Company Registration No. SC464549 (Scotland)

SENTINEL OFFSHORE VESSELS 2 LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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SENTINEL OFFSHORE VESSELS 2 LIMITED

COMPANY INFORMATION

Directors	R S Deans J C Mitchell V A Slattery J F L M Simons
Secretary	V A Slattery
Company number	SC464549
Registered office	First Floor Navigator House 77 Waterloo Quay ABERDEEN AB11 5DE
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place ABERDEEN AB10 1YL

SENTINEL OFFSHORE VESSELS 2 LIMITED

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SENTINEL OFFSHORE VESSELS 2 LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	4		17,891,361		8,463,389
Current assets					
Debtors	5	734,276		373,097	
Cash at bank and in hand		715,169		45,876	
		1,449,445		418,973	
Creditors: amounts falling due within one year	6	(8,484,081)		(766,548)	
Net current liabilities			(7,034,636)		(347,575)
Total assets less current liabilities			10,856,725		8,115,814
Capital and reserves					
Called up share capital	7		11,989,217		8,591,217
Profit and loss reserves			(1,132,492)		(475,403)
Total equity			10,856,725		8,115,814

The directors of the company have elected not to include a copy of the income statement within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 10/4/17 and are signed on its behalf by:

R S Deans
Director

Company Registration No. SC464549

SENTINEL OFFSHORE VESSELS 2 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2015		7,666,000	(254,652)	7,411,348
Year ended 31 December 2015:				
Loss and total comprehensive expenditure for the year		-	(220,751)	(220,751)
Issue of share capital	7	925,217	-	925,217
Balance at 31 December 2015		8,591,217	(475,403)	8,115,814
Year ended 31 December 2016:				
Loss and total comprehensive expenditure for the year		-	(657,089)	(657,089)
Issue of share capital	7	3,398,000	-	3,398,000
Balance at 31 December 2016		11,989,217	(1,132,492)	10,856,725

1 Accounting policies

Company information

Sentinel Offshore Vessels 2 Limited is a private company limited by shares incorporated in Scotland. The registered office and principal place of business is First Floor, Navigator House, 77 Waterloo Quay, ABERDEEN, AB11 5DE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The company has made a loss of £657,089 (2015: £220,751) for the year ended 31 December 2016. The company had net current liabilities of £7,034,636 (2015: £347,575) at the balance sheet date. Included within current liabilities are amounts due to group undertakings of £nil (2015: £489,593) within the Sentinel Offshore Holdings Limited group ("the group").

The company has capital commitments for three new build vessels amounting to £27.9m (2015: £30.9m). These vessels are scheduled to be delivered late 2017/early 2018.

The directors have received a letter of support from Sentinel Offshore Holdings Limited (the company's parent) confirming its and the group's financial support for the company, and that the group will not seek repayment of any intercompany liabilities at the expense of any other creditors, for a period of at least 12 months from the date of signing these financial statements.

The directors are satisfied that the group can provide the necessary financial support if required. This means that the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Tangible fixed assets

Tangible fixed assets are measured at cost net of depreciation and any impairment losses.

1 Accounting policies **(Continued)**

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Vessels	25 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies **(Continued)**

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, external loans, and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation of vessels

Vessels are depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less cost to sell valuation is based on available data from sales transaction in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

The directors have considered whether or not there were indicators of impairment and concluded that at the balance sheet date none were identified. The assessment included both external sources such as the market conditions, and internal sources such as physical damage and obsolescence.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 4 (2015 - 4).

4 Tangible fixed assets

	Assets under construction	Vessels	Total
	£	£	£
Cost			
At 1 January 2016	8,463,389	-	8,463,389
Additions	637,668	8,452,140	9,089,808
Transfers intra group	(2,322,464)	2,962,348	639,884
At 31 December 2016	6,778,593	11,414,488	18,193,081
Depreciation and impairment			
At 1 January 2016	-	-	-
Depreciation charged in the year	-	301,720	301,720
At 31 December 2016	-	301,720	301,720
Carrying amount			
At 31 December 2016	6,778,593	11,112,768	17,891,361
At 31 December 2015	8,463,389	-	8,463,389

5 Debtors

	2016	2015
Amounts falling due within one year:	£	£
Amounts due from group undertakings	734,276	373,097

6 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	64,193	273,955
Amounts due to group undertakings	-	489,593
Corporation tax	152	-
Other creditors	8,419,736	3,000
	8,484,081	766,548

7 Called up share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
11,989,217 (2015: 8,591,217) Ordinary shares of £1 each	11,989,217	8,591,217

7 Called up share capital **(Continued)**

Reconciliation of movements during the year:

	Ordinary Number
At 1 January 2016	8,591,217
Issue of fully paid shares	3,398,000
At 31 December 2016	11,989,217

During the year 3,398,000 Ordinary shares were issued at par.

8 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.
The senior statutory auditor was David Wilson.
The auditor was Johnston Carmichael LLP.

9 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
Acquisition of vessels	27,909,444	30,913,908

10 Related party transactions

Transactions with related parties
The company has taken advantage of the exemption available in accordance with section 33 of FRS 102 'Related Party Disclosures' not to disclose related party transactions with any wholly owned members of the group.

No guarantees have been given or received.

11 Parent company

The company considers Sentinel Offshore Holdings Limited as its ultimate parent company, a company registered in Scotland. Copies of the group financial statements can be obtained from Companies House, 4th Floor, Edinburgh Quay, 139 Fountainbridge, Edinburgh, EH3 9FF.

Throughout the year, the company was controlled by the directors.