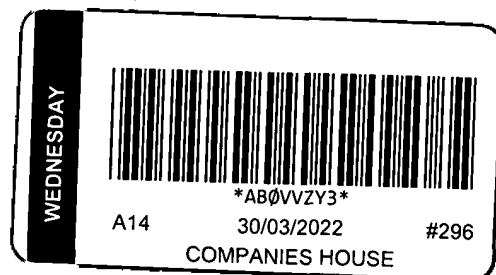


Registered number: 07973833

INCJ SJ Investment Limited

**Annual report and financial statements
for the year ended 31 March 2021**



INCJ SJ Investment Limited

Company information

Directors	P Niklai H Taiko T Toyoda
Registered number	07973833
Registered office	1 Chamberlain Square Cs Birmingham United Kingdom B3 3AX
Registered auditor	BDO LLP 55 Baker Street London W1U 7EU

INCJ SJ Investment Limited

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INCJ SJ Investment Limited

Directors' report for the year ended 31 March 2021

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

General information

The company is a limited liability company, domiciled and incorporated in the United Kingdom. The registered office is 1 Chamberlain Square Cs, Birmingham, United Kingdom, B3 3AX.

Principal activity

The principal activity of the company is to act as a holding company of an Associate whose principal activity is to own and operate self-propelled jack up vessels servicing the offshore wind and oil & gas industries.

Results and dividends

The comprehensive expense for the year amounted to \$150,689,000 (2020: \$20,028,000).

The directors do not recommend the payment of a dividend (2020: \$Nil).

Directors

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

P Niklai
H Taiko
T Toyoda

Qualifying third party indemnity provisions

A directors' and officers' liability insurance policy was maintained by the Japan Investment Corporation throughout the financial year and is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Brexit

The UK left the EU on 31 January 2020 and the transition period ended on 31 December 2020, in which time the UK and EU negotiated additional arrangements and concluded the "Trade and Cooperation Agreement". The directors have considered the impact on the company regarding the agreed exit terms within the agreement and wider regulatory and legal implications within these statutory financial statements and will continue to do so.

INCJ SJ Investment Limited

Directors' report (continued) for the year ended 31 March 2021

Going concern

The company recorded a total comprehensive expense of \$150,689,000 for the year (2020: \$20,028,000), however the company has both net current and net overall assets, including positive cash resources at the balance sheet date.

During 2020 and into 2021, the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The pandemic and corresponding measures have caused material disruption to businesses, resulting in an economic slowdown. The extent of COVID-19's impact on the company is heavily linked to the impact COVID-19 has on the Associate which has been under continuous review.

As part of the going concern assessment, the directors continued to monitor the impact of COVID-19 on the company's results and the investment in Associate. Based on the Associate's experience in 2021, the focus on the Associate and its customers has shifted towards developing processes to 'live with' COVID-19 in 2022 and beyond. During the year, COVID-19 has caused some project delays and extra costs for the Associate, but these additional costs have primarily been borne by customers, therefore this has not had significant impact on the Associate's result for the year. The directors of the Associate have considered the impact of the COVID-19 pandemic on the company and the resultant global economic uncertainties. They have reassessed the cash flow forecast covering a period of at least 12 months from the date these financial statements are issued.

Having considered the company's cash position and low level of committed expenditure the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Future developments

The future developments and results of this company are largely driven by the performance of its Associate, Atlantis Investorco Limited. On 12 August 2021, the Associate, Atlantis Investorco Limited was acquired by Eneti, a NYSE listed company.

Post balance sheet events

On 12 August 2021, INCJ SJ Investment Limited disposed of its 45% holding in Atlantis Investorco Limited in exchange for shares in Eneti, a NYSE listed company. Post year end, there has been a significant decrease in the share price of Eneti, which may cause further impairment to the company's investment in the new associate. The impairment calculation will be made in the next financial year and has no impact for the current financial year other than for disclosure purposes.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the 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.

INCJ SJ Investment Limited

Directors' report (continued) for the year ended 31 March 2021

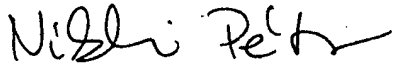
Small company exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of the small companies exemption under section 414B of the Companies Act 2006 and not prepared a strategic report.

This report was approved by the board on *23 March*
by:

2022 and signed on its behalf



**P Niklal
Director**

INCJ SJ Investment Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' report and the financial statements, in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the Companies Act 2006. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

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.

Independent auditor's report to the members of INCJ SJ Investment Limited

Opinion on the financial statements

In our opinion 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 international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of INCJ SJ Investment 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 the Statement of Cash Flows, 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

Independent auditor's report to the members of INCJ SJ Investment Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statement, 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, 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.

Independent auditor's report to the members of INCJ SJ Investment Limited (continued)

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.

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 identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of relevant applicable legislation in the countries where the company operates.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and the adoption of inappropriate accounting policies.

Audit procedures performed by the company engagement team included:

- inspecting correspondence with tax authorities and lawyers;
- discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- inspecting legal and professional fees for indications of non-compliance with laws and regulations;
- identifying and testing journals, in particular journal entries posted with unusual account combinations or with unusual descriptions; and
- challenging assumptions and judgements made by management in their critical accounting estimates.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of INCJ SJ Investment 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
55 Baker Street
London
W1U 7EU

Date: 23 March 2022 2022

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

INCJ SJ Investment Limited

Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 \$000	2020 \$000
Administrative expenses	9	(51)	(56)
Operating loss		<u>(51)</u>	<u>(56)</u>
Share of loss of Associate	4	(150,623)	(19,701)
Loss before income tax		<u>(150,674)</u>	<u>(19,757)</u>
Income tax charge	11	-	-
Loss for the year attributable to equity owners		<u>(150,674)</u>	<u>(19,757)</u>
Share of other comprehensive expense of Associate	4	(15)	(271)
Total comprehensive expense for the year		<u>(150,689)</u>	<u>(20,028)</u>

All of the activities of the company relate to continuing operations.

The notes on pages 13 to 21 form part of these financial statements.

INCJ SJ Investment Limited

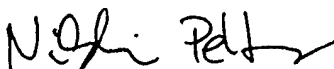
Registered number: 07973833

**Statement of financial position
as at 31 March 2021**

	Note	2021 \$000	2020 \$000
Assets			
Non-current assets			
Investment in Associate	4	107,339	257,097
		<u>107,339</u>	<u>257,097</u>
Current assets			
Cash and cash equivalents	6	688	698
		<u>688</u>	<u>698</u>
Total assets		<u>108,027</u>	<u>257,795</u>
Liabilities			
Current liabilities			
Trade and other liabilities	7	84	43
		<u>84</u>	<u>43</u>
Total liabilities		<u>84</u>	<u>43</u>
Net assets		<u>107,943</u>	<u>257,752</u>
Shareholders' equity			
Share capital	8	268,000	268,000
Other reserves		(1,199)	(1,184)
Accumulated losses		(158,858)	(9,064)
Total equity		<u>107,943</u>	<u>257,752</u>

The directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The financial statements on pages 9 to 21 were approved and authorised for issue by the board of directors on 23 March 2022 and were signed on its behalf by:



P Nikdal
Director

The notes on pages 13 to 21 form part of these financial statements.

INCJ SJ Investment Limited

Statement of changes in equity for the year ended 31 March 2021

	Share capital \$000	Other reserves \$000	Accumulated losses \$000	Total equity \$000
At 1 April 2019	268,000	(913)	10,693	277,780
Loss for the year	-	-	(19,757)	(19,757)
Other comprehensive expense	-	(271)	-	(271)
Total comprehensive expense for the year	-	(271)	(19,757)	(20,028)
At 31 March 2020	268,000	(1,184)	(9,064)	257,752
At 1 April 2020	268,000	(1,184)	(9,064)	257,752
Loss for the year	-	-	(150,674)	(150,674)
Other comprehensive expense	-	(15)	-	(15)
Total comprehensive expense for the year	-	(15)	(150,674)	(150,689)
Other movements during the year (see note 4)	-	-	880	880
	-	-	880	880
At 31 March 2021	268,000	(1,199)	(158,858)	107,943

Share capital

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

Other reserves

Other reserves represent the company's share of its Associate's cumulative gains and losses arising on hedging instruments used to manage interest rate and foreign currency risk.

Accumulated losses

Accumulated losses represent the cumulative profits/losses attributable to the company.

The notes on pages 13 to 21 form part of these financial statements.

INCJ SJ Investment Limited

Statement of cash flows for the year ended 31 March 2021

	Note	2021 \$000	2020 \$000
Cash flows used in operating activities			
Loss before income tax	11	(150,674)	(19,757)
Adjustment for:			
Share of loss of Associate		150,623	19,701
Changes in working capital:			
Other receivables		-	3
Trade and other payables		41	(11)
		<hr/>	<hr/>
Net cash used in operating activities		(10)	(64)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(10)	(64)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of year		698	762
		<hr/>	<hr/>
Cash and cash equivalents at the end of year	6	688	698
		<hr/>	<hr/>

The notes on pages 13 to 21 form part of these financial statements.

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

1. General Information

The principal activity of INCJ SJ Investment Limited is to act as a holding company of an associate whose principal activity is to own and operate self-propelled jack up vessels servicing the offshore wind and oil & gas industries.

The company is a limited liability company, domiciled and incorporated in the United Kingdom. The registered office is 1 Chamberlain Square Cc, Birmingham, United Kingdom, B3 3AX.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 applicable to companies reporting under International Accounting Standards. The financial statements have been prepared under the historical cost-convention.

The preparation of financial statements in conformity with International Accounting Standards requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

2.2 Changes in accounting policy and disclosures

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 March 2021:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract;
- Annual Improvements to IFRSs (2018-2020 Cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41;
- Amendments to IAS 8: Definition of Accounting Estimates; and
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies.

The company does not have any direct impact from implementation of the new standards and amendments, however, the company's financial results may be indirectly impacted through 'share of profit or loss of Associate' once these are adopted by the Associate. The directors of the Associate do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.3 Associates

Associates are entities over which the company has significant influence but not control, generally demonstrated by a shareholding of between 20% and 50% of voting rights.

Investments in Associate entities are initially recognised at cost and are accounted for using the equity method of accounting. The company's share of its associate's post acquisition profit or loss is recognised in the statement of comprehensive income.

2.4 Going concern

The company recorded a total comprehensive expense of \$150,689,000 for the year (2020: \$20,028,000), however the company has net current assets and is in a net assets position, supported by positive cash resources at the end of the reporting year.

During 2020 and into 2021, the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The pandemic and corresponding measures have caused material disruption to businesses, resulting in an economic slowdown. The extent of COVID-19's impact on the company is heavily linked to the impact COVID-19 has on the Associate which has been under continuous review.

As part of the going concern assessment, the directors continued to monitor the impact of COVID-19 on the company's results and the investment in Associate. Based on the Associate's experience in 2021, the focus of the Associate and its customers has shifted towards developing processes to 'live with' COVID-19 in 2022 and beyond. During the year, COVID-19 has caused some project delays and extra costs for the Associate, but these additional costs have primarily been borne by customers, therefore this has not had significant impact on the Associate's result for the year. The directors of the Associate have considered the impact of the COVID-19 pandemic on the company and the resultant global economic uncertainties. They have reassessed the cash flow forecast covering a period of at least 12 months from the date these financial statements are issued.

Having considered the company's cash position and low level of committed expenditure the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

2.5 Functional and presentation currency

The functional and presentational currency is the United States dollar. All financial information presented in United States dollar has been rounded to the nearest thousand dollars (\$000) unless otherwise indicated.

2.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet 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 the statement of comprehensive income.

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.7 Financial assets

The company classifies its financial assets as loans and receivables. At 31 March 2021, the company's only financial assets are cash and cash equivalents.

Cash and cash equivalents comprise deposits with banks, bank balances and cash balances which are readily accessible in 3 months or less.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

2.8 Financial liabilities

The company classifies its financial liabilities as trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

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

Financial liabilities are derecognised when the obligation specified in the contract is extinguished, discharged, cancelled or expired.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Taxation

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

Deferred tax is provided in full using the liability method on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

2.11 Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's 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 risk specific to the investment for which the estimates of cash flows have not been adjusted.

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.12 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

The company reviews its non-current assets for impairment at each balance sheet date. In order to assess if impairment exists, management estimates discounted future cash flows, residual values and the remaining economic lives of assets. Market factors affecting future revenue, operating expenses and residual values may affect the discounted future cash flows. Actual outcomes may vary significantly from the estimates of these cash flows.

Management considers losses of the Associate as an impairment indicator and therefore undertook an impairment assessment of the investment.

The investee group of companies has forecast a recovery in both rates earned and utilisation of the vessels over the next two years. In doing so, management has considered the current backlog for the vessels and contracts under negotiation at the time of preparing these financial statements.

Management determined the recoverable amount of the investment based on a discounted cash flow analysis of the investee group of companies. Forecast cash flows used are based on estimated cash flows from the business of the investee representing pre-tax projections covering approximately a 30 year period. Management used a discount rate of 12.5% (2020: 7.8%) on the cash flow projections of the investee's business and recorded an impairment of long lived assets amounting to \$289,125,000 (2020: head room of \$299,000,000).

The projected cash flows are sensitive to changes in discount rate and profits generated by the investee's business which are largely dependent upon revenue arising from the operations of its vessels.

A 1% increase in the pre-tax discount rate, and all other matters remaining the same, would increase the above-mentioned impairment charge by \$25,244,000 for the year ended 31 March 2021 (2020: \$Nil).

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

3. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The company's overall risk management program 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 the company's sensitivity to financial risk.

(i) Interest rate risk

The company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The company is only exposed to interest rate risk on its cash and cash equivalents. Fluctuations in the interest rate are not expected to have a significant impact upon the company's results.

(ii) Credit risk

The company is only exposed to credit risk on its cash and cash equivalents. Concentration of credit risk exists to the extent that all of cash and cash equivalents are held with one financial institution with a credit rating according to Moody's Investor Service of A1.

The company's finance department monitors credit risk on a regular basis and manages risk by placing cash with blue chip financial institutions.

(iii) Currency risk

The company is not exposed to any significant currency risk at the balance sheet date.

(iv) 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 is not exposed to significant liquidity risk at the balance sheet date.

(v) Capital structure

The capital structure of the company includes all components of equity. Total equity at 31 March 2021 was \$107,943,000 (2020: \$257,752,000).

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern;
- to enhance the ability of the Associate interest in future projects by sustaining a strong balance sheet position; and
- to provide an adequate return to its shareholders.

The board reviews the capital structure of the company regularly. It is the company's policy to always maintain adequate levels of equity which enables the Associate group to borrow at competitive rates and to provide adequate collateral for bank financing, thus maintaining access to capital markets and keep borrowing costs under control.

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

4. Investment in Associate

The company owns 45% of the ordinary share capital of Atlantis Investorco Limited, a company incorporated at South Denes Business Park, South Beach Parade, Great Yarmouth, Norfolk, NR30 3QR, United Kingdom, and accounts for this investment as an Associate.

Atlantis Investorco Limited is a holding company of a group that owns and operates self-propelled jack up vessels servicing the offshore wind and oil & gas industries.

The movement in the investment is accounted for using the equity method and can be summarised as follows:

	2021 \$000	2020 \$000
Opening balances	257,097	277,069
Share of loss for the year	(150,623)	(19,701)
Other movement during the year	880	-
Share of other comprehensive expense	(15)	(271)
At 31 March	107,339	257,097

The other movement represents the adjustment made in respect of the restatement made by the Associate company which is not material to the company and adjusted during the year.

Set out below is the summarised financial information of Atlantis Investorco Limited and a reconciliation to the carrying amount of the investment at 31 March:

	Associate 2021 \$000	Company's 45% share 2021 \$000	Associate 2020 \$000	Company's 45% share 2020 \$000
Revenue	42,755	19,240	53,738	24,182
Cost of sales	(36,315)	(16,342)	(40,625)	(18,281)
Operating expenses	(46,389)	(20,875)	(49,043)	(22,231)
Impairment of long-lived assets	(289,125)	(130,106)	-	-
Interest income	1,407	633	277	125
Finance costs	(21,571)	(9,707)	(22,366)	(10,074)
(Loss)/gain on derivatives	(667)	(300)	682	306
Loss before tax	(349,905)	(157,457)	(57,717)	(25,973)
Tax	15,186	6,834	13,938	6,272
Loss for the year	(334,719)	(150,623)	(43,779)	(19,701)
Other comprehensive expense	(33)	(15)	(602)	(271)
Total comprehensive expense	(334,752)	(150,638)	(44,381)	(19,972)

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

4. Investment in Associate (continued)

	Associate 2021 \$000	Company's 45% share 2021 \$000	Associate 2020 \$000	Company's 45% share 2020 \$000
Non-current assets	699,103	314,596	1,003,898	451,754
Current assets	46,966	21,135	33,399	15,030
Total assets	746,069	335,731	1,037,297	466,784
Non-current liabilities	(78,408)	(35,284)	(321,939)	(144,873)
Current liabilities	(429,130)	(193,108)	(144,030)	(64,814)
Total liabilities	(507,538)	(228,392)	(465,969)	(209,687)
Net assets	238,531	107,339	571,328	257,097

5. Financial instruments by category

	2021 \$000	2020 \$000
Assets		
Cash and cash equivalents	688	698
Liabilities		
Trade and other payables	84	43

The fair values of cash and cash equivalents and trade and other payables are approximate to their carrying amounts.

6. Cash and cash equivalents

	2021 \$000	2020 \$000
Cash at bank	688	698

7. Trade and other payables

	2021 \$000	2020 \$000
Accruals	84	43

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

8. Ordinary share capital

	2021 \$000	2020 \$000
Authorised, issued and fully paid		
268,000,016 (2020: 268,000,016) ordinary shares of \$1 each	<u>268,000</u>	<u>268,000</u>

The issued shares are fully paid, are of the same class and have the same voting rights.

9. Administrative expenses

	2021 \$000	2020 \$000
Expenses by nature		
Legal and professional fees	75	44
Foreign exchange (gain)/loss	(24)	12
Total administrative expenses	<u>51</u>	<u>56</u>

The company has no employees. The directors received no emoluments for services as the company's directors during the year.

10. Auditor remuneration

The company obtained the following services from the company's auditor:

	2021 \$000	2020 \$000
Fees payables to company's auditor for:		
The audit of the company financial statements	<u>13</u>	<u>6</u>

INCJ SJ Investment Limited

Notes to the financial statements for the year ended 31 March 2021

11. Income tax expenses

There is no current tax for the financial year ended 31 March 2021 (2020: \$Nil).

The company is subject to taxation in the UK at a standard rate of 19% (2020: 19%).

The factors affecting the tax charge for the year are as follows:

	2021 \$000	2020 \$000
Loss before income tax	(160,674)	(19,757)
Loss before income tax multiplied by the weighted average rate of corporation tax in the UK of 19% (2020: 19%)	(28,628)	(3,754)
Tax effects of:		
Share of Associate losses	28,618	3,743
Losses not recognised for deferred tax asset	10	11
Income tax charge	-	-

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase of the corporation tax rate to 25% from 1 April 2023. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

As at 31 March 2021, the company had an unrecognised deferred tax asset of \$77,157 (2020: \$67,475) as there was insufficient evidence that the loss would be offset against future profits.

12. Parent undertakings and controlling party

At 31 March 2021, the company's immediate parent undertaking was INCJ Limited a wholly owned subsidiary of Japan Investment Corporation. The ultimate parent undertaking and controlling party was Japan Investment Corporation, an organisation incorporated in Japan, and under the control of the Government of Japan.

13. Post balance sheet events

On 12 August 2021, INCJ SJ Investment Limited disposed of its 45% holding in Atlantis Investorco Limited in exchange for shares in Eneti, a NYSE listed company. Post year end, there has been a significant decrease in the share price of Eneti, which may cause further impairment to the company's investment in the new associate. The impairment calculation will be made in the next financial year and has no impact for current financial year other than for disclosure purposes.