

Amended.

## **Atlantis Midco Limited**

### **Report and Consolidated Financial Statements**

31 March 2014

THURSDAY



\*A4MYCN9V\*

A04

24/12/2015

#171

COMPANIES HOUSE

**Directors**

T Toyoda

T Furuta

W Ainslie

K Yamashita

T Mamiya

S Nakagawa (appointed 1 April 2014)

S Inoue (appointed 1 July 2014)

**Secretary**

Burness Paul & Williamsons LLP

50 Lothian Road

Festival Square

Edinburgh EH3 9WJ

**Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

**Registered Office**

South Denes Business Park

South Beach Parade

Great Yarmouth

Norfolk NR30 3QR

Registered No 07964404

## Strategic report

The directors present their Strategic report for the year ended 31 March 2014

### Principal activities and review of the business

The group's principal activity is ownership, management and operation of self-propelled jack up vessels servicing the offshore wind and oil & gas industries

The company's principal activity is that of a holding company

The Group has had a very successful year. The Seajacks Kraken has for the entire year been on charter with Shell and has contributed to significant gas production enhancements providing significant value to the client.

Seajacks Leviathan and Seajacks Zaratan have for the entire year performed installation services on the Meerwind offshore wind farm. This project has proved very successful both to the client and to Seajacks.

For the coming year Seajacks expects less activity in the offshore wind farm installation sector. The oil and gas sector is however expected to develop positively with increased attention the benefits of the self-propelled jack-up concept. The Group will therefore target in the short-term more vessel capacity into the oil and gas sector.

Seajacks took delivery of its fourth vessel, the Seajacks Hydra, in June 2014 and she will commence her first charter contract with Siemens in August 2014.

During the year, one of the Company's subsidiaries entered into an agreement with Samsung Heavy Industries in South Korea to construct a fifth vessel, the Seajacks Scylla, due to be delivered in 2015.

The key performance indicators of the Group can be seen below:

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Revenue	219,193	169,347
Gross profit	139,948	95,981
EBITDA*	127,415	86,066
Total operating days	1,095	911

\*Earnings before interest, tax, depreciation and amortisation

The group profit for the year after taxation amounted to US\$59,644,000 (13 months ended 31 March 2013 – profit of US\$32,259,000). The Company result for the year amounted to a profit of US\$ 9,620,000 (13 months ended 31 March 2013 – US\$ nil).

## Strategic report (continued)

### Principal risks and uncertainties

#### *Financial risks*

The Group's activities expose it to a number of financial risks including market, credit risk, liquidity risk and currency risk. See the policies set out by the Group to mitigate the exposure to these risks in note 22.

#### *Operational risks*

The Group's activities also expose it to a number of operational risks.

#### *Charterer risk*

The Group is dependent on income from a few charterers, and management arrange to secure charter parties six to twelve months in advance to ensure stability and predictability of income. Historically, the Group's vessels experienced minimal off-hire periods and management expect this trend to continue.

#### *Health and safety risk*


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

### Future developments

The future prospects for the Group remain positive as the off-shore wind market is driven by the UK government target of 20% renewable electricity production by 2020. The German government has also put high focus on the offshore wind farm development. The oil and gas maintenance market also has high potential due to old infrastructure with significant maintenance overhang and a need for well intervention services. These factors are expected to drive future demand for the Group's vessels.

The Group strategy is to expand its activities by increasing its fleet and in June 2013, the Group entered into a contract with Samsung Heavy Industries to build the world's most advanced offshore wind farm installation vessel, the Seajacks Scylla, due to be delivered in 2015 (note 21).

On behalf of the Board



Director

31 July 2014

## Director's report

The directors present their report and the audited accounts for the year ended 31 March 2014

### Dividends

The directors do not recommend a final dividend (13 months ended 31 March 2013 – US\$nil) An interim dividend of US\$9,675,000 (13 months ended 31 March 2013 – US\$nil) was paid during the year

### Directors

The directors who served the company during the year were as follows

T Toyoda  
T Furuta  
K Yamashita  
H Sagara (resigned 1 April 2013)  
T Mamiya (appointed 1 April 2013)  
K Kitagawa (resigned 1 April 2013)  
M Tomita (appointed 1 April 2013, resigned 1 April 2014)  
S Nakagawa (appointed 1 April 2014)  
T Yamamoto (resigned 1 July 2014)  
S Inoue (appointed 1 July 2014)  
Blair Ainslie

### 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

### Political donations

During the year, the company made no political contributions to political parties

### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

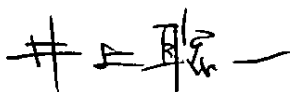
### Disclosure of information to the auditors

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 its report, of which the auditor is unaware Having made enquiries of fellow directors and the group'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

### Auditors

Moore Stephens LLP resigned as auditors on 10 February 2014 and Ernst & Young LLP were appointed in their place A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



Director

31 July 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the group and company accounts in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company Law, the directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the group and of the financial position and cash flows of the company for that period. In preparing the accounts the Directors are required to

- present fairly the financial position, financial performance and cash flows of the group and company,
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's and company's financial position and financial performance,
- state that whether the group and company accounts have been prepared in accordance with IFRSs as adopted by the European Union, and
- make judgements and estimates that are reasonable

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

# **Independent auditors' report**

## **to the members of Atlantis Midco Limited**

We have audited the Group and Company financial statements of Atlantis Midco Limited for the year ended 31 March 2014 which comprise the Group Statement of Profit and Loss and Other Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

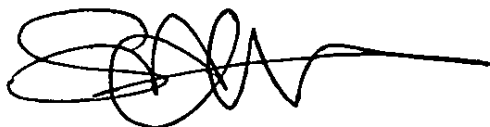
# **Independent auditors' report**

**to the members of Atlantis Midco Limited**

## **Matters on which we are required to report by exception**

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

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



Steven Lunn (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date 31 July 2014

## Group statement of profit and loss and other comprehensive income

for the year ended 31 March 2014

		<i>Year ended 31 March 2014</i>	<i>13 months ended 31 March 2013</i>
	<i>Notes</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Revenue</b>	3	219,193	169,347
Cost of sales		(79,245)	(73,366)
<b>Gross profit</b>	3	139,948	95,981
Depreciation	10	(26,658)	(14,774)
Amortisation	11	(8,065)	(8,705)
Foreign exchange gain		1,516	3,459
Administrative expenses		(15,150)	(15,016)
<b>Operating profit</b>	6	91,591	60,945
Interest income		78	183
Finance costs	7	(15,688)	(16,246)
(Loss)/gain on derivative financial instruments	18	(3,733)	(3,661)
Other income – related to estimates made at acquisition		1,101	1,642
<b>Profit on ordinary activities before taxation</b>		73,349	42,863
Taxation expense	8	(13,705)	(10,604)
<b>Profit for the financial year attributable to the equity holders of the parent</b>		59,644	32,259
<b>Other comprehensive income</b>			
Exchange gain / (loss) on translating foreign operations		1,904	(140)
Gain / (loss) on hedging instruments	18	1,399	(699)
<b>Other comprehensive income relating to the financial year</b>		3,303	(839)
<b>Total comprehensive income attributable to the equity holders of the parent</b>		62,947	31,420


The attached notes 1 to 28 form an integral part of these consolidated and company financial statements

# Group statement of financial position

at 31 March 2014

		2014	2013
	Notes	US\$000	restated US\$000
<b>Non-current assets</b>			
Property, plant and equipment	10	584,865	515,181
Intangible assets	11	165,740	173,805
Goodwill	12	144,169	144,169
Derivative financial instruments	18	1,256	–
Deferred tax asset	8	165	165
		<u>896,195</u>	<u>833,320</u>
<b>Current assets</b>			
Inventories – spare parts		3,910	2,429
Trade and other receivables	13	34,358	29,227
Derivative financial instruments	18	334	5,671
Cash and cash equivalents	14	56,140	85,107
		<u>94,742</u>	<u>122,434</u>
Non-current asset held for sale	15	956	–
<b>Total assets</b>		<u>991,893</u>	<u>955,754</u>
<b>Current liabilities</b>			
Trade and other payables	16	86,283	54,169
Interest-bearing loans and borrowings	17	34,398	22,847
Derivative financial instruments	18	958	2,432
		<u>121,639</u>	<u>79,448</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	170,275	229,275
Derivative financial instruments	18	–	273
Deferred tax liability	8	20,287	20,338
		<u>190,562</u>	<u>249,886</u>
<b>Total liabilities</b>		<u>312,201</u>	<u>329,334</u>
<b>Shareholders' equity</b>			
Share capital	19	595,000	595,000
Fair value reserve		700	(699)
Retained earnings		82,228	32,259
Translation reserve		1,764	(140)
<b>Total equity</b>		<u>679,692</u>	<u>626,420</u>
<b>Total liabilities and shareholder's equity</b>		<u>991,893</u>	<u>966,754</u>

The attached notes 1 to 28 form an integral part of these consolidated and company financial statements. Details of the restatement are included in note 27 to the financial statements. These financial statements were approved by the Board of Directors on 31 July 2014 and were signed on its behalf by

  
Director

## Group statement of changes in equity

for the year ended 31 March 2014

	<i>Share capital</i> <i>US\$000</i>	<i>Retained earnings</i> <i>US\$000</i>	<i>Fair value reserve</i> <i>US\$000</i>	<i>Translation reserve</i> <i>US\$000</i>	<i>Total</i> <i>US\$000</i>
At 24 February 2012	–	–	–	–	–
Issue of shares	595,000	–	–	–	595,000
Total comprehensive income	–	32,259	(699)	(140)	31,420
At 1 April 2013	595,000	32,259	(699)	(140)	626,420
Total comprehensive income	–	59,644	1,399	1,904	62,974
Dividend paid	–	(9,675)	–	–	(9,675)
At 31 March 2014	595,000	82,228	700	1,764	679,692

### *Share capital*

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

### *Retained earnings*

Retained earnings represent the cumulative total comprehensive income attributable to the Group to the end of the year

### *Fair value reserve*

The fair value reserve represents the cumulative gains and losses arising on hedging instruments used by the group to manage interest rate and foreign currency risk

### *Translation reserve*

The translation reserve represents the cumulative effect of retranslating the group's foreign operations into the presentational currency of the Group

## Group statement of cash flows

for the year ended 31 March 2014

		<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
	<i>Notes</i>		
<b>Operating activities</b>			
Profit on ordinary activities before taxation		73,349	42,863
Adjustments for			
Depreciation	10	26,658	14,774
Amortisation	11	8,065	8,705
Interest income		(78)	(183)
Finance costs	7	15,688	16,246
Loss on derivative financial instruments	18	3,733	3,661
Foreign exchange difference		1,516	(122)
Increase in inventories		(1,000)	(1,393)
Increase in trade and other receivables		(9,045)	(116)
Increase/(decrease) in trade and other payables		34,151	(33,401)
Tax paid		(14,279)	(216)
Cash inflow from operating activities		<u>138,758</u>	<u>50,818</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	10	(98,087)	(176,663)
Proceeds on disposal of vessel equipment	10	80	1,817
Interest received		78	183
Cash flow on acquisition of subsidiaries, net of cash acquired	25	-	(625,608)
Cash outflow from investing activities		<u>(98,009)</u>	<u>(800,271)</u>
<b>Financing activities</b>			
Issue of shares		-	595,000
Drawdown of bank loan		-	268,465
Repayment of bank loan		(49,345)	(6,325)
Loan arrangement fees		(2,098)	(12,267)
Interest paid		(8,677)	(10,313)
Dividends paid		(9,675)	-
Cash inflow from financing activities		<u>(69,795)</u>	<u>834,560</u>
Net change in cash and cash equivalents		<u>(28,967)</u>	<u>85,107</u>
<b>Cash and cash equivalents at 31 March 2013</b>		<u>85,107</u>	<u>-</u>
<b>Cash and cash equivalents at 31 March 2014</b>	14	<u>56,140</u>	<u>85,107</u>

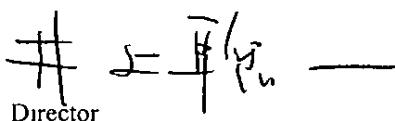
## Company statement of financial position

at 31 March 2014

	Notes	2014 US\$000	2013 US\$000
<b>Non-current assets</b>			
Investments	9	595,000	595,000
<b>Current assets</b>			
Trade and other receivables	13	63,704	30,116
<b>Total assets</b>		<u>658,704</u>	<u>625,116</u>
<b>Current liabilities</b>			
Trade and other payables	16	63,759	30,116
<b>Total liabilities</b>		<u>63,759</u>	<u>30,116</u>
<b>Shareholder's equity</b>			
Share capital	19	595,000	595,000
Retained earnings		(55)	—
<b>Total equity</b>		<u>594,945</u>	<u>595,000</u>
<b>Total liabilities and shareholder's equity</b>		<u>658,704</u>	<u>625,116</u>

The attached notes 1 to 28 form an integral part of these consolidated and company financial statements

These financial statements were approved by the Board of Directors on 31 July 2014 and were signed on its behalf by

  
Director

## Company statement of changes in equity

for the year ended 31 March 2014

	<i>Share capital</i> <i>US\$000</i>	<i>Retained earnings</i> <i>US\$000</i>	<i>Total</i> <i>US\$000</i>
At 24 February 2012	–	–	–
Issue of shares	595,000	–	595,000
Total comprehensive income	–	–	–
At 31 March 2013	595,000	–	595,000
Total comprehensive income	–	9,620	9,620
Dividend paid	–	(9,675)	(9,675)
At 31 March 2014	595,000	(55)	594,945

### *Share capital*

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

### *Retained earnings*

Retained earnings represent the cumulative total comprehensive income attributable to the Company to the end of the year

## Company statement of cash flows

for the year ended 31 March 2014

		<i>Year ended 31 March 2014</i>	<i>13 months ended 31 March 2013</i>
	<i>Notes</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Operating activities</b>			
Result before taxation		(55)	–
Interest income		(1,405)	(1,320)
Finance cost		1,438	1,320
Increase in trade and other receivables		(33,588)	(30,115)
Increase in trade and other payables		33,643	30,115
Cash flow from operating activities		33	–
<b>Investing activities</b>			
Investment in subsidiary	9	–	(595,000)
Interest received		1,405	–
Dividends received		9,675	–
Cash outflow from investing activities		11,080	(595,000)
<b>Financing activities</b>			
Issue of shares	19	–	595,000
Finance cost		(1,438)	–
Dividends paid		(9,675)	–
Cash inflow from financing activities		(11,113)	595,000
Net change in cash and cash equivalents		–	–
<b>Cash and cash equivalents at 31 March 2013</b>		–	–
<b>Cash and cash equivalents at 31 March 2014</b>		–	–

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies

#### **Corporate information**

The consolidated financial statements of the Atlantis Midco Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on 31 July 2014. Atlantis Midco Limited (the Company or the parent) is a limited liability company incorporated and domiciled in England, the United Kingdom. The registered office is located at South Denes Business Park, South Beach Parade, Great Yarmouth, Norfolk.

The Group is principally engaged in the ownership, management and operation of self-propelled jack up vessels servicing the offshore wind and oil & gas industries. Information on the Group's structure is provided in note 9. Information on other related party relationships of the Group is provided in notes 24

#### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Group and Company financial statements are prepared on the historical cost basis, adjusted for fair value in relation to the Group's derivative financial instruments. The Group and Company financial statements are presented in US dollars and all values are rounded to the nearest thousand (US\$000), except when otherwise indicated.

The Company was incorporated on 24 February 2012 and the comparative period is the first period of operation as reflected in the presentation of a long accounting period. The group financial statements include the audited financial statements of the Company for the year from 1 April 2013 to 31 March 2014 and its subsidiary companies, as listed in note 9.

The results of subsidiaries acquired during the year are included in the group statement of comprehensive income from the effective date of acquisition. On acquisition, the net assets of the subsidiaries acquired in the comparative period were recognised at fair value (note 25).

The Company has taken advantage of section 408 of the Companies Act 2006 exemption from presenting its own profit and loss account. The result for the year amounted to US\$ 9,620,000 (13 months ended 31 March 2013 \$nil).

The financial statements of the Group and Company were approved for issue by the Board of Directors on 31 July 2014.

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2014. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### **Basis of consolidation** (*continued*)

- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

#### **Revenue**

##### *Time charter hire*

Time charter hire revenues are earned for exclusive use of the services of a vessel by a charterer for an agreed period of time. These hire revenues are recorded on a straight-line basis over the term of the charter, with due allowance made for periods of off-hire. All other revenues incidental to or associated with time charter activity are recorded on an accruals basis as the services are provided.

##### *Construction contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the reporting date, measured based on the basis of the proportion of contract costs incurred for work performed to the reporting date relative to the estimated total contract costs, unless this would not be representative of the stage of completion. In practice the stage of completion is measured based on the milestones achieved at the balance sheet date unless a contract milestones approach is not a reasonable approximation to the policy outlined above.

Full provision is made for losses on contracts in progress at the balance sheet date.

##### *Interest income*

Bank and other interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### *Other income*

Other income includes significant one off income received for reimbursement of claims/taxes paid by the Group. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

#### **Pensions**

Payments to defined contribution pension schemes are charged to profit or loss as they fall due.

#### **Foreign currencies**

The presentational currency of the group is US dollars and the functional currency of the parent company is also US dollars. 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 profit or loss.

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average rate of exchange for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as other comprehensive income. Such translation differences are recognised as income or expense in the period in which the disposal of the operation occurred.

#### **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 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.

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### **Taxation** (*continued*)

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
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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.

#### **Property, plant and equipment**

##### (i) Vessels

Vessels are stated at cost less accumulated depreciation and any provisions for impairment. For vessels acquired through a business combination, cost represents the fair value of the vessels at acquisition. For vessels constructed by the group, cost comprises those items set out at (ii) below.

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 balance sheet 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.

Project equipment is capitalised as a component part of the vessel cost and is depreciated on a straight-line basis over useful economic lives ranging from 1 to 7 years.

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### ***Property, plant and equipment (continued)***

##### (ii) Vessels under construction

Vessels under construction are stated at cost less any provisions for impairment losses. For vessels under construction acquired through a business combination, cost represents the fair value of the vessels under construction at acquisition which is normally approximate to the construction costs at that date. Costs include professional fees, supervision costs and borrowing costs directly attributable to the construction of the vessels incurred from the commencement of the construction contracts. Depreciation commences when the vessel is available for its intended use.

##### (iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the following useful economic lives:

Office equipment	–	3 to 5 years
Leasehold improvements	–	15 years

#### ***Intangible assets***

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 amortisation and any impairment losses.

Each identifiable asset is amortised over its estimated useful economic life as follows:

Trade name	–	33 years
Customer contracts	–	remaining life of contract

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.

#### ***Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Depreciation ceases from the date that the non-current asset is classified as held for sale.

#### ***Business combinations and goodwill***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and are included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### ***Business combinations and goodwill (continued)***

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to Other Comprehensive Income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS standard. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group's CGUs are considered to be the vessel owning companies and goodwill is therefore allocated to these companies.

#### ***Impairment of assets***

At the end of each financial reporting period, the Group 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 Group estimates the asset's recoverable amount.

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 Group 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. CGUs cannot be larger than an individual operating segment. Based on the above, the Group has determined at the reporting date that it has CGUs comprising of individual vessels.

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 Group 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 and loss.

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### *Impairment of assets (continued)*

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 the income statement.

#### *Inventories*

Inventories include spares held in a warehouse to be used on board of the vessels and are recognised in profit or loss when transferred on board of the vessels. Inventories may also comprise bunkers (where applicable) and lubricants which are stated at the lower of cost and net realisable value using the first in first out method.

#### *Financial instruments*

Financial assets and liabilities are initially recognised on the balance sheet 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 loans and receivables. 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 Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred only if there is objective evidence that a loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Group uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

#### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less allowances for credit losses. The Group reviews the ageing analysis of receivables on a regular basis.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months from the date of deposit.

#### *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.

#### *Bank loans*

Interest bearing bank loans and overdrafts are initially measured at fair value (proceeds received, net of direct issue costs), and are subsequently measured at amortised cost, using the effective interest rate method.

#### *Payment In Kind (PIK) notes*

PIK notes issued represent unsecured loan notes repayable on demand with a fixed interest rate of 5% per annum and have no conversion rights. The loan notes are recognised at fair value at inception and amortised cost thereafter using the effective interest rate method.

#### *Hedge accounting*

The Group uses interest rate swaps and forward currency contracts to hedge exposures to interest rate and foreign exchange rate movements which are designated in cash flow hedges. Changes in the fair value of the derivative financial instruments that are designated, and effective hedges of future cash flows, are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### *Financial instruments (continued)*

##### *Hedge accounting (continued)*

recognised in profit or loss as they arise and the ineffective portion is recognised immediately in profit or loss

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 22. 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 Group. 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 Group 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
- 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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (continued)

#### *Financial instruments (continued)*

##### *Derecognition of financial assets and liabilities (continued)*

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

#### *New and amended standards and interpretations*

##### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not significantly impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

##### *Standards issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

##### *IFRS 9 Financial Instruments*

IFRS 9, as issued, applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is not yet endorsed within the EU and an effective date of application is still to be set.

##### *IFRS 15 Revenue from contracts with customers*

IFRS 15, as issued in May 2014, is effective for annual periods beginning 1 January 2017. The group needs to apply the new revenue standard as at the effective date. The group also needs to present comparative periods under the new revenue standard. The group is assessing the expected impact.

##### *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12.

**Consolidation — Special Purpose Entities** IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014 and is not expected to have a significant impact on the Group.

##### *IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method and JCEs that meet the definition of a joint operation must

## Notes to the financial statements

at 31 March 2014

### 1. Accounting policies (*continued*)

#### *Standards issued but not yet effective (continued)*

be accounted by recognising its share of assets, liabilities, revenue, and expenses. This standard becomes effective for annual periods beginning on or after 1 January 2014, and is to be applied retrospectively for joint arrangements held at the date of initial application and is not expected to have an impact on the Group.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard becomes effective for annual periods beginning on or after 1 January 2014. The Group is assessing the extent of the impact of this standard on its disclosures.

#### *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard is effective for annual periods beginning on or after 1 January 2014. The Group is assessing the extent of the impact of this standard on its disclosures.

#### *Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

Amendments to IFRS 11 were issued on May 2014 and are effective for annual periods beginning 1 January 2016. The amendments are not expected to have an impact on the Group.

#### *Amendments to IAS 16 and IAS 28 Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to IAS 16 and IAS 28 were issued on May 2014 and are effective for annual periods beginning 1 January 2016. Management anticipates that the adoption of these standards and interpretation in future periods will have an impact on the results and the financial position in these financial statements. Management are in the process of assessing the impact on the Group of these standards.

The Group does not intend to adopt any of the above standards before their effective date.

### 2. Critical accounting estimates and judgements

In the application of the Group'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.

#### *Construction contracts – critical judgement and estimation*

Assessing the stage of completion of a construction contract requires judgement to be exercised based on a range of factors, including but not limited to, progress milestones achieved, costs incurred relative to total expected costs, and an assessment as to whether milestones and or costs are representative of progress. In addition estimates are made to the expected costs to be incurred. These judgements and estimates may in the passage of time not be proved to be correct and may impact the recognition of revenue, costs, profits, and provisions for onerous contracts.

#### *Asset impairment testing – critical judgement and estimation*

The Group reviews its goodwill and, other non-current assets if indicators exist, for impairment at each balance sheet 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. In order to assess if impairment exists, management estimates discounted future cash flows, residual values and the remaining

## Notes to the financial statements

at 31 March 2014

### 2. Critical accounting estimates and judgements (continued)

#### *Asset impairment testing – critical judgement and estimation (continued)*

economic lives of assets, a suitable discount rate and recoverable amounts based on comparable market transactions. Market factors affecting expected future revenue, operating expenses and residual values may affect the discounted future cash flows. Actual outcomes may differ from the estimates and judgements made which could result in potential impairment losses recognised in future periods. Further details are set out in note 12.

#### *Residual value and estimated remaining lives – critical estimate*

The cost of the vessels is depreciated over the estimated residual life of 30 years from when the vessels are available for intended use. Residual values are estimated based on management's estimates of the value of the vessels at the balance sheet date assuming they were already of an age and condition expected at the end of their useful economic life. This has been computed as 3% of the vessel construction or acquisition cost. In addition management have estimated the used lives of certain intangible assets, being the Trade Name.

Changes in the estimated residual value and estimated useful lives of such assets could result in adjustments to the current and future depreciation and amortisation charges made through profit or loss.

### 3. Segmental analysis

#### *Revenue analysis by activity*

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Time charter income	54,646	53,678
Income from construction contracts (note 4)	158,938	111,622
Other operating income	5,609	4,047
	<u>219,193</u>	<u>169,347</u>

Other operating income relates to catering and other similar costs incurred and recharged to the charterers.

#### *Geographical analysis:*

	<i>Year ended 31 March 2014</i>		<i>13 months ended 31 March 2013</i>	
	<i>Revenue US\$000</i>	<i>Gross profit US\$000</i>	<i>Revenue US\$000</i>	<i>Gross profit US\$000</i>
United Kingdom	45,196	32,984	29,453	20,663
Germany	166,990	101,540	111,622	54,798
Holland	7,007	5,424	28,272	20,520
	<u>219,193</u>	<u>139,948</u>	<u>169,347</u>	<u>95,981</u>

All of the above amounts relate to continuing operations.

## Notes to the financial statements

at 31 March 2014

### 4. Construction contract

During the current year and prior period, one of the Company's subsidiaries was party to a construction contract for the installation of wind farm components

Revenue of US\$158,938,000 (13 months ended 31 March 2013 US\$111,622,000) has been recognised during the year based on the stage of completion which is determined from the completion of contractual milestones

At the balance sheet date, the total costs incurred in relation to the contract were US\$60,298,000 (31 March 2013 US\$62,494,000) These costs are also recognised on a stage of completion basis Based on the recognised revenue and costs, a profit of US\$98,028,000 (13 months ended 31 March 2013 profit of US\$54,796,000) has been recorded in the year/period

Gross amounts due from customers

	2014 US\$000	2013 US\$000
Costs incurred plus recognised profits	275,619	117,292
Recognised losses plus progress billings	(271,349)	(116,737)
Gross amounts due from customers (note 13)	<u>4,270</u>	<u>555</u>

The gross amounts due from customers consists of

	2014 US\$000	2013 US\$000
Accrued income	8,184	18,612
Prepayments	-	5,670
Deferred revenue	(3,914)	(23,727)
Gross amounts due from customers (note 13)	<u>4,270</u>	<u>555</u>

### 5. Staff costs

	Year ended 31 March 2014 US\$000	13 months ended 31 March 2013 US\$000
Wages and salaries	8,404	7,486
Social security costs	581	465
Pension contributions	228	1,002
Offshore crew costs	20,874	16,046
Other staff costs	372	384
	<u>30,459</u>	<u>25,383</u>

## Notes to the financial statements

at 31 March 2014

### 5. Staff costs (continued)

Staff costs are included in

	<i>Year ended 31 March 2014</i>	<i>13 months ended 31 March 2013</i>
Cost of sales	20,874	16,762
Administrative expenses	9,585	8,621
	<u>30,459</u>	<u>25,383</u>

The average monthly number of persons employed by the Group during the year/period was:

	<i>Year ended 31 March 2014 No</i>	<i>13 months ended 31 March 2013 No</i>
Management	5	5
Operations	35	30
Administration	19	16
Offshore crew	194	188
	<u>253</u>	<u>239</u>

Included within staff costs are directors' remunerations as follows

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Wages and salaries	1,320	1,554
Pension contributions	89	79
Other staff costs	-	53
	<u>1,409</u>	<u>1,686</u>

Three (13 months ended 31 March 2013 two) directors have been accruing benefits under a defined contribution pension scheme. The amounts paid to the highest paid director during the year/period was as follows

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Wages and salaries	1,231	1,126
Pension contributions	89	79
	<u>1,320</u>	<u>1,205</u>

## Notes to the financial statements

at 31 March 2014

### 5. Staff costs (continued)

Staff costs also include amounts paid to key management personnel amounting to US\$2,447,992 (13 months ended 31 March 2013 US\$2,179,000), of which US\$1,184,000 (13 months ended 31 March 2013 US\$ 971,000) was paid to a company controlled by a member of key management See note 24

### 6. Operating profit

This is stated after charging/(crediting)

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Auditors' remuneration – audit of the group	6	6
– audit of subsidiaries	173	163
– taxation services	53	33
	<u>226</u>	<u>202</u>
Cost of inventories recognised as an expense		
Depreciation of owned property plant and equipment	26,658	14,774
Amortisation of intangible assets	8,065	8,705
Net foreign exchange gain	1,516	3,459
Operating lease rentals	418	355
	<u>36,657</u>	<u>27,293</u>

### 7. Finance costs

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Interest on secured bank loan	13,840	12,193
Interest on intra-group PIK notes and intra-group loan (note 16)	1,405	1,320
Other interest and finance charges	443	2,733
	<u>15,688</u>	<u>16,246</u>

## Notes to the financial statements

at 31 March 2014

### 8. Income tax

(a) Tax on profit on ordinary activities

Tax charge in the income statement

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
<b>Current income tax:</b>		
UK corporation tax on the profit for the year	13,533	4,595
Overseas taxation	36	252
Under provision in prior year	1,679	-
Total current income tax	15,248	4,847
Deferred tax		
Current year	2,967	5,480
Adjustment in respect of prior year	(1,492)	277
Effect of changes in tax rates	(3,018)	-
Tax charge in the income statement	13,705	10,604

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower (2013 higher) than the standard rate of corporation tax in the UK of 23% (13 months ended 31 March 2013 – 24%) The differences are explained below

	<i>Year ended 31 March 2014 US\$000</i>	<i>13 months ended 31 March 2013 US\$000</i>
Profit from continuing activities before taxation	73,349	42,863
Losses not subject to tax	-	87
Profit on ordinary activities, subject to tax	73,349	42,950
Multiplied by UK standard rate of corporation tax of 23% (13 months ended 31 March 2013 – 24%)	16,870	10,308
<i>Effects of</i>		
Disallowable expenses	(388)	259
Adjustment in respect of prior years	186	-
Effects of rate change	(3,018)	-
Unrecognised deferred tax	55	-
Other	-	37
Total tax charge reported in the income statement	13,705	10,604

The comparatives have been restated to remove short-term timing differences which do not impact the total charge reported in the income statement

## Notes to the financial statements

at 31 March 2014

### 8. Income tax (continued)

(a) Deferred tax

	<i>Restated US\$000</i>
At 24 February 2012	-
Acquisition (note 25) as previously reported	19
Prior year adjustment (note 27)	<u>(14,710)</u>
Acquisition as restated	(14,691)
Short-term timing differences	(5,720)
Reduction in tax rate	240
Foreign exchange differences	<u>(167)</u>
At 31 March 2013	(20,338)
Short-term timing differences – current year	(2,967)
Reduction in tax rate	3,018
Foreign exchange differences	<u>165</u>
At 31 March 2014	<u>(20,122)</u>

	<i>Year ended 31 March 2014 US\$000</i>	<i>Restated 13 months ended 31 March 2013 US\$000</i>
Shown as		
Deferred tax asset	165	165
Deferred tax liability	<u>(20,287)</u>	<u>(20,503)</u>
	<u>(20,122)</u>	<u>(20,338)</u>

The main rate of corporation tax will reduce from 23% to 21% effective from 1 April 2014, and will reduce further to 20% effective from 1 April 2015. These changes were enacted on 17 July 2013. As this legislation was enacted or substantively enacted by the balance sheet date it has been reflected within these financial statements.

## Notes to the financial statements

at 31 March 2014

### 9. Investments – company only

	US\$000
At 24 February 2012	–
Additions	595,000
Disposals	–
At 31 March 2013	595,000
Additions	–
Disposals	–
At 31 March 2014	595,000

The subsidiaries of the Company as at 31 March 2014 are set out below. All of the subsidiaries are wholly owned.

Company name	Country of incorporation	Principal activity	% of voting rights
<i>Direct ownership</i>			
Seajacks International Limited	United Kingdom	Parent undertaking	100
<i>Indirect ownership</i>			
Seajacks 1 Limited	United Kingdom	Vessel owner	100
Seajacks 2 Limited	United Kingdom	Vessel owner	100
Seajacks 3 Limited	United Kingdom	Vessel owner	100
Seajacks 4 Limited	United Kingdom	Vessel under construction	100
Seajacks 5 Limited	United Kingdom	Vessel under construction	100
Seajacks UK Limited	United Kingdom	Vessel operator	100
Seajacks Crewing Services Limited	United Kingdom	Crew training services	100
Seajacks Merman Marine Limited	Bermuda	Crewing services	100

An additional subsidiary undertaking, Seajacks International Bermuda Ltd, was liquidated during the year. The shares in the subsidiaries are pledged as security against the bank loan (note 17).

## Notes to the financial statements

at 31 March 2014

### 10. Property, plant and equipment

#### Group

	<i>Vessels</i>	<i>Vessels</i>	<i>Vessel</i>	<i>Other</i>	
	<i>US\$000</i>	<i>under</i>	<i>component</i>	<i>fixed</i>	<i>Total</i>
		<i>construction</i>		<i>assets</i>	
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Cost</b>					
At 24 February 2012	–	–	–	–	–
Acquisition (note 25)	321,000	33,179	481	467	355,127
Additions	4,662	170,325	–	1,676	176,663
Transfer	152,297	(152,297)	–	–	–
Disposals	(1,857)	–	–	–	(1,857)
Foreign exchange differences	–	–	–	(8)	(8)
At 31 March 2013	476,102	51,207	481	2,135	529,925
Additions	6,126	91,033	–	928	98,087
Transfer	–	–	–	–	–
Disposals	(153)	–	–	(14)	(167)
Reclassification to inventory	–	–	(481)	–	(481)
Reclassification to non-current asset held for sale (note 15)	(956)	–	–	–	(956)
At 31 March 2014	481,119	142,240	–	3,049	626,408
<b>Depreciation</b>					
At 24 February 2012	–	–	–	–	–
Charge for the period	(14,472)	–	–	(302)	(14,774)
Disposals	40	–	–	–	40
Foreign exchange differences	–	–	–	(10)	(10)
At 31 March 2013	(14,432)	–	–	(312)	(14,744)
Charge for the year	(26,264)	–	–	(394)	(26,658)
Disposals	(109)	–	–	(32)	(141)
At 31 March 2014	(40,805)	–	–	(738)	(41,543)
<b>Net book value</b>					
At 31 March 2014	440,314	142,240	–	2,311	584,865
At 31 March 2013	461,670	51,207	481	1,823	515,181

There are no finance lease assets included within property, plant and equipment. The property, plant and equipment is pledged as security against the bank loan (note 17).

#### Capitalised borrowing costs

The Group had 2 vessels under construction during the year (2013: one). The group entered into the newbuild agreements for the vessels "Hydra" and "Scylla" on 16 July 2012 and 10 June 2013 respectively. The vessel Hydra was delivered in June 2014 (note 26) and the vessel Scylla is expected to be delivered in 2015. Vessels under construction at the year end amounting to \$142,240,000 are financed and secured against the loan facility (note 17). No borrowing costs have been capitalised during the year ended 31 March 2014 (2013: \$Nil).

## Notes to the financial statements

at 31 March 2014

### 10. Property, plant and equipment (continued)

#### Company

The company has no property, plant and equipment

### 11. Intangible assets

#### Group

	Trade name US\$000	Customer contracts US\$000	Total US\$000
Cost			
At 24 February 2012	—	—	—
Acquisition (note 25)	175,960	6,550	182,510
At 31 March 2013	175,960	6,550	182,510
Acquisition (note 25)	—	—	—
At 31 March 2014	175,960	6,550	182,510
Amortisation			
At 24 February 2012	—	—	—
Charge for the period	(4,888)	(3,817)	(8,705)
At 31 March 2013	(4,888)	(3,817)	(8,705)
Charge for the year	(5,332)	(2,733)	(8,065)
At 31 March 2014	(10,220)	(6,550)	(16,770)
Net book value			
At 31 March 2014	165,740	—	165,740
At 31 March 2013	171,072	2,733	173,805

The intangible assets are pledged as security against the bank loan (note 17)

#### Company

The company has no intangible fixed assets

### 12. Goodwill

	US\$000
	<i>restated</i>
At 24 February 2012	—
Acquisition as previously reported	129,459
Prior year adjustment (note 27)	14,710
Acquisition as restated (note 25) and at 31 March 2013 and 31 March 2014	144,169

## Notes to the financial statements

at 31 March 2014

### 12. Goodwill (*continued*)

The Group'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 (including goodwill) of the business

Forecast cash flows, used to determine value in use, represent pre-tax projections covering a 30 year period, based on financial budgets approved by senior management, excluding significant capital expenditure that would enhance the scale of the business which is not already contracted and the assets are under construction

In projecting the cash flows an estimated revenue growth rate has been assumed. This growth rate does not exceed the long-term historical and projected growth rate for the business and sector in which the business operates

The calculation of the value in use for goodwill is most sensitive to the discount rate and the revenue projections used to determine the cash flows. The headroom in the impairment review amounts to US\$748,000,000

*Discount rates* – The discount rate was estimated based on a market derived weighted average cost of capital as at 31 March 2014, calculated based on the market projected average cost of debt over the next 30 years and a market cost of equity derived using the capital asset pricing model assuming a long term equity risk premium and an appropriate equity beta. The pre-tax discount rate applied to future cash flows was 7.2% reflecting the specific risks relevant to the business

An increase in the pre-tax discount rate of 1% has the impact of reducing the present value of future cash flows and headroom at 31 March 2014 by US\$195,000,000. Impairment of goodwill would result where the pre-tax discount rate increased to 12.3% or higher

*Revenue* – Rates are estimated based on past experience, the Group's contracted employment, and expectations as to future market rates the vessels may earn. The long term growth rate used was 1%

A decrease in the revenue expectations of 5% has the impact of reducing the present value of future cash flows and headroom at 31 March 2014 by US\$182,000,000. Impairment of goodwill would result where the revenue forecasts decreased by 20% or higher

The company has no goodwill

### 13. Trade and other receivables

<i>Group</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
Trade receivables	22,802	25,076
Gross amounts due from customers under construction contracts (note 4)	4,270	555
Prepayments and accrued income	5,973	2,904
Other receivables	763	692
Amount due from other group undertaking	550	–
	<u>34,358</u>	<u>29,227</u>

All amounts due to the Group are secured against the bank loan (note 17)

Trade receivables are normally due within 30 days from the date the invoice is issued. Trade receivables are considered past due based on their respective credit periods. Except for the balances provided for, all other balances were fully performing at the reporting date

## Notes to the financial statements

at 31 March 2014

### 13. Trade and other receivables (*continued*)

The ageing analysis of trade and other receivables is as follows

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Impaired	–	–
Neither past due nor impaired	15,369	21,567
Past due but nor impaired 0- 30 days	3,974	3,497
Past due but nor impaired 31 – 60 days	3,459	–
Past due but nor impaired 61-90 days	–	–
Past due but nor impaired 91-120 days	–	–
Past due but nor impaired more than 120 days	–	12
	<u>22,802</u>	<u>25,076</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above which approximate their fair value at the reporting date. The Group does not hold any collateral as security.

There are no provisions against trade and other receivables.

<i>Company</i>	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Amounts due from subsidiary company	<u>63,704</u>	<u>30,116</u>

The amounts due from the subsidiary company relate to intra-group PIK notes and an intra-group loan issued to Seajacks International Limited. The amounts are unsecured, repayable on demand and earn interest at 5% per annum and are neither impaired nor overdue. The balance includes accrued interest of US\$552,000 (2013 US\$ 1,320,000).

## Notes to the financial statements

at 31 March 2014

### 14. Cash and cash equivalents

<i>Group</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
Cash at bank and short term cash deposits	18,692	27,907
Restricted cash	37,448	57,200
	<u>56,140</u>	<u>85,107</u>

Cash and cash equivalents are pledged as security against the bank loan (note 17)

The company has no cash and cash equivalents

### 15. Non-current asset held for sale

Assets held for sale represent a crane which is being actively marketed and the Group expects to dispose of within the next 12 months

### 16. Trade and other payables

<i>Group</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
Trade payables	6,673	7,940
Accruals	8,956	8,353
Corporation tax payable	3,998	4,914
Other payables	2,906	2,635
Amount due to immediate parent undertaking	63,750	30,327
	<u>86,283</u>	<u>54,169</u>
 <i>Company</i>	 <i>2014</i> <i>US\$000</i>	 <i>2013</i> <i>US\$000</i>
Trade payables	2	–
Accruals	7	–
Amount due to immediate parent undertaking	63,750	30,116
	<u>63,759</u>	<u>30,116</u>

Amounts due to the immediate parent undertaking relate to intra-group PIK notes and an intra-group loan issued by Atlantis Equityco Limited. The amounts are unsecured, repayable on demand and earn interest at 5% per annum. The balance includes accrued interest of US\$552,000 (2013 US\$ 1,320,000)

## Notes to the financial statements

at 31 March 2014

### 17. Interest-bearing loans and borrowings

#### Group

The bank loan outstanding at 31 March 2014 is as follows

	2014 US\$000	2013 US\$000
Bank loan	212,795	262,140
Less unamortised loan arrangement fees	(8,122)	(10,018)
	204,673	252,122
Less current portion	(34,398)	(22,847)
Long-term portion	170,275	229,275

The loan arrangement fees are being amortised over the terms of the loans. The loan carries interest at a rate of USD LIBOR plus 3.75% margin. The margin will vary with leverage when in the event of no default continuing as follows:

Leverage	Margin per cent per annum
Greater than or equal to 2.1	3.75%
Less than 2.1 but greater than or equal to 1.51	3.50%
Less than 1.51	3.25%

Facility A1 and A2 are repayable in instalments by repaying on each facility an amount which reduces the outstanding facility by an amount equal to the relevant percentage as follows:

Up to 6 March 2014	2.35%
Up to 6 December 2016	3.53%
Up to 6 March 2018	4.53%
Up to 6 December 2018	All outstanding amount

The loan agreement includes an undrawn revolving facility loan of US\$20,000,000 (2013: US\$20,000,000) which is available in the future for the operating activities and settling capital commitments.

The loan agreement has certain clauses which require the Group to accelerate the repayment of the loan facilities if excess cash is generated by the company. Based on the forecasted cashflows management do not expect an accelerated repayment and therefore the current and non-current classification is considered an accurate reflection of the expected maturity.

In the event of a flotation that does not lead to a change of control there are certain circumstances which will require accelerated repayment. If leverage is greater than or equal to 2.1, 100% of the flotation proceeds shall be applied in prepayment of the facilities until leverage is less than 2.1. If leverage is less than 2.1 the Group may allocate the remaining flotation proceeds to fund Seajacks 4 & Seajack's 5 projects.

At the balance sheet date, the bank loan is secured against the share capital in subsidiaries (note 9), tangible fixed assets (note 10), intangible assets (note 11), trade and other receivables (note 13), cash and cash equivalents (note 14), earnings associated with the vessels, the leasehold office agreement and the issued share capital of the Company (note 19).

## Notes to the financial statements

at 31 March 2014

### 18. Derivative financial instruments

The fair value of the Group's derivative financial instruments is as follows

	<i>Hedging instruments</i>			<i>Total</i> <i>US\$000</i>
	<i>Foreign</i> <i>currency</i> <i>contracts</i>	<i>Interest rate</i> <i>swap</i>	<i>Interest rate</i> <i>swap</i>	
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	
At 1 April 2013	4,111	(1,145)	–	2,966
(Loss)/gain recognised in profit or loss	(4,111)	378	–	(3,733)
Effective portion recognised in other comprehensive income	300	1,099	–	1,399
Ineffective portion recognised in profit or loss	–	–	–	–
At 31 March 2014	300	332	–	632

	<i>Hedging instruments</i>			<i>Total</i> <i>US\$000</i>
	<i>Foreign</i> <i>currency</i> <i>contracts</i>	<i>Interest rate</i> <i>swap</i>	<i>Interest rate</i> <i>swap</i>	
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	
At 24 February 2012	–	–	–	–
Acquisition (note 25)	7,355	–	(874)	6,481
(Loss)/gain recognised in profit or loss	(3,655)	–	29	(3,626)
Settlement of interest rate swap	–	–	845	845
Effective portion recognised in other comprehensive income	446	(1,145)	–	(699)
Ineffective portion recognised in profit or loss	(35)	–	–	(35)
At 31 March 2013	4,111	(1,145)	–	2,966

<i>Shown as</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
Current assets	334	5,671
Non-current assets	1,256	–
Current liabilities	(958)	(2,432)
Non-current liabilities	–	(273)
	<u>632</u>	<u>2,966</u>

The Group enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected revenue and expenses. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. Notional amounts are as provided in Note 22.

### 18. Derivative financial instruments (continued)

## Notes to the financial statements

at 31 March 2014

The Group's interest bearing financial liabilities are exposed to the risks associated with fluctuations in prevailing levels of market interest rates on its financial position and cash flows. In accordance with the terms of the loan agreements and its strategy of protecting itself from fluctuations in interest rates, the

Group has entered into two cross currency interest rate swap contracts for certain term loans which fixes the interest rate payable (refer to Note 17). In addition, loans from related parties bear fixed rates and accordingly, the Group is not exposed to significant interest rate risk in relation to these loans.

### 19. Share capital

		2014		2013
	No	US\$000	No	US\$000
<i>Authorised</i>				
Ordinary shares of par value US\$1 each	595,000,016	<u>595,000</u>	595,000,016	<u>595,000</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of par value US\$1 each	595,000,016	<u>595,000</u>	595,000,016	<u>595,000</u>

The issued shares are fully paid, are of the same class and have the same voting rights. The share capital held by the company's parent is pledged as security against the bank loan (note 17). In the prior period 595,000,016 ordinary shares were issued at par for cash consideration.

### 20. Other financial commitments

The minimum future lease rentals receivable under non-cancellable operating leases on the time charter of vessels as of 31 March 2014 are as follows:

	2014	2013
	US\$000	US\$000
Operating leases which expire		
Within one year	<u>49,280</u>	<u>28,060</u>

As of 31 March 2014 the Group is also contracted to receive US\$7,997,000 (31 March 2013 US\$71,827,000) on the construction contract referred to in note 4.

The minimum future lease rentals payable under non-cancellable operating leases as of 31 March 2014 are as follows:

	Land and Buildings 2014 US\$000	Land and Buildings 2013 US\$000
Operating leases which expire		
Within one year	374	374
In two to five years	1,497	1,497
Over five years	<u>3,081</u>	<u>3,455</u>
	<u>4,952</u>	<u>5,326</u>

## Notes to the financial statements

at 31 March 2014

### 20. Other financial commitments (continued)

As of 31 March 2014, the Group is also contracted to pay US\$Nil (31 March 2013 US\$15,937,000) for equipment required on the construction contract referred to in note 4.

### 21. Capital commitments

The Group has entered into construction agreements to build and purchase two self-propelled jack up vessels (2013 one) for a total contract price of US\$371,900,000 (31 March 2013 US\$120,900,000). At the balance sheet date, the Group is committed to the remaining balance of the contracted purchase price of US\$237,530,000 (31 March 2013 US\$72,540,000) payable in instalments to the delivery dates of the two vessels in June 2014 and 2015.

### 22. Financial instruments

#### Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's board of directors meets on a regular basis to monitor the Group's sensitivity to financial risk. The Group makes use of an interest rate swap and forward currency contracts to moderate certain risk exposures to fluctuations in interest rates and exchange rates.

#### Categories of financial instruments

The categories of the Group's financial instruments are as follows:

	2014 Book value US\$000	2014 Fair value US\$000	Restated 2013 Book Value US\$000	Restated 2013 Fair value US\$000
<b>Financial assets</b>				
<i>Financial instruments at fair value through profit and loss/OCI</i>				
Hedging instruments	1,590	1,590	5,671	5,671
<i>Loans and receivables</i>				
Trade and other receivables	24,115	24,115	26,323	26,323
Cash and cash equivalents	56,140	56,140	85,107	85,107
	<u>80,255</u>	<u>80,255</u>	<u>111,430</u>	<u>111,430</u>
<b>Financial liabilities</b>				
<i>Financial instruments at fair value through profit and loss/OCI</i>				
Hedging instruments	958	958	2,705	2,705
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	73,329	73,329	40,902	40,902
Bank loan	204,673	213,841	252,122	254,602
	<u>278,002</u>	<u>287,170</u>	<u>293,024</u>	<u>295,504</u>

## Notes to the financial statements

at 31 March 2014

### 22. Financial instruments (continued)

The comparative amounts above have been restated to exclude amounts which should not have been included within Trade and other receivables and Trade and other payables, such as taxation and prepayments

The following methods and assumptions were used to estimate the fair values

- The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximates to their carrying amounts due to the short-term maturities of these instruments
- The fair value of term and revolving bank loan facilities approximates to their carrying value as they bear interest at a rate linked to US\$ LIBOR and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy set out in IFRS 7 27, and
- The derivative financial instruments are not traded in an active market, hence their fair value is determined by using discounted cash flow valuation techniques. These valuation techniques maximise the use of observable market data where available, including credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves, and rely as little as possible on entity specific estimates (i.e. they are at Level 2 in the hierarchy set out in IFRS 7 27)

#### Interest rate risk

The Group's interest-bearing financial assets and liabilities 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 Group is subject to interest rates on its bank loan, the intra-group loan and PIK notes issued by the immediate parent undertaking, Atlantis Equityco Limited

#### Bank loan

A subsidiary of the Company, Seajacks International Limited entered into a loan with a syndicate of banks for a period of five years. The bank loan consists of the following facilities

Facility A1	–	US\$165,000,000
Facility A2	–	US\$85,000,000
Revolver	–	US\$20,000,000

Interest on the loan is charged as US\$ LIBOR plus a margin as set out in note 17. The Group has drawn down US\$Nil (13 months ended 31 March 2013: US\$268,465,000) of the loan during the year.

The Group uses an interest rate swap to manage its exposure to interest rate movements on this loan and has entered into a contract to fix the interest rate for 67% (2013: 75%) of the A1 and A2 facilities. The interest swap has a notional value of US\$168,525,000 (2013: US\$187,500,000) with fixed interest payments at 4.58% (2013: 4.58%) p.a. for periods of settlement between June 2012 and May 2017. The fair value of the interest rate swap at 31 March 2014 is shown in note 18. The interest rate swap was designated as a hedge at inception on 18 June 2012. The effectiveness of the hedge was tested successfully at inception and the reporting date. The movement in the fair value of the swap during the period was therefore recognised in other comprehensive income.

At 31 March 2014, should interest rates have increased/decreased by 50 basis points with all other variables remaining constant, it is estimated that the decrease/increase in profits would amount to US\$2,715,000 (2013: US\$4,004,000) arising on the higher interest payable on the bank loan. The impact on the fair value of the interest rate swaps if interest rates increase/decrease by 50 basis points would be a decrease/increase in the financial liability of US\$2,692,000 (2013: US\$2,729,000).

The Group's chief financial officer and the treasury department monitor the sensitivity to interest rates on a regular basis and report to the Board.

#### Intra-group loan and PIK note

The Company has entered into an intra-group loan and intra-group PIK notes with its parent undertaking which is subject to a fixed interest rate of 5% p.a. and therefore is not exposed to floating interest rate risk.

## Notes to the financial statements

at 31 March 2014

### 22. Risk and financial instruments (*continued*)

#### **Currency risk**

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

The Group is subject to currency risk on its foreign currency balances and foreign currency contracts, the primary currencies to which the Group is exposed to currency risk are the Euro and GB Pound

During the year, the Group recognised a foreign exchange gain of US\$1,516,000 (13 months ended 31 March 2013 US\$3,459,000) which arose on the transactions in Euros and GB Pounds and the retranslation of monetary assets and liabilities

Management monitor the exposure to currency risk on a regular basis and partially mitigate the risk by using foreign currency contracts. The fair value of the foreign currency contracts is shown in note 18. During the year, the Group adopted hedge accounting for the following forward rate contracts

Currency	Notional value	Fixed rate	Maturity
2014			
US\$/GBP	£10,600,000	1.6325	7 August 2014
EUR/US\$	€7,693,280	1.3738	15 May 2014
2013			
US\$/GBP	£25,600,000	1.5732 – 1.5801	7 March 2014
EUR/US\$	€86,401,000	1.4008-1.2965	2 December 2013

At the balance sheet date, had the exchange rates between the US Dollars and British Pounds and Euros increased/decreased by 10%, the impact on the Group's results would be an increase/decrease of US\$1,614,000 (2013 US\$1,940,000)

Hedge accounting was adopted at the inception of the contracts. The effectiveness of the hedges was tested successfully at inception and the reporting date. The effective portion of the movement in the fair value of the foreign currency contract during the period was therefore recognised in other comprehensive income.

#### **Credit risk**

The Group services the off-shore industry by time chartering (leasing) its vessels to third party charterers and by entering into construction contracts. The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Management mitigate this risk by only chartering the vessels to blue chip companies and conducting comprehensive credit reviews of counterparties with payment terms limited to 30 days. Concentration of credit risk exists to the extent that 99% (2013 99%) of cash and cash equivalents are held with two (2013 two) financial institutions with credit ratings according to Moody's Investor Service of A1.

Concentration of credit risk also exists to the extent that amounts of US\$15,666,034 (2013 US\$25,061,000) which represent 68% (2013 86%) of trade and other receivables are due from three (2013 three) counterparties. The amounts have been recovered subsequent to the balance sheet date.

## Notes to the financial statements

at 31 March 2014

### 22. Risk and financial instruments (continued)

#### Liquidity risk

The Group's finance department monitors the liquidity position by preparing cash-flow forecasts, maintaining adequate reserves and borrowing facilities to ensure sufficient funds are available. The Group is exposed to risks relating to the current economic environment but its cash and cash equivalents, bank loan and charter coverage are adequate for the Group to meet its obligations and finance its operations.

The following table represents the undiscounted maturity of the Group's bank loan and hedging instruments as at 31 March 2014

	2014		2013	
	<i>Bank loan</i>	<i>Hedging instruments</i>	<i>Bank loan</i>	<i>Hedging instruments</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Within one year	44,804	676	54,171	2,445
In one and two years	45,864	186	43,955	578
In two and five years	154,909	-	196,049	179
	<u>245,577</u>	<u>863</u>	<u>294,175</u>	<u>3,202</u>

The company has both intra-group receivables and payables as set out in notes 13 and 16 which are repayable on demand and are interest free.

### 23. Capital management

The capital management of the Group includes all components of equity and a bank loan. Total equity at 31 March 2014 was US\$ 680,115,000 (2013 US\$626,420,000) and the bank loan was US\$212,795,000 (2013 US\$262,140,000).

The Group's objectives when managing capital are

- to safeguard the Group's ability to continue as a going concern,
- to enhance the ability of the Group to reinvest in future projects by sustaining a strong balance sheet position, and
- to provide an adequate return to its shareholders

The board reviews the capital management of the Group regularly. It is the Group's policy to always maintain a level of equity which enables the 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. As part of this review, management makes adjustments to it in the light of changes in economic conditions and the risk characteristics relating to the Group's activities.

The Group has bank covenants which need to be met for interest bearing loans and borrowings. The Group monitors its compliance with these covenants on an ongoing basis.

## Notes to the financial statements

at 31 March 2014

### 24. Related party transactions

Related parties represent shareholder, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. At the reporting date, significant balances with related parties are as follows

#### Related party balances - Group

<i>Due from related parties</i>	2014 US\$000	2013 US\$000
Due from parent company	539	—
Due from ultimate parent company	11	—
	<u>550</u>	<u>—</u>
 <i>Due to related parties</i>	 2014 US\$000	 2013 US\$000
Balance due to immediate parent company	63,750	30,727
	<u>63,750</u>	<u>30,727</u>
 <i>Finance costs relating to loan from related party</i>	 2014 US\$000	 2013 US\$000
Interest on intra-group PIK notes paid to parent company	1,405	1,320
 <i>Other costs</i>		
Service charges paid to group undertakings	698	803
Bond costs paid to group undertakings	141	526
Advisory services paid to group undertakings	-	1,130

During the year, Group paid consultancy fees amounting to US\$1,184,000 (2013 US\$971,000) to ScanCorp, of which one of the directors of the Group is a director and controlling shareholder of ScanCorp. Balance due to ScanCorp at 31 March 2014 is US\$570,000 (2013 US\$51,000)

#### Related party balances - Company

<i>Due from related parties</i>	2014 US\$000	2013 US\$000
Balance due from subsidiary company	63,704	30,116
	<u>63,704</u>	<u>30,116</u>
 <i>Due to related parties</i>	 2014 US\$000	 2013 US\$000
Balance due to immediate parent company	63,750	30,116
	<u>63,750</u>	<u>30,116</u>
 <i>Income</i>	 2014 US\$000	 2013 US\$000
Interest on intra-group PIK notes received from subsidiary	1,405	1,320
	<u>1,405</u>	<u>1,320</u>

## Notes to the financial statements

at 31 March 2014

### 24. Related party transactions (continued)

<i>Finance costs relating to loan from related party</i>	2014	2013
	US\$000	US\$000
Interest on intra-group PIK notes paid to parent company	1,405	1,320
	<u>1,405</u>	<u>1,320</u>

### 25. Business combination in prior period

On 3 May 2012, the Group acquired Seajacks International Bermuda Ltd and its subsidiaries

	<i>Restated 2013 US\$000</i>
Tangible fixed assets (note 10)	355,127
Intangible assets (note 11)	182,510
Deferred tax liability (note 7(c) and note 27)	(14,691)
Derivative financial instruments (note 18)	6,481
Current assets	68,400
Current liabilities	(146,996)
Net assets acquired	<u>450,831</u>
Consideration	595,000
Less fair value of net assets acquired	<u>(450,831)</u>
Goodwill (note 12)	<u>144,169</u>
Consideration	595,000
Less consideration issued as PIK notes and intra-group loans	<u>(28,796)</u>
Cash consideration	<u>566,204</u>
Cash acquired	35,596
Less Settlement of loan facilities of the subsidiaries of Seajacks International Bermuda Ltd	(95,000)
Less cash consideration	<u>(566,204)</u>
Cash flow on acquisition of subsidiaries less cash acquired	<u>(625,608)</u>

Key management previously held a minority share in Seajacks International Bermuda Ltd. Following the acquisition of the shares of this group, US\$28,796,000 of the consideration due to management for the sale of their shares were reinvested into shares and convertible PIK notes in the parent undertaking, Atlantis Equityco Limited. The cash reinvested by management was retained by Seajacks International Limited and intra-group PIK notes and an intra-group loan were set up to transfer the consideration from Seajacks International Limited to Atlantis Equityco Limited.

The fair value of the intangible assets recognised on acquisition was based on a purchase price allocation report prepared by an independent party.

Details of the restatement to the above are given in note 27.

## Notes to the financial statements

at 31 March 2014

### 25. Business combination in prior period (*continued*)

The goodwill recognised on acquisition represents the synergies expected from combining the business of Seajacks International Bermuda Ltd with the existing activities of the joint controlling parties, including contacts and relationships, knowledge and experience of the Asian market

### 26. Events since the balance sheet date

On the 2 June 2014 the Group took delivery of its fourth vessel, a self-propelled jack up vessel, "Seajacks Hydra"

### 27. Prior year restatement

The group financial statements for the year ended 31 March 2013 have been restated to reflect an under provision for deferred tax on the acquisition described in note 25

As a result, the following amounts have been restated

- Goodwill and deferred tax liabilities at acquisition have increased by US\$14.7m to US\$144m and US\$20m respectively
- Goodwill and deferred tax liabilities at 31 March 2013 have increased by US\$14.7m to US\$144m and US\$20m respectively
- There is no change in reported net assets, equity, net current assets in any period
- There is no change to the income statement as previously reported for the 13 months ended 31 March 2013

The company financial statements are not impacted by the above restatement

### 28. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Atlantis Equityco Limited, a company incorporated in the United Kingdom. Ultimate control lies with Marubeni Corporation of Japan, incorporated in Japan

The largest and smallest group for which financial statements have been prepared is Atlantis Equityco Limited, and Marubeni Corporation. The financial statement of Atlantis Equityco Limited are available from the Company's registered office. The financial statement of Marubeni Corporation are available to download from their website [www.marubeni.com](http://www.marubeni.com)