CGU to its recoverable amount. The expense is recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in profit or loss.

2.13 Financial instruments

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the Group has become party to the contractual provisions of the instruments.

All financial assets other than derivatives are categorised as financial assets at amortised costs. Such assets are subsequently carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value.

The Company measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. The 12 months ECL is applied to financial instrument which have not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset). The simplified approach is applied for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

Trade and other payables

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

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Fair value of financial instruments

The Company initially measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2. Accounting policies (continued)

2.13 Financial instruments (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates. The following summarises the judgements, estimates and assumptions that may cause amounts recognised or disclosed to change in following reporting periods:

Asset impairment testing - critical judgement and estimation

The Company reviews its goodwill, intangibles and other non-current assets, if indicators exist, for impairment at each reporting date. The assessment of impairment indicators requires judgement to be exercised and changes in circumstances means such judgements may not be borne out over time. The current bareboat charter rates charged by Seajacks 2 Limited are set as a percentage of the vessel value. This rate can be changed at management's discretion with no restraints. Management will utilise this option in order to avoid an impairment of its non-current assets, goodwill and intangibles assets.

Leases - critical judgement

The Company is party to leasing arrangements as a lessor under bareboat charter of its vessel. Accounting for leases is mainly determined by the judgement of whether the lease is considered to be a finance lease or an operating lease. Management looks to the substance of the transaction and the terms and conditions of the leasing arrangements in judging whether all the risks and rewards of ownership are transferred and concluded that these are operating leases.

3. Critical accounting estimates and judgements (continued)

Intangible asset useful economic life - critical estimate

The Company amortises its trade name over a useful economic life of 33 years. The useful economic life is an estimate as it reflects the commercial basis of the transaction and the amount of consideration allocated to Seajacks 2 Limited for the price paid of the 'Seajacks' trade name on behalf of the overall Group. The 'Seajacks' trade name can be transferable between the fellow subsidiary vessel operating entities and the 33 years is reflective of the useful economic life of the Group's vessels since acquiring the trade name.

4. Revenue

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 US$000	2020 US$000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**13**	11
Depreciation of property, plant and equipment	**6,093**	6,092
Impairment of property, plant and equipment	**30,082**	-
Amortisation of intangible assets	**2,178**	2,178
Impairment of intangible assets	**60,880**	-

6. Employees

The Company has no employees. Staff are employed by another group company and the cost of this is charged via a management fee. The directors of the Company are all paid for their services by another group company and the costs are also incorporated in the management fee.

7. Interest payable and similar charges

	2021 US$000	2020 US$000
Interest on amount due to parent undertaking	**3,406**	3,406

8. Taxation

	2021 US$000	2020 US$000
Current tax		
Current tax on (loss)/profit for the year	-	-
Deferred tax		
Origination and reversal of timing differences	**(1,355)**	(1,348)
Effect of change in tax rates	-	180
Total deferred tax	**(1,355)**	(1,168)
Taxation on (loss)/profit on ordinary activities	**(1,355)**	(1,168)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 US$000	2020 US$000
(Loss)/profit on ordinary activities before tax	**(90,009)**	973
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(17,102)**	185
Effects of:		
Group relief	**(1,536)**	(1,533)
Expenses not deductible	**17,283**	-
Effect of change in tax rates	-	180
Total tax credit for the year	**(1,355)**	(1,168)

Factors that may affect future tax charges

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As at 31 March 2021, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment occurred on 24 May 2021, therefore its effects are not included in these financial statements.

9. Intangible assets

	Trade name US$000
Cost	
At 1 April 2020	**71,866**
At 31 March 2021	**71,866**
Amortisation	
At 1 April 2020	**17,240**
Charge for the year	**2,178**
Impairment charge	**22,908**
At 31 March 2021	**42,326**
Net book value	
At 31 March 2021	**29,540**
At 31 March 2020	54,626

Impairment of intangible assets is considered together with goodwill impairment assessment (see note 10).

10. Goodwill

	2021 US$000
Cost	
At 1 April 2020 and 31 March 2021	**37,972**
Impairment	
At 1 April 2020	**-**
Impairment charge	**37,972**
At 31 March 2021	**37,972**
Net book value	
At 31 March 2021	**-**
At 31 March 2020	37,972

The Company's goodwill balance relates to its principal activities and is tested for impairment annually with reference to the value in use basis and the carrying value of its goodwill, intangibles and vessels.

The directors identified impairment factors across the Group during the years ended 31 March 2021 and 2020, which has resulted in an impairment assessment against the carrying value of the cash generating unit with a combined carrying value of US$206,763k (2020 – US$215,034k), using value in use calculations.

Based on the assessment performed, management determined a value in use of US$115,801k at 31 March 2021 resulting in an impairment to property, plant and equipment, intangible assets, goodwill, right of use assets amounting to US$90,962k for the year ended 31 March 2021. The impairment of long-lived assets charged to profit and loss for the year ended 31 March 2021 has initially been allocated across applicable assets on a pro-rata basis, other than for vessels, which have been impaired down to the fair value less costs to sell, as supported by independent broker valuations, as follows:

	2021 US$000	2020 US$000
Property, plant and equipment – vessel (note 11)	**30,082**	-
Intangible assets (note 9)	**22,908**	-
Goodwill	**37,972**	-
	90,962	-

11. Property, plant and equipment

	Vessel US$000
Cost	
At 1 April 2020	**170,313**
At 31 March 2021	**170,313**
Depreciation	
At 1 April 2020	**47,877**
Charge for the year	**6,093**
Impairment charge	**30,082**
At 31 March 2021	**84,052**
Net book value	
At 31 March 2021	**86,261**
At 31 March 2020	122,436

Impairment of property, plant and equipment is considered together with goodwill impairment assessment (see note 10).

The vessel is pledged as security against the bank loan held in the immediate parent undertaking.

12. Trade and other receivables

	2021 US$000	2020 US$000
Due after more than one year		
Deferred tax asset	**995**	-

13. Trade and other payables

	2021 US$000	2020 US$000
Amount due to parent undertaking	**199,234**	208,461
Amounts due to fellow subsidiary companies	**687**	687
Accruals	**20**	17
	199,941	209,165

The amounts due to the fellow subsidiary companies and parent undertaking are unsecured, interest free and repayable on demand.

14. Deferred taxation

	2021 US$000	2020 US$000
At beginning of year	**(360)**	(1,528)
Credited to profit or loss	**1,355**	1,168
At end of year	**995**	(360)

The deferred tax asset/(liability) is arising from:

	2021 US$000	2020 US$000
Property, plant and equipment	**(300)**	(1,007)
Loan relationships	**1,295**	647
	995	(360)

15. Share capital

	2021 US$	2020 US$
Authorised, allotted, called up and fully paid		
16 ordinary shares of US$1 each	**16**	16

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

16. Reserves

The Company's capital and reserves are as follows:

Share capital

Share capital represents the issued and fully paid up equity share capital of the Company.

Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

17. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Seajacks International Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Eneti Inc., a company incorporated in the US.

The smallest and largest group for which financial statements have been prepared for the year ended 31 March 2021 that include the Company are those headed by Seajacks International Limited and Atlantis Investorco Limited, respectively. The financial statements of Seajacks International Limited and Atlantis Investorco Limited are available from Companies House.

18. Post reporting date events

On 5 August 2021, Eneti Inc. (NYSE: NETI) ("Eneti"), Marubeni Corporation, INCJ Ltd and Mitsui OSK Lines Ltd. entered into a definitive agreement under which Eneti would acquire 100% of Atlantis Investorco Limited (the Company's UK parent company) and its subsidiaries. The transaction was completed on 12 August 2021.