



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	994 289 764
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	ISLAND OFFSHORE XII SHIP AS
Forretningsadresse:	Stålhaugen 9 6065 ULSTEINVIK

### Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023
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### Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Asbjørn Hasund
Dato for fastsettelse av årsregnskapet:	23.05.2024

### Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 03.08.2025



## Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	2,9	246 640 797	204 244 869
<b>Sum inntekter</b>		<b>246 640 797</b>	<b>204 244 869</b>
<b>Kostnader</b>			
Varekostnad	9	56 193 348	87 462 634
Lønnskostnad	9	71 193 213	59 684 006
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	40 499 086	34 490 704
Annen driftskostnad	4	3 825 354	3 301 524
<b>Sum kostnader</b>		<b>171 711 002</b>	<b>184 938 868</b>
<b>Driftsresultat</b>		<b>74 929 795</b>	<b>19 306 001</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	3	15 245 608	2 632 291
<b>Sum finansinntekter</b>		<b>0</b>	<b>0</b>
Nedskrivning av finansielle eiendeler		8 680 494	11 032 061
Rentekostnad til foretak i samme konsern		6 662 779	2 489 019
Annen finanskostnad	3	15 845 305	13 359 821
<b>Sum finanskostnader</b>		<b>0</b>	<b>0</b>
<b>Netto finans</b>		<b>-15 942 970</b>	<b>-24 248 610</b>
<b>Resultat før skattekostnad</b>		<b>58 986 825</b>	<b>-4 942 610</b>
Skattekostnad	10	14 650 055	1 343 094
<b>Årsresultat</b>		<b>44 336 770</b>	<b>-6 285 704</b>
<b>Totalresultat</b>		<b>44 336 770</b>	<b>-6 285 704</b>
<b>Overføringer og disponeringer</b>			
Udekket tap		44 336 770	-6 285 704
<b>Sum overføringer og disponeringer</b>	11	<b>44 336 770</b>	<b>-6 285 704</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Sum immaterielle eiendeler		0	0
<b>Varige driftsmidler</b>			
Maskiner og anlegg	5,7	605 636 837	621 600 086
Sum varige driftsmidler		605 636 837	621 600 086
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	6	518 739 822	525 909 685
Lån til foretak i samme konsern	9	144 908 338	144 917 667
Sum finansielle anleggsmidler		663 648 159	670 827 351
Sum anleggsmidler		1 269 284 996	1 292 427 437
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer		14 534 627	13 373 562
Sum varer		14 534 627	13 373 562
<b>Fordringer</b>			
Kundefordringer	7,9	21 242 195	28 028 293
Andre fordringer	9	34 054 380	229 131 129
Sum fordringer		55 296 575	257 159 422
<b>Investeringer</b>			
Sum investeringer		0	0
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	7	61 419 955	1 197 369
Sum bankinnskudd, kontanter og lignende		61 419 955	1 197 369
Sum omløpsmidler		131 251 157	271 730 354
<b>SUM EIENDELER</b>		<b>1 400 536 153</b>	<b>1 564 157 790</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	12	404 097 000	404 097 000
Overkurs		328 188 318	328 188 318
Annen innskutt egenkapital		0	0
<b>Sum innskutt egenkapital</b>		<b>732 285 318</b>	<b>732 285 318</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		302 361 994	258 025 224
<b>Sum opptjent egenkapital</b>		<b>302 361 994</b>	<b>258 025 224</b>
<b>Sum egenkapital</b>	11	<b>1 034 647 312</b>	<b>990 310 542</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	10	116 044 761	101 820 782
<b>Sum avsetninger for forpliktelser</b>		<b>116 044 761</b>	<b>101 820 782</b>
<b>Annen langsiktig gjeld</b>			
Øvrig langsiktig gjeld		233 793 552	421 222 439
<b>Sum annen langsiktig gjeld</b>		<b>233 793 552</b>	<b>421 222 439</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	7,8	65 000	2 909 804
Annen kortsiktig gjeld	9	15 985 527	47 894 223
<b>Sum kortsiktig gjeld</b>		<b>16 050 527</b>	<b>50 804 027</b>
<b>Sum gjeld</b>		<b>365 888 841</b>	<b>573 847 248</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 400 536 153</b>	<b>1 564 157 790</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Journalnummer: 2024 658130

#### Enheten

Organisasjonsnummer: 994 289 764  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: ISLAND OFFSHORE XII SHIP AS  
Forretningsadresse: Stålhaugen 9  
6065 ULSTEINVIK

#### Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

#### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

#### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av  
årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av  
årsregnskapet til konsernet: -

#### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund  
Dato for fastsettelse av årsregnskapet: 23.05.2024

#### Revisjon

Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet: Ja

#### Grunnlag for avgivelse

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År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023.

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Brønnøysundregistrene, 15.08.2024

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Brønnøysundregistrene  
Postadresse: Postboks 900, 8910 Brønnøysund  
Telefon: 75 00 75 00  
E-post: firmapost@brreg.no Internett: www.brreg.no  
Organisasjonsnummer: 974 760 673



Organisasjonsnr: 994 289 764  
ISLAND OFFSHORE XII SHIP AS

## RESULTATREGNSKAP

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>RESULTATREGNSKAP</b>			
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Annen finanskostnad	3	15 845 305	13 359 821
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Organisasjonsnr: 994 289 764  
ISLAND OFFSHORE XII SHIP AS

## BALANSE

<u>Beløp i: NOK</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Sum immaterielle eiendeler		0	0
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<b>Egenkapital</b>			
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Overkurs		328 188 318	328 188 318
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<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 400 536 153</b>	<b>1 564 157 790</b>



Organisasjonsnr: 994 289 764  
ISLAND OFFSHORE XII SHIP AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

## Note

1

### Regnskapsprinsipper

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Island Offshore XII Ship AS is the parent company of Island Victory AS and Island Defender AS, however consolidated accounts are not prepared as these companies are included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway. The significant principles are described below. Classification criteria Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first installment on secured debt which is serviced by the cash flow from fixed assets. Valuation of current assets Receivables are recorded net of expected future losses. Bunkers and lube oil balances are accrued in the balance sheet based upon consumption and purchase price. Fixed assets and depreciation Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and residual value. Adjusted for residual value, the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for each vessel. Please refer to notes for details. Shipbuilding contracts Installments to the yard for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are capitalized. Capitalized periodical maintenance (dry docking) The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking. Normal maintenance expenses are expensed as incurred. Presentation of subsidiaries and associated companies Subsidiaries are accounted for by the cost method adjusted for capital calls payments and tested on fair value assessments. Associated companies are accounted for by the equity method. Financing expenses Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan. Currency Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. Contract revenue in foreign currency is hedged by use of forward and option contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred. Revenue and expense recognition Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year. Taxes Deferred tax/tax asset is calculated on the basis of all differences between accounting and tax values for assets and liabilities. Deferred tax is estimated with 22% rate based on the temporary differences between tax and accounting values, as well as deferred tax loss carried forward at the end of the accounting year. In accordance with NGAAP, deferred tax/tax asset is not recorded for participation taxed companies. Cash flow statement The cash flow statement is presented using the indirect method. Cash and cash equivalents include



cash, bank deposits and other short term cash equivalents.

**Note**

1

Er det usikkerhet om fortsatt drift?: Nei

**Note**

**Antall årsverk i regnskapsåret**

0.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

**Konsernregnskap**

**Morselskapet sitt navn**

**Forretningskontor for morselskapet**

**Begrunnelse for at datterselskap er utelatt fra konsolideringen**

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



## Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 11.10.2013	Vår dato 29.10.2013
Telefon 22 66 11 14	Deres referanse Tommy Walaunet	Vår referanse 2013/779184

ISLAND OFFSHORE MANAGEMENT AS  
Postboks 370  
6067 ULSTEINVIK

### Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

Det vises til deres brev av 11. oktober 2013, samt telefonsamtale i sakens anledning, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Island Offshore Management AS	org nr 984 285 310
Island Offshore Crewing AS	org nr 995 955 881
Island Offshore XI AS	org nr 987 845 325
Island Offshore III KS	org nr 982 411 408
Island Offshore VIII AS	org nr 987 156 783
Island Offshore VIII KS	org nr 987 156 805
Island Offshore X AS	org nr 887 254 982
Island Offshore X KS	org nr 987 255 188
Island Offshore LNG AS	org nr 996 393 844
Island Offshore LNG KS	org nr 996 393 739
Island Offshore LNG Invest AS	org nr 996 357 813
Island Offshore LNG Invest KS	org nr 996 357 848
Island Offshore XII AS	org nr 888 271 392
Island Offshore XII Ship AS	org nr 994 289 764
Island Pioneer AS	org nr 992 611 634
Istand Pioneer KS	org nr 992 611 588

For Island Offshore Management AS omfatter søknaden også konsernregnskapet, der Island Offshore Crewing inngår med 100 %.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de ovennevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Postadresse  
Postboks 9200 Grønland  
0134 Oslo  
skatteetaten.no/sendepost

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318

Sentrålbord  
800 80 000  
Telefaks  
22 17 08 60



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Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene har klar overvekt av utenlandske eierinteresser og for øvrig en begrenset eierkrets. Selskapenes forretningspråk er engelsk. Videre er det vektlagt at selskapene driver virksomhet i en bransje der aktørene forutsettes å beherske engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

*Rune Tystad*

Rune Tystad

Seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

*Geir Johannessen*  
Geir Johannessen



**Island Offshore XII Ship AS**

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## **Annual report 2023**

**Board of directors' report**

**Annual accounts**

- **Income statement**
- **Balance sheet**
- **Cash flow statement**
- **Notes**

**Auditors' report**



**Annual Report 2023**  
**Island Offshore XII Ship AS**  
Org. no 994 289 764

**Business activities**

The Company owns two AHTS vessels which operate primarily in the North Sea. In 2023 one vessel has also done project work in Georgia. The subsidiary Island Victory AS owns the vessel Island Victory, a Deep Water Installation / AHTS vessel delivered in 2020 from Vard Langsten. The subsidiary Island Defender AS previously owned the PSV vessel Island Defender which was sold in October 2022.

The vessels are managed by Island Offshore Management AS and the Company is managed from Ulsteinvik, Norway.

**Statement on results**

Revenue in 2023 totals NOK 246.6 mill, an increase from NOK 204.2 in 2022. Average utilization was 68% in 2023 compared to 52% in 2022. Both vessels completed a 15-year class renewal in February and March 2022 respectively. In 2022, revenue and operating vessel expenses included NOK 21.1 mill as reimbursable charters costs (reported gross in income statement).

The operating result in 2023 is a profit of NOK 74.9 mill compared with a profit of NOK 19.3 mill in 2022. Financial items include write down on shares in Island Defender AS with NOK 8.7 mill in 2023 and NOK 11.0 mill in 2022.

Cash flow from operational activities is positive with NOK 82.2 mill. Capital expenditure totals NOK 24.5 mill in 2023 mainly related to planned main engine overhaul for both vessels. Net cash flow is positive with NOK 60.2 mill in 2023 resulting in a net cash reserve of NOK 61.4 mill at 31.12.2023.

Net equity is NOK 1,034.6 mill as at 31.12.23 compared to NOK 990.3 mill at 31.12.2022. The change in equity is due to this year's profit of NOK 44.3 mill.

The Company does not have ongoing research and development activities.

**Going concern**

The Company has repaid all secured debt on the vessels. The market continues to show signs of improvement thus the assessment is that the Company has the resources, organization, competence, assets and customer base to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared based on a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2023.

**Work environment and gender equality**

The Company does not have employees. The crew is hired from the Vessel Manager Island Offshore Management AS. The Manager continuously works to promote gender equality in all aspects of the business with the objective of securing equal opportunities irrespective of gender, ethnicity, nationality



or religious orientation. The Board of directors are all men and comprises representatives from the largest participants in the Company.

As employer the Vessel Manager has the responsibility to maintain, complete and report on progress with the work to promote and secure basic human rights and decent working conditions (Norwegian Transparency Act; "Openhetsloven"). The 2022 report is available on Island Offshore's webpage [www.islandoffshore.com](http://www.islandoffshore.com) and this year's report will be available on the webpage before 30.06.2024.

## **External environment**

The Company's operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental and emission reduction plans are prepared for each vessel and systematic work is carried out to reduce the risk of GHG emissions, chemicals or other oil containing substances.

The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The CSRD implies a significant increase in sustainability reporting requirements in the Norwegian Accounting Act effective from the accounting year 2025. In addition, the EU Monitoring, Reporting and Verification (MRV) regulation will apply for Offshore Service Vessels above 5000 GT from 2025 whereby emission reporting will be verified by DNV. The objective of MRV is to assess the environmental impact of maritime transport and to serve as the basis for carbon tax determination. Entry into the EU Emission Trading System (EU ETS) will apply from 2027 for the same vessels. The emissions cap-and-trade system aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions through a limited number of EU Allowances (EUAs). The increasing reporting requirements will lead to increased expenses related to reporting efforts, but will likely also imply future investments required to reduce emission from the vessels in order to comply with regulatory requirements. It is not expected that the utilization or the lifetime of the vessels will be negatively impacted by the new EU and CSRD requirements.

## **Financial risk**

The Company's financial position as at 31.12.2023 is satisfactory and the Company has positive working capital. The Company's customers are mainly large oil companies with a low to moderate credit risk. Financial instruments are employed to hedge foreign currency exposure.

The Company's cash position and forecast is satisfactory going forward considering based on operations in the first quarter for 2024 as well as awarded project work.

The Company's liabilities total NOK 365.9 mill as of 31.12.2023 of which inter-company debt is NOK 95.2 mill.

## **Future outlook**

The vessels will operate in the project and spot market in 2024 and the outlook is positive despite variations in activity levels and rates.

The Board of Directors will continue to monitor the financial situation of the Company closely and will assess the need for capital contributions going forward.







## Island Offshore XII Ship AS

### Income statement

	Note	2023	2022
<b>Revenue</b>			
Freight income	2	<u>246 640 797</u>	<u>204 244 869</u>
Total revenue		<u>246 640 797</u>	<u>204 244 869</u>
<b>Operating expenses</b>			
Vessel expenses	8	56 193 348	87 462 634
Crew expenses	8	71 193 214	59 684 005
Depreciation of tangible and intangible fixed assets	5	40 499 086	34 490 704
Other operating expenses	4	<u>3 825 354</u>	<u>3 301 525</u>
Total operating expenses		<u>171 711 002</u>	<u>184 938 868</u>
Operating result		<u>74 929 795</u>	<u>19 306 001</u>
<b>Financial income and expenses</b>			
Other financial income	3,8	15 245 608	2 632 291
Write-down on other financial assets	6	8 680 494	11 032 061
Interest paid to group companies	8	6 662 779	2 489 019
Other financial expenses	3	<u>15 845 305</u>	<u>13 359 821</u>
Net financial items		<u>-15 942 970</u>	<u>-24 248 610</u>
Ordinary result before tax		<u>58 986 825</u>	<u>-4 942 609</u>
Tax on ordinary result	9	<u>14 650 055</u>	<u>1 343 094</u>
<b>Net profit or loss for the year</b>		<u>44 336 770</u>	<u>-6 285 703</u>
<b>Allocated as follows</b>			
Transferred to other equity	10	44 336 770	-6 285 703



## Island Offshore XII Ship AS

### Balance sheet as of December 31

	Note	2023	2022
<b>Fixed assets</b>			
<i>Tangible assets</i>			
Ships	5	605 636 837	621 600 086
<i>Financial assets</i>			
Investments in subsidiaries	6	518 739 822	525 909 685
Loans to group companies	8	144 908 338	144 917 667
Total financial assets		<u>663 648 160</u>	<u>670 827 352</u>
Total fixed assets		<u>1 269 284 997</u>	<u>1 292 427 438</u>
<b>Current assets</b>			
Inventories		<u>14 534 627</u>	<u>13 373 562</u>
<i>Receivables</i>			
Trade receivables		21 242 195	28 028 293
Other receivables	8	<u>34 054 380</u>	<u>229 131 129</u>
Total accounts receivable		<u>55 296 575</u>	<u>257 159 422</u>
Cash and cash equivalents		<u>61 419 955</u>	<u>1 197 369</u>
Total current assets		<u>131 251 157</u>	<u>271 730 353</u>
Total assets		<u>1 400 536 154</u>	<u>1 564 157 791</u>

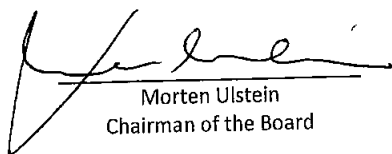


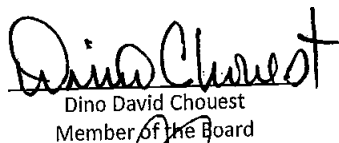
**Island Offshore XII Ship AS**

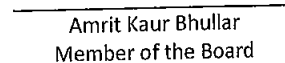
**Balance sheet as of December 31**

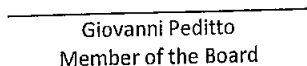
	Note	2023	2022
<b>Equity</b>			
<i>Paid-in capital</i>			
Share capital	11	404 097 000	404 097 000
Share premium reserve		<u>328 188 318</u>	<u>328 188 318</u>
Total paid-in capital		<u>732 285 318</u>	<u>732 285 318</u>
<i>Retained earnings</i>			
Other equity		302 361 994	258 025 225
Total equity	10	<u>1 034 647 312</u>	<u>990 310 543</u>
<b>Liabilities</b>			
<i>Provisions</i>			
Deferred tax liability	9	116 044 761	101 820 782
<i>Other long-term liabilities</i>			
Other long-term liabilities	7,8	233 793 552	421 222 439
<i>Current liabilities</i>			
Trade creditors		65 000	2 909 804
Other short-term liabilities	8	<u>15 985 529</u>	<u>47 894 223</u>
Total current liabilities		<u>16 050 529</u>	<u>50 804 027</u>
Total liabilities		<u>365 888 842</u>	<u>573 847 248</u>
Total equity and liabilities		<u>1 400 536 154</u>	<u>1 564 157 791</u>

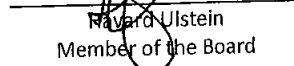
31 December 2023  
Ulsteinvik, 25 April 2024

  
Morten Ulstein  
Chairman of the Board

  
Dino David Chouest  
Member of the Board

  
Amrit Kaur Bhullar  
Member of the Board

  
Giovanni Peditto  
Member of the Board

  
Navard Ulstein  
Member of the Board



## Island Offshore XII Ship AS

### Balance sheet as of December 31

	Note	2023	2022
<b>Equity</b>			
<i>Paid-in capital</i>			
Share capital	11	404 097 000	404 097 000
Share premium reserve		<u>328 188 318</u>	<u>328 188 318</u>
Total paid-in capital		<u>732 285 318</u>	<u>732 285 318</u>
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31 December 2023  
Ulsteinvik, 25 April 2024

Morten Ulstein  
Chairman of the Board

Giovanni Peditto  
Member of the Board

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Member of the Board

Håvard Ulstein  
Member of the Board

Amrit Kaur Bhullar  
Member of the Board

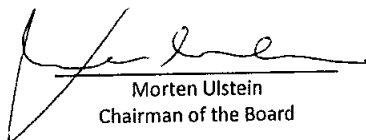


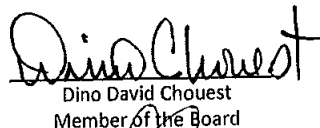
Island Offshore XII Ship AS

Balance sheet as of December 31

	Note	2023	2022
<b>Equity</b>			
<i>Paid-in capital</i>			
Share capital	11	404 097 000	404 097 000
Share premium reserve		328 188 318	328 188 318
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Total equity and liabilities		<u>1 400 536 154</u>	<u>1 564 157 791</u>

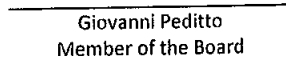
31 December 2023  
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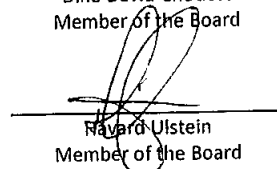
  
Morten Ulstein  
Chairman of the Board

  
Dino David Chouest  
Member of the Board

Amrit Kaur  
Bhullar  
Amrit Kaur Bhullar  
Member of the Board

Digitally signed by Amrit Kaur Bhullar  
DN: cn=Amrit Kaur Bhullar, o=NO,  
ou=Vard Group AS, ou=Business  
Development and Group Innovation,  
email=amrit.bhullar@vard.com  
Reason: I am the author of this document  
Date: 2024.04.25 13:26:23 +0200

  
Giovanni Peditto  
Member of the Board

  
Harald Ulstein  
Member of the Board



## Cash Flow Statement

### Island Offshore XII Ship AS

	2023	2022
<i>Cash flow from operational activities:</i>		
Profit before tax	58 986 828	-4 942 609
- Taxes paid	0	0
-/+ Write down on other financial assets	8 680 494	11 032 061
+ Depreciation	40 499 086	34 490 704
-/+ Change in inventory	-1 161 065	-12 232 390
-/+ Change in accounts receivable	6 786 098	18 358 421
+/- Change in accounts payable	-2 844 804	2 832 554
+/- Change in accruals	-28 759 327	19 040 886
= <b>Cash flow from operational activities</b>	<b>82 187 310</b>	<b>68 579 627</b>
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-24 535 837	-47 562 001
+ Payments sale of shares and other investments	0	0
= <b>Cash flow from investment activities</b>	<b>-24 535 837</b>	<b>-47 562 001</b>
<i>Cash flow from financing activities</i>		
- Payment of loan to subsidiary	0	-144 917 667
- Repayment of debt to financial institutions	0	-180 000 000
+/- Partner loan and loan from subsidiaries	2 571 113	285 346 151
= <b>Net cash flow from financing activities</b>	<b>2 571 113</b>	<b>-39 571 516</b>
= <i>Net change in cash and cash equivalents</i>	<b>60 222 586</b>	<b>-18 553 890</b>
+ <i>Cash reserve 1.1</i>	<b>1 197 369</b>	<b>19 751 259</b>
= <i>Cash reserve 31.12</i>	<b>61 419 955</b>	<b>1 197 369</b>



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 1 ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway.

Island Offshore XII Ship AS is the parent company of Island Victory AS and Island Defender AS, however consolidated accounts are not prepared as these companies are included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway.

The significant principles are described below.

##### Classification criteria

Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets.

Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first installment on secured debt which is serviced by the cash flow from fixed assets.

##### Valuation of current assets

Receivables are recorded net of expected future losses.

Bunkers and lube oil balances are accrued in the balance sheet based upon consumption and purchase price.

##### Fixed assets and depreciation

Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and residual value. Adjusted for residual value, the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for each vessel. Please refer to notes for details.

##### Shipbuilding contracts

Installments to the yard for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are capitalized.

##### Capitalized periodical maintenance (dry docking)

The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking. Normal maintenance expenses are expensed as incurred.

##### Presentation of subsidiaries and associated companies

Subsidiaries are accounted for by the cost method adjusted for capital calls payments and tested on fair value assessments. Associated companies are accounted for by the equity method.



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### Financing expenses

Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan.

#### Currency

Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date.

Contract revenue in foreign currency is hedged by use of forward and option contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred.

#### Revenue and expense recognition

Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year.

#### Taxes

Deferred tax/tax asset is calculated on the basis of all differences between accounting and tax values for assets and liabilities. Deferred tax is estimated with 22% rate based on the temporary differences between tax and accounting values, as well as deferred tax loss carried forward at the end of the accounting year. In accordance with NGAAP, deferred tax/tax asset is not recorded for participation taxed companies.

#### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term cash equivalents.

### NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2023	2022
Norway	118,3	118,5
UK	4,0	76,8
Germany	-	9,0
The Netherlands	69,3	-
Georgia	55,0	-
<b>Total Revenue</b>	<b>246,6</b>	<b>204,2</b>

Both vessels operate in the spot market and have on average achieved 68% utilization in 2023. Comparable average utilization in 2022 was 52%. Both vessels completed a 15 year class renewal in February and in March 2022.

2023 revenue includes reimbursed charterers cost of NOK 1.6 mill (NOK 21.1 mill in 2022) which is reported gross in revenue and operating vessel expenses.



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 3 PAYROLL, EMPLOYEES

The Company does not have employees and has no obligation to have pension funds. Board fee to Board of Directors has been paid with NOK 35.000 in 2023. Payroll expenses in the financial statements relate to hired crew.

#### Auditor

Expenses audit fee totals NOK 233.777 in 2023. The fee is exclusive of VAT and can be specified as follows:

Audit	130.250
Advisory, going concern evaluation and tax filing	95.650
Other	7.877
<b>Total</b>	<b>233.777</b>

#### NOTE 4 SPECIFICATIONS

Other financial income comprises:

	<u>2023</u>	<u>2022</u>
Realized foreign exchange gain+ / loss-	3 275 560	701 120
Group contribution received	1 936 707	-
Interest income, bank	1 018 534	246 661
Interest income, related party	9 014 807	1 684 510
<b>Total other interest income</b>	<b><u>15 245 608</u></b>	<b><u>2 632 291</u></b>

Other financial expenses comprise:

	<u>2023</u>	<u>2022</u>
Interest expense term loans	-	4 414 449
Foreign exchange loss	5 791 844	1 682 392
Hedging gain -/loss +	-44 600	-42 856
Interest expenses shareholder loans	10 092 770	7 306 751
Other financial costs	5 291	-914
<b>Sum other financial costs</b>	<b><u>15 845 305</u></b>	<b><u>13 359 821</u></b>



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 5 FIXED ASSETS

	Ships	Projects in progress	Capitalized maintenance	Total
Acquisition costs 1.1	984 642 602	-	136 723 321	1 121 365 923
Additions			24 535 837	24 535 837
Accumulated depreciation 31.12	-440 020 062		-100 244 859	-540 264 921
Book Value 31.12	544 622 540	-	61 014 299	605 636 839
This years' depreciation	24 773 122		15 725 964	40 499 086
Economic life	20 yrs		3 yrs	

Additions relates mainly to main engine overhauls and other repairs in 2023 for both vessels.

The market value of the two AHTS vessels obtained by independent brokers, is higher than the net book value of the vessels. The vessels are also subject to impairment test analysis employing estimates of future cash flow for each vessel.

The analysis takes into account the present market conditions with a gradual improvement on charter hire rate and utilization the rest of estimated vessel usage time. Key assumption in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 10.5%. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis does not indicate any need to write down the book value of the vessels.

In order to illustrate the implications of changes in key assumptions, a sensitivity analysis has been undertaken. A summary of the implications on the AHTS fleet is presented below:

#### IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Offshore XII Ship AS	-	-	-

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore XII Ship AS	-	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore XII Ship AS	-28	-	-

The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The increasing reporting requirements will lead to increased expenses related to reporting efforts but also specific actions to reduce emission and pollution from the vessels. It is not expected that the utilization or the lifetime of the vessels will be impacted by the new EU and CSRD requirements.



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 6 INVESTMENT IN SUBSIDIARIES

The Company incorporated the subsidiary Island Victory AS on 22 March 2018 and Island Defender AS on 28.05.20.

During 2023 the subsidiaries were capitalized as follows:

	Org.no. 920 718 590	Org.no. 922 593 116	
	Island Victory AS	Island Defender AS	Total
Balance as per 31.12.22	514 629 191	11 280 494	525 909 685
Group contribution	1 510 631	-	1 510 631
Write down shares	-	-8 680 494	-8 680 494
<b>Balance as per 31.12.23</b>	<b>516 139 822</b>	<b>2 600 000</b>	<b>518 739 822</b>
<b>This year's profit+/loss- (100%)</b>	119 954 905	-315 302	
<b>Equity as per 31.12.23 (100%)</b>	691 613 805	2 763 189	
Owner share	100 %	100 %	
Address	Stålhaugen, Ulsteinvik, Norway	Stålhaugen, Ulsteinvik, Norway	

As Island Defender AS has sold its only vessel in 2022, the shares are written down to reflect share of equity including deferred tax assets as per 31.12.23.

The parent company has accrued for group contribution to subsidiary Island Victory to offset payable tax position. The subsidiary Island Victory has accrued for same amount as group contribution to parent company without tax effect.

#### NOTE 7 LONG TERM LIABILITIES

The Company was successful in order to repay its secured vessel mortgage loan in 2022.

Other long-term liabilities include shareholder loans from Vard Group AS at NOK 140.5 mill and a shareholder loan from Island Offshore XII AS at NOK 93.3 mill.



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 8 RELATED PARTIES

Transactions with related parties:	2023	2022
Other long term receivables	144 908 338	144 917 667
Other short term receivables	28 636 024	224 000 000
Other long term liabilities	-93 267 885	-283 267 885
Other short term liabilities	-1 936 707	-30 961 006

Other long term receivables is an interest bearing loan to Island Victory AS.

Other short term receivables is a group contribution from Island Victory AS NOK 1.936.707 and accrued interest receivables on loan to Island Victory AS with NOK 10.699.317,-. In addition, prepayment of operating vessel expense towards Island Offshore Management AS (Manager). Amounts in 2022 includes group contribution from Island Defender AS NOK 190.000.000 and loan to Island Victory NOK 18.000.000.

Other long term liability is loan from Island Offshore XII AS of NOK 93.3 mill and a loan from Island Defender AS with NOK 190 mill in 2022. The group contribution distributed from the subsidiary in 2022 settled outstanding loan in 2023.

Other short term liabilities in 2023 is group contribution liable to Island Victory AS. The 2022 balance comprises monthly vessel operating invoices from Island Offshore Management AS.

Transactions with related parties	2023	2022
Purchase of management services	-7 060 507	-7 037 578
Crew hire	-71 193 213	-59 684 006
Interest receivables related party	9 014 807	1 684 510
Interest expenses related party	-6 662 779	-2 489 019

The company has entered into management agreements with Island Offshore Management AS and Borgstein AS to carry out technical and commercial services for the vessels. The services include crewing, purchase, administration, sales, accounting and technical operations. According to the management agreement, the ship owning company will refund all direct costs related to the vessels, to the management company. An annual fee is paid based on arm's length principle.



## Notes to the financial statements 2023

### Island Offshore XII Ship AS

#### NOTE 9 TAXES

Deferred tax is calculated on the basis of temporary differences between accounting and tax values existing at the end of the accounting period.

Negative temporary differences and positive temporary differences that are reversible in the same period are offset and recorded net.

Deferred tax / tax asset has been calculated as follows:

	2023	2022
Fixed Assets	526 462 269	529 381 855
Gains+/- losses - accounts on fixed assets	1 910 136	2 387 670
Deferred deduction internal interests	-896 219	-896 219
Total temporary differences	527 476 186	530 873 306
Tax loss carried forward	-	-68 051 571
Basis for deferred tax	<u>527 476 186</u>	<u>462 821 735</u>
<b>Deferred tax in Balance Sheet</b>	<b>116 044 761</b>	<b>101 820 782</b>
Tax rate	22 %	22 %

Calculation of this year's tax expense:

	2023	2022
Profit before tax	58 986 825	- 4 942 602
Permanent differences	6 743 787	11 047 578
Disallowed / no deduction of interest expenses	860 546	672 748
Change in temporary differences	3 397 120	-27 745 427
Use of deferred tax losses	- 68 051 571	-
<b>Basis for tax payable</b>	<b>1 936 707</b>	<b>-20 967 703</b>
<b>Group contribution</b>	<b>- 1 936 707</b>	<b>-</b>
<b>Payable tax basis in Balance Sheet</b>	<b>-</b>	<b>-</b>

Tax Expenses in Profit and Loss

Accounts:	2023	2022
Tax payable	426 076	-
Change in deferred taxes	<u>14 223 979</u>	<u>1 343 093</u>
<b>Tax expenses</b>	<b>14 650 055</b>	<b>1 343 093</b>

**Notes to the financial statements 2023**

## Island Offshore XII Ship AS

**NOTE 10 EQUITY**

	Share capital	Share premium account	Other equity	Total
Equity 1.1	404 097 000	328 188 318	258 025 225	990 310 543
This year's result	-	-	44 336 770	44 336 770
<b>Equity 31.12</b>	<b>404 097 000</b>	<b>328 188 318</b>	<b>302 361 994</b>	<b>1 034 647 312</b>

**NOTE 11 OWNERSHIP**

The share capital of NOK 404 097 000 consist of 404 097 shares a NOK 1 000,-.

Summary of owner interests as per 31.12.23:

Name and address	Number of	Ownership
	shares	share %
Island Offshore XII AS, Stålhaugen 9, 6065 Ulsteinvik	214 541	53,09 %
Vard Group AS, Skansekaia 2, 6002 Ålesund	189 556	46,91 %
<b>TOTAL</b>	<b>404 097</b>	<b>100,00 %</b>

**NOTE 12 INFORMATION ABOUT FINANCIAL INSTRUMENTS**

The company has a strategy to hedge contracted revenue in foreign currency when contracts are entered for a longer period of time. The financial instrument is linked to a specific revenue cash flow and can be measured in respect of success rate according to strategy. The estimated net unrealized loss or gain is not recorded in the financial statement in accordance with the Norwegian Accounting Act and NGAAP.

There are no forward contracts used to hedge future freight revenue as per 31.12.23.

**NOTE 13 GOING CONCERN**

The Company has repaid all secured debt on the vessels. The market continues to show signs of improvement thus the assessment is that the Company has the resources, organization, competence, assets and customer base to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared based on a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2023.



Statsautoriserte revisorer  
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen  
Postboks 6163, 5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00

www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Offshore XII Ship AS

### Opinion

We have audited the financial statements of Island Offshore XII Ship AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bergen, 3 May 2024  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Jørn Knutsen  
State Authorised Public Accountant (Norway)

Independent auditor's report - Island Offshore XII Ship AS 2023

A member firm of Ernst & Young Global Limited

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### Knutsen, Jørn

#### Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: no\_bankid:9578-5992-4-3012515

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**Consolidated Financial  
Statements 2023**

**Island Offshore Shipholding, L.P.  
Group**



**ISLAND OFFSHORE**



## Annual Report 2023

### Island Offshore Shipholding LP - Group

#### Business

The parent company, Island Offshore Shipholding LP, is registered in the Cayman Islands and directly and indirectly owns the majority shareholding of several Norwegian ship owning entities included in the consolidated financial statements. The fleet comprises 14 vessels as per 31.12.2023 compared with 16 vessels in operation at 31.12.2022. In February 2023, one PSV was taken out of the operational fleet due to termination of bareboat charter agreement with external shipowner. In December 2023, another PSV was sold to an affiliated company.

The vessels operate in the market segments PSV, AHTS, Well Stimulation, Walk2Work, Light Well Intervention and Subsea Construction. The business includes activities in the geographical regions Norway, North Sea, Turkey, Georgia, Greece, Mexico, Trinidad & Tobago, West Coast of Africa, and international waters. The fleet order backlog excluding charterer's options totals NOK 2.3 billion at 31.12.23.

The technical and commercial operations are carried out by management companies based in Ulsteinvik, Norway.

#### Statement on results

Freight revenue totals NOK 1,731.0 mill in 2023, compared with NOK 1,638.6 mill in 2022. Overall, utilization in 2023 due to increased market activity thus increased demand for offshore vessels. Average utilization of the fleet was 92% in 2023 compared with 84% in 2022.

The operating result before depreciation for 2023 is NOK 772.3 mill versus NOK 525.4 mill in 2022. The AHTS segment has the largest EBITDA contribution in 2023, however all vessel segments report positive EBITDA in 2023. Operating expenses include a correction of loss on sale of a vessel.

A revised impairment analysis of the remaining fleet value has been performed based on estimates of expected future earnings for each vessel and broker valuations. The usage value analysis does not indicate further impairment on vessel value. On the contrary, considering improved market terms and a satisfactory current backlog, there is excess value in the Group's fleet. Previous years' impairment provision on vessel value is reversed with a total of NOK 577.8 mill in the income statement.

Net financial items are NOK -178.2 mill in 2023 compared with NOK -490.7 mill in 2022. Financial expenses include a profit of NOK 36.3 mill in 2023 and a loss NOK 259.9 in 2022 from investments in associated companies. The partnership Island Offshore III KS is from January 2022 classified as investment in associated companies recorded in accordance with the equity method. In 2023, a gain of NOK 50 mill is reported as financial income due to debt forgiveness in Island Offshore VIII KS.

The profit for the year is NOK 875.2 mill compared with a loss of NOK -298.7 mill in 2022.

The Group's operating cash flow is positive with NOK 377.8 mill. The Group has invested NOK 126.1 mill in vessel capital expenditures related to class-renewals and periodical maintenance. In 2023, the Group received NOK 205.6 mill as sale consideration for one PSV. The Group has refinanced loan and drawn NOK 1,002.6 mill as new financing and repaid in total NOK 1,515.5 mill to secured lenders in 2023. A total of NOK 94.5 mill has been written off as debt forgiveness. Thus, net cash flow for the year

### Island Offshore Shipholding LP - Group



is positive with NOK 72.0 mill in 2023 resulting in a cash balance of NOK 227.7 mill. Please refer to the cash flow statement for further details.

Net equity is NOK 1,703.1 mill, equivalent to a net book equity-ratio of 27.2% at 31.12.2023 versus NOK 824.0 mill and 14% at 31.12.2022. The increase is due to this year's profit adjusted for liquidation results for two subsidiaries and forgiveness of debt to one Partnership recorded directly towards equity. Please refer to note 13 for additional details.

The Group does not have ongoing research and development activities.

### **Going concern**

The vessels owned by the Group operate in the offshore service market, which has suffered a significant downturn from 2015 due to the low oil price and reduced offshore activity.

The previous Restructuring Agreement with secured and unsecured lenders was made effective in May 2020, whereby unsecured lenders agreed to extend facilities until the end of 2023 or later at amended interest terms. All ship owning entities within the IOSH Group have serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest. Since December 2023, agreement has been reached with the senior secured lenders and unsecured lenders financing the ship-owning companies. The agreements include extended runways and amended amortization and interest terms.

The offshore service market has continued to improve in 2024, and the Group has a satisfactory backlog for the fleet. The assessment is that the Island Offshore Shipholding Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position, cash, and backlog of the Group at 31.12.2023, and that a sustainable financing agreement has been agreed and made effective with secured and unsecured lenders in December 2023.

### **Work environment and gender equality**

The Island Offshore Shipholding Group does not have employees. The offshore crew is hired from Island Offshore Management AS and Island Offshore Crewing AS. The Managers are all men and comprises representatives from the owners in the partnership.

The Vessel Manager Island Offshore Management AS continuously work to promote gender equality in all aspects of the business with the objective of securing equal opportunities irrespective of gender, ethnicity, nationality or religious orientation.

As employer the Vessel Manager has the responsibility to maintain, complete and report on progress with the work to promote and secure basic human rights and decent working conditions (Norwegian Transparency Act; "Openhetsloven"). The 2022 report is available, and the 2023 report will be available on Island Offshore's webpage [www.islandoffshore.com](http://www.islandoffshore.com) before 30.06.24.

### **External environment**

Vessel operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental plans are prepared for each vessel and systematic efforts are employed to reduce the risk of gas, diesel oil or chemicals emissions in addition to other oil-containing substances. The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The CSRD implies a significant increase in sustainability reporting requirements in the Norwegian Accounting Act effective from the accounting

**Island Offshore Shipholding LP - Group**



year 2025. In addition, the EU Monitoring, Reporting and Verification (MRV) regulation will apply for Offshore Service Vessels above 5000 GT from 2025 whereby emission reporting will be verified by DNV. The objective of MRV is to assess the environmental impact of maritime transport and to serve as the basis for carbon tax determination. Entry into the EU Emission Trading System (EU ETS) will apply from 2027 for the same vessels. The emissions cap-and-trade system aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions through a limited number of EU Allowances (EUAs). The increasing reporting requirements will lead to increased expenses related to reporting efforts but will likely also imply future investments required to reduce emission from the vessels in order to comply with regulatory requirements. It is not expected that the utilization or the lifetime of the vessels will be negatively impacted by the new EU and CSRD requirements.

### **Financial risk**

Overall, the Group has satisfactory order backlog and contract coverage for the fleet in 2024, which secures predictability of earnings. Vessel revenue is exposed to currency risk, especially towards GBP, EUR and USD but FX instruments are used to hedge cash flow. Loans in foreign currency and financial instruments are used to hedge cash flow and reduce foreign currency risk. Outstanding contracts 31.12.23 expire in 2024 and 2025 depending on the underlying cash flow. The estimated net unrealized gain on USD contracts is NOK 8.4 mill and a loss on GBP contracts of NOK 2.8 mill at 31.12.2023, which is not recorded in the financial statements in accordance with the Norwegian Accounting Act and NGAAP.

Loans from financial institutions total NOK 2,355.6 mill and outstanding Bond loan totals NOK 871.9 mill at 31.12.2023. In accordance with Norwegian Accounting Principles, the loans from financial institutions are classified as long-term loans. In 2022, NOK 345 mill belonging to Island Offshore X KS was classified as short-term liability. The loan was classified as short term as the restructuring agreement was not agreed and made effective prior to the date of the approval of the 2022 financial statement.

### **Future outlook**

The Group has been strengthened financially in 2023 with increased cash reserve, higher equity, and new refinancing agreements with Secured and Unsecured borrowing facilities. The vessel backlog position is also stronger at end of 2023. A few ship-owning companies still have strained liquidity at the start of 2024 due to extensive capex and repayment of loans, but the Group has seen continued strengthening of the market including rates and have a strong contract coverage across the fleet to continue operations.

Accordingly, the outlook for 2024 remains positive across vessel segments and companies primarily driven by increased offshore Oil & Gas activity across regions, in addition to growth in Renewables activity.

Due to the current geo-political environment, including the Ukraine and Israel conflicts, continued market recovery is still fragile and unstable. However, the market outlook is still dominated by the need for reliable energy supply.

The Group's chartering strategy remains firm with focus on securing long-term commitment with strategically preferred clients, in addition to exploring new business opportunities in niches and markets complementing our existing activity. The Group's fleet is well-positioned with attractive and strategically important customers.

The Managers continue to monitor the financial situation of the Group closely.

### **Other matters**

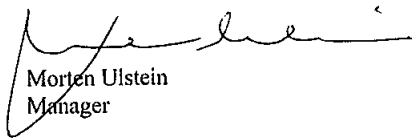
The Managers are covered by a director and officer's liability insurance purchased and maintained by the parent company. The insurance policy is issued by a reputable insurer with an appropriate rating.

**Island Offshore Shipholding LP - Group**

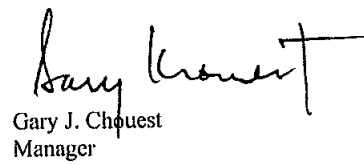


Beyond the above, the Managers are not aware of any subsequent events that could be significant for the evaluation of the Group's financial position and results. Reference is made to the income statement, cash flow, balance sheet and notes.

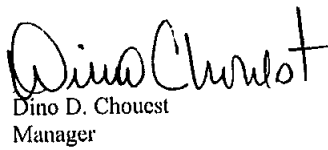
Ulsteinvik,  
25 April, 2024



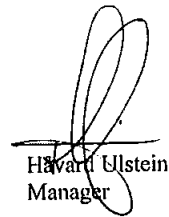
Morten Ulstein  
Manager



Gary J. Chouest  
Manager



Dino D. Chouest  
Manager



Håvard Ulstein  
Manager

Island Offshore Shipholding LP - Group



## Consolidated Income Statement

### Island Offshore Shipholding LP

NOK mill	Note	2023	2022
Freight income	2,11	1 731,0	1 638,6
Other operating income	6	-	2,6
<b>Total operating income</b>		<b>1 731,0</b>	<b>1 641,2</b>
Operating expenses vessel	11	367,6	473,1
Crew expenses	3,11	540,9	551,2
Other operating expenses	3,11	50,3	91,6
<b>Operating expenses before depreciation</b>		<b>958,7</b>	<b>1 115,8</b>
Depreciation	6	263,5	284,2
Impairment provision on vessel value	6	-577,8	30,9
<b>Operating expenses</b>		<b>644,4</b>	<b>1 430,9</b>
<b>Operating profit</b>		<b>1 086,6</b>	<b>210,3</b>
Profit +/- Loss - from investment in associated companies	7	36,3	-259,9
Other interest income		6,5	3,4
Other financial income	4	88,2	36,5
Other interest expenses		236,7	229,1
Other financial expenses	4	72,5	41,6
<b>Net financial income and expenses</b>		<b>-178,2</b>	<b>-490,7</b>
<b>Operating profit before tax</b>		<b>908,4</b>	<b>-280,4</b>
Tax	12	33,2	18,3
<b>Annual net profit</b>		<b>875,3</b>	<b>-298,7</b>
Minority interest	13	186,6	-106,3
Majority interest	13	688,7	-192,5



## Consolidated Balance sheet

### Island Offshore Shipholding LP

NOK mill	Note	2023	2022
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Ships	6,9	5 297,3	5 062,4
<b>Total tangible assets</b>		<b>5 297,3</b>	<b>5 062,4</b>
<b>Financial fixed assets</b>			
Investments in associated companies	7	134,0	97,7
Other long term receivables	11	55,8	57,2
<b>Total financial fixed assets</b>		<b>189,8</b>	<b>154,9</b>
<b>Total fixed assets</b>		<b>5 487,0</b>	<b>5 217,3</b>
<b>Current assets</b>			
Stock of supplies	8	25,1	24,9
<b>Debtors</b>			
Accounts receivables	9	293,3	270,1
Other receivables	11	223,3	219,7
<b>Total debtors</b>		<b>516,6</b>	<b>489,8</b>
<b>Investments</b>			
Cash and bank deposits	9	227,6	155,6
<b>Total current assets</b>		<b>769,3</b>	<b>670,3</b>
<b>Total assets</b>		<b>6 256,3</b>	<b>5 887,6</b>



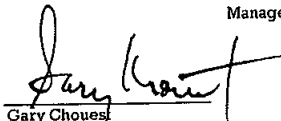
Consolidated Balance sheet

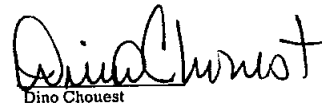
Island Offshore Shipholding LP

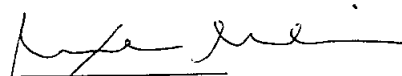
NOK mill	Note	2023	2022
<b>Liabilities and equity</b>			
<b>Equity</b>			
Paid in equity			
Paid in capital	14	895,5	895,5
Total paid in equity		895,5	895,5
Other equity		-264,2	-957,0
Total retained earnings		-264,2	-957,0
Minority interest		1 071,8	885,4
Total equity	13	1 703,1	824,0
<b>Liabilities</b>			
<b>Provision for liabilities</b>			
Deferred tax	12	131,1	98,0
Total provision		131,1	98,0
<b>Other long term liabilities</b>			
Bonds	10	871,9	832,8
Liabilities to financial institutions	9,10	2 355,6	2 510,2
Other long term liabilities	11	823,7	828,6
Total long term liabilities		4 151,3	4 171,6
<b>Current liabilities</b>			
Liabilities to financial institutions	9,10	-	345,9
Seller credits		-	20,0
Trade creditors	11	40,9	37,1
Tax payable	12	-	1,4
Other short term liabilities	11	229,9	389,6
Total current liabilities		270,8	794,1
Total liabilities		4 553,2	5 063,6
Total equity and liabilities		6 256,3	5 887,6

Ulsteinvik, 31.12.23/ 25.04.2024

Managers in Island Offshore Shipholding LP

  
Gary Chouest  
Manager

  
Dino Chouest  
Manager

  
Morten Ulstein  
Manager

  
Morten Ulstein  
Manager



## Cash Flow Statement - Consolidated

Island Offshore Shipholding LP

in NOK mill	31.12.23	31.12.22
<b><i>Cash flow from operational activities</i></b>		
Result before tax	908,4	-280,4
- Taxes paid	-1,4	-1,5
-/+ Profit by sale of fixed asset	0,0	-6,9
+/- Results from associated companies	-36,3	3,6
- Discount on loan	-50,0	0,0
+ Depreciation	263,5	284,2
+ Write down vessel value	-577,8	30,9
+ Reversed financial expenses due to dilution of shares	0,0	256,3
-/+ Change in inventory	-0,1	-12,2
-/+ Change in accounts receivable	-23,2	19,3
+/- Change in accounts payable	3,8	-2,2
+/- Change in other accruals	-109,1	-15,1
= Net cash flow from operational activities	<u>377,8</u>	<u>276,1</u>
<b><i>Cash flow from investment activities</i></b>		
+ Payments in connection with sale of assets	205,6	628,3
- Payments in connection with purchase of assets	-126,1	-165,1
= Net cash flow from investment activities	<u>79,4</u>	<u>463,2</u>
<b><i>Cash flow from financing activities</i></b>		
+ Drawdown of financial bank loans	1 002,6	20,2
- Net of refinancing and Repayment of loans	-1 515,5	-930,7
+ Bond loan	33,2	23,5
+/- Repayment of capital to minority interests /Purchase own shares	0,0	-105,8
+ Partners' loan	0,0	10,0
+ Forgiveness on debt	94,5	45,1
= Net cash flow from financing activity	<u>-385,2</u>	<u>-937,7</u>
= Net change in cash and cash equivalents	<u>72,0</u>	<u>-198,4</u>
<b><i>Correction cash 01.01 belonging to subsidiary no longer part of the Group</i></b>		
-	0,0	-26,9
+ Cash, bank balance in the beginning of the period	<u>155,6</u>	<u>380,8</u>
= Cash, bank balance in the end of the period	<u>227,7</u>	<u>155,6</u>



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### NOTE 1 ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. The significant principles are described below.

##### Consolidation principles

The consolidated statements include Island Offshore Shipholding LP and companies where Island Offshore Shipholding LP has a controlling interest. Controlling interest is normally in place when the Group owns more than 50% of the shares of the company and is in a position to exercise actual control. The minority interest is included in the consolidated equity. Transactions between Group companies are eliminated. The consolidated statements are prepared on the basis of consistent accounting principles whereby subsidiaries apply the same principles as the parent company. Companies with foreign functional currencies are converted to NOK by using average currency rate in Profit and Loss Accounts and December closing rates in Balance Sheet. Currency differences due to conversion to NOK is recorded towards equity.

The acquisition method of accounting is applied when accounting for transactions, including mergers and acquisitions. Entities acquired or sold during the year are included in the consolidated statements from the date actual control is obtained and until actual control ceases.

##### Use of estimates:

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

##### Classification criteria

Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets.

Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term.

##### Presentation of subsidiaries / investment in financial shares and associated companies

The book value of investments in subsidiaries are eliminated in the consolidated financial statements. Investments in shares classified as financial fixed assets are valued at cost price considering write-down of values on shares. Associated companies with ownership and control interests from 20% to 50% are accounted for by the equity method.

##### Valuation of current assets

Receivables are recorded net of expected future losses.

Bunkers and lube oil is accrued in the balance sheet based upon actual consumption at purchase price.

##### Fixed assets and depreciation

Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Contract contribution is recorded as reduction of purchase price. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and estimated residual value. Adjusted for residual value the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for the vessel. Please refer to note for details.

Island Offshore Shipholding LP



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### Shipbuilding contracts

Instalments to the yard for new buildings are recorded as fixed assets. Supervision and other investments which are not included in the contracted price, are capitalized.

#### Capitalized periodical maintenance (dry docking)

The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking. Upon delivery of new vessels, a portion of acquisition cost is decomposed and recorded as periodic maintenance. Normal maintenance expenses are expensed as incurred.

#### Stock of supplies

Stock of supplies is recorded to lowest of cost price and net sale price. Net sale price is assessed to sale price at ordinary operation considering deduction for necessary expenses in order to complete the sale. Cost price is assigned by the FIFO method and includes expenses accrued at acquisition of goods and costs to bring the goods up to current condition and situation.

#### Financing expenses

Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan.

#### Currency

Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. The Group has long-term freight contracts in foreign currency and long-term liabilities in foreign currency, which are recorded at the exchange rate at the balance sheet date. Currency gains/losses on revenue contracts are not offset towards gains/losses on long-term liabilities.

#### Revenue and expense recognition

Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year. Contract revenue is accrued and recognized linearly over the term of the contract irrespective of invoicing terms.

#### Taxes

Parent company and ship owning partnership entities are subject to participation taxation. In accordance with Norwegian GAAP, deferred tax/tax asset is not recorded for participation taxed companies. The other ship owning companies i.e. Island Offshore XII Ship AS, and Island Victory AS are subject to Norwegian taxation regime. All general partner companies, operating companies and private limited holding companies are subject to Norwegian taxation regime. The companies' tax expense consist of Norwegian taxation of the limited liability companies as well as any potential foreign payable taxation. Island Offshore UK Limited and Island Offshore Subsea UK Limited are subject to UK taxation regime.

Tax expense comprises payable tax and change in deferred tax. Deferred tax/tax asset is calculated based on differences between accounting and tax values for assets and liabilities. Deferred tax is calculated on the basis of temporary differences between tax and accounting values, in addition to tax losses carried forward at year end. Net deferred tax is recorded to the extent that future offsetting is probable.

#### Cash flow statement

The cash flow statement is prepared on the basis of the indirect method. Cash and cash equivalents include cash and bank deposits.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### Financial market risk

Group results are exposed to market risk and continuous efforts are sought to reduce the exposure towards various risk factors. Strategies are thereby implemented to secure satisfactory contract coverage and cash flow from the fleet of vessels. Financial instruments are applied to hedge cash flow in foreign currency, and loans in foreign currency are also used to reduce net exposure to currency fluctuations.

#### NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

in NOK mill	Freight revenue	
	2023	2022
Norway	930,9	780,4
UK	123,3	250,4
The Netherlands	69,3	91,7
Denmark	0,0	2,5
USA	1,0	60,4
Morocco	0,0	5,5
Germany	0,0	9,0
Angola	0,0	99,9
Red Sea	6,1	8,6
Turkey	176,2	54,5
Mauritania	0,0	113,4
Senegal	0,0	29,9
Equatorial Guinea	103,5	4,8
Spain	0,0	0,2
Greece	110,8	0,0
International Waters	125,3	135,3
Mexico	11,8	0,2
Ghana	0,4	0,0
Georgia	55,0	0,0
Trinidad & Tobago	17,4	0,0
<b>Total</b>	<b>1 731,0</b>	<b>1 646,8</b>

In 2022, revenue is reduced with NOK 8.2 mill due to commission to broker relating to the sale of the vessels Island Defender and Island Discoverer.

Fleet comprises 14 vessels compared with 16 vessels last year. Overall, utilization for remaining fleet has improved due to increased market activity. Average utilization of the fleet was 92% in 2023 compared with 84% in 2022.

#### NOTE 3 PAYROLL, EMPLOYEES

The Group's partnerships and general partners do not have employees.

Consideration has been paid to the Board of Directors with a total of NOK 385.000 in 2023. No consideration paid to other leading personnel. Supervisory Committee fee has been paid with NOK 500.000,-. Payroll expenses in the financial statements relate to hired crew. None of the companies in the Group are obliged to have obligatory pension schemes in accordance with Norwegian law.

**Notes to the Consolidated Financial Statements 2023**

## Island Offshore Shipholding LP

All figures in NOK mill

**Auditor**

Remuneration can be specified as follows (NOK mill):

	2023	2022
Statutory audit services	1,270.4	966.7
Other services including tax filing services	463.1	455.9
VAT refunded-/ not refunded +	-	-87.3
Various audit confirmations, other audit expenses including travel expenses	112.7	255.3
<b>Expensed auditor remuneration</b>	<b>1,846.1</b>	<b>1,590.6</b>

**NOTE 4 SPECIFICATION OF ITEMS****Other financial income:**

NOK mill	2023	2022
Unrealized foreign exchange gain	0,0	0,2
Hedging gain	-	0,3
Foreign currency exchange gain	34,8	36,0
Debt forgiveness	50,0	-
Interest receivables on bonds	3,4	-
<b>Total other financial income</b>	<b>88,2</b>	<b>36,5</b>

**Other financial expenses comprise:**

NOK mill	2023	2022
Foreign currency exchange loss	53,0	27,3
Amortization of financing costs	9,7	9,6
Hedging loss	3,2	0,7
Loss on sale of bonds	6,2	-
Other financial expenses	0,5	4,0
<b>Total other financial expenses</b>	<b>72,5</b>	<b>41,6</b>

**NOTE 5 FINANCIAL INSTRUMENTS**

The Group has a strategy to hedge contracted revenue in foreign currency when contracts are entered for a longer period of time. The financial instruments are linked to a specific revenue cash flow and can be measured in respect of success rate according to strategy.

Forward contracts are used to hedge future freight revenue in USD and GBP. Outstanding contracts 31.12.23 expire during 2024 and 2025 depending on the underlying cash flow. The estimated net unrealized gain on USD is NOK 8.4 mill and unrealized loss on GBP NOK 2.8 mill at 31.12.2023, which is not recorded in the financial statements in accordance with the Norwegian Accounting Act and NGAAP.

**Notes to the Consolidated Financial Statements 2023**

## Island Offshore Shipholding LP

All figures in NOK mill

**NOTE 6 FIXED ASSETS***Tangible fixed assets:*

NOK mill	Ship	Periodic maintenance	Total
Acquisition value 1.1.	7 735,8	729,9	8 465,7
Additions	45,0	80,9	126,0
Disposals at cost	-208,3	2,7	-205,6
Accumulated depreciation 31.12.	-2 451,1	-637,8	-3 088,9
Accumulated impairment on vessel value 31.12	-	-	-
<b>Book value 31.12.</b>	<b>5 121,4</b>	<b>175,7</b>	<b>5 297,1</b>
Annual depreciation charge	192,7	70,8	263,5
Annual impairment provision	-577,8	-	-577,8
Economic lifetime	20 yrs	3-10 yrs	0,0
Depreciation plan	Linear	Linear	

The vessel Island Champion, in 2022 on bareboat contract from external shipowner, was purchased by an affiliated company in February 2023, thus no longer part of the Group's operational fleet in 2023. As part of the refinancing agreement with secured and unsecured lenders, the PSV vessel Island Dragon was sold on 20.12.2023 to an affiliated company with a sale price of 205.6 mill. Previous year's impairment provision of NOK 156.3 mill was reversed in the Income Statement following the sale of the vessel.

The estimated market value of the vessels in the Group obtained from independent ship brokers, are in average higher than the net book value of the vessels. The vessel values are also tested on an impairment analysis employing estimates of future cash flow for each vessel.

The analysis takes into account the present market conditions with a gradual improvement on charter hire rate and utilization the rest of estimated vessel usage time. Key assumption in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 10.5%. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis does not indicate any need to write down the book value of the vessels in 2023. On the contrary, considering improved market terms and increased utilization with satisfactory current backlog, there are excess values in the Group's fleet. Previous years' impairment provision on vessel value is reversed with a total of NOK 577.8 mill in the income statement. Net book value of the Group's vessels are in accordance with the Group's ordinary depreciation plan as per 31.12.23.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

In order to illustrate the implications of changes in key assumptions, a sensitivity analysis has been undertaken. A summary of the implications is presented below:

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Estimated impairment provision	-	-	-

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Estimated impairment provision	-	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Estimated impairment provision	-85	-	-

Note that when amending key assumption with negative effect on impairment provision estimate, the corresponding improvement of key assumption will not have the equivalent positive effect, since the value of vessel can only be adjusted back to original net book value.

The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The CSRD implies a significant increase in sustainability reporting requirements in the Norwegian Accounting Act effective from the accounting year 2025. In addition, the EU Monitoring, Reporting and Verification (MRV) regulation will apply for Offshore Service Vessels above 5000 GT from 2025 whereby emission reporting will be verified by DNV. The objective of MRV is to assess the environmental impact of maritime transport and to serve as the basis for carbon tax determination. Entry into the EU Emission Trading System (EU ETS) will apply from 2027 for the same vessels. The emissions cap-and-trade system aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions through a limited number of EU Allowances (EUAs). The increasing reporting requirements will lead to increased expenses related to reporting efforts, but will likely also imply future investments required to reduce emission from the vessels in order to comply with regulatory requirements. It is not expected that the utilization or the lifetime of the vessels will be negatively impacted by the new EU and CSRD requirements.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### NOTE 7 SUBSIDIARIES AND INVESTMENT IN SHARES

Investments in subsidiaries and associated companies are accounted for by the equity method in the separate financial statement. In the consolidated financial statement, the investments and the share of net accounting result from subsidiaries are eliminated. Companies included in the consolidated financial statement 2023:

#### SUBSIDIARIES:

Organization No	Company	Address	Ownership
		CAYMAN ISLAND /	
990035903	ISLAND OFFSHORE SHIPHOLDING LP	ULSTEINVIK NORWAY	Parent company
987156783	ISLAND OFFSHORE VIII AS	ULSTEINVIK, NORWAY	72,90 %
987156805	ISLAND OFFSHORE VIII KS	ULSTEINVIK, NORWAY	65,94 %
887254982	ISLAND OFFSHORE X AS	ULSTEINVIK, NORWAY	100,00 %
987845325	ISLAND OFFSHORE XI AS	ULSTEINVIK, NORWAY	55,03 %
888271392	ISLAND OFFSHORE XII AS	ULSTEINVIK, NORWAY	61,65 %
994289764	ISLAND OFFSHORE XII SHIP AS	ULSTEINVIK, NORWAY	0,00 %
920718590	ISLAND VICTORY AS	ULSTEINVIK, NORWAY	0,00 %
922593116	ISLAND DEFENDER AS	ULSTEINVIK, NORWAY	0,00 %
924922494	ISLAND DISCOVERER AS	ULSTEINVIK, NORWAY	0,00 %
987255188	ISLAND OFFSHORE X KS	ULSTEINVIK, NORWAY	88,46 %
914405025	ISLAND OFFSHORE INTERNATIONAL SHIPPING AS	ULSTEINVIK, NORWAY	99,00 %
997571290	ISLAND VENTURES 4 AS (UNDER DISSOLUTION)	ULSTEINVIK, NORWAY	0,00 %
492749	ISLAND OFFSHORE UK LIMITED	ABERDEEN, UK	100,00 %
492748	ISLAND OFFSHORE SUBSEA UK LIMITED	ABERDEEN, UK	0,00 %

Ownership above is for Island Offshore Shipholding, L.P. direct ownership.

As per 31.12.23 Island Offshore XII AS owns 53.1% of the shares in Island Offshore XII Ship AS and 100% of the shares in Island Discoverer AS. Island Victory AS and Island Defender AS are 100% owned by Island Offshore XII Ship AS.

Island Ventures 4 AS is 100 % owned by Island Offshore UK Limited. Island Ventures 4 AS is planned to be dissolved in 2024. Island Offshore Subsea UK Limited is 100% owned by Island Offshore UK Limited.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### ASSOCIATED COMPANY:

As part of the restructuring agreement for the partnership Island Offshore III KS agreed in December 2021 and effective in January 2022, the Group's owner interests was diluted from 63.6% to 24.05% and shares in the Partnership Island Offshore III KS are from January 2022 classified as investment in associated companies recorded in accordance with the equity method.

In NOK mill	Org.No. 982 411 408 Island Offshore III KS
Ownershare including General Partner interests	24,05 %
<b>Equity subsidiary as per 01.01.23</b>	<b>97,7</b>
Share of this year's profit	36,3
<b>Investment in associated company as per 31.12.23</b>	<b>134,0</b>
Island Offshore III KS; This year's profit + / loss - (100%)	150,9
Island Offshore III KS; Equity as per 31.12.22 (100%)	557,2

Address Stålhaugen 9  
Ulsteinvik  
Norway

#### NOTE 8 INVENTORY

Inventories in 2023 comprise in total NOK 25.1 mill as vessels' stock of lubricants and fuel valued at cost based on the FIFO principle. Comparable numbers in 2022 was NOK 24.9 mill.

#### NOTE 9 PLEDGE OF ASSETS

NOK mill	2023	2022
<b>Liabilities secured by pledge</b>	<b>2 193,1</b>	<b>2 677,6</b>
<b>Book value of pledged assets:</b>		
Ships	4 691,6	4 440,8
Factoring	250,3	191,0
Cash deposits	158,2	141,8
<b>Total</b>	<b>5 100,1</b>	<b>4 773,7</b>

In addition, eventual insurance payouts are pledged.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

In 2022, long term financial liabilities NOK 100 mill to one financial institution was reported as residual debt arising from a buy-back of loans. According to refinancing agreement, NOK 50 mill of the debt was forgiven in 2023 as Island Offshore VIII KS paid NOK 50 mill as a bullet payment in December 2023.

The vessel Island Dragon was sold in December 2023. The sales proceeds have been used in order to repay part of the vessel loans in the partnership Island Offshore X KS. In addition, a portion of the loans have been forgiven by the secured lenders with NOK 44.5 mill in 2023.

#### NOTE 10 LONG-TERM LIABILITIES

The current Restructuring Agreement with secured and unsecured lenders was made effective in December 2023, whereby secured lenders agreed to extend facilities until the end of 2026 at amended interest terms. The number of financial institutions financing the Company is reduced. All ship owning entities within the IOSH Group has serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest.

The parent company took over facility B from the subsidiary Island Offshore X KS and owes NOK 162.5 mill to the bank. The loan is not interest bearing and no installments are due until maturity on 31.03.2027. Bonds and Seller Credits has extended maturity until March 2027.

In accordance with Norwegian Accounting Principles, the loans from financial institutions and seller credits are classified as long term loans in 2023. Further, accumulated interest payable connected to owner loans, bonds and seller credits are classified as long term as per 31.12.2024 considering that the maturity of unsecured loans are in March and June 2027. In 2022, the loans from financial institutions NOK 345.9 mill were classified as short term loans for the Partnership Island Offshore X KS in accordance with Norwegian Accounting Principles.

Financing expenses are capitalized and expensed over the expected term of the loan. The remaining balance is NOK 11.8 mill at 31.12.2023.

#### NOTE 11 RELATED PARTIES

Transactions with related parties:

	<u>2023</u>	<u>2022</u>
Long term receivable	55,8	57,2
Other short term receivables	98,5	113,9
Other long term liabilities	(541,6)	(461,2)
Accounts payable	(11,5)	(9,8)
Other short term liabilities	(133,4)	(141,6)
<b>Total</b>	<u>(532,2)</u>	<u>(441,4)</u>

Loan agreements for receivables / payables and long term liabilities with related parties have been established. Loans are charged at interest based on arm`s length principle.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

The parent company has provided a long term loan receivable of NOK 50.8 mill to Island Offshore Shipping AS. The Company has a pledge on Island Offshore Shipping AS' shares in Island Diligence AS as insurance for this loan. The Company has prepaid operational lease to Borgstein AS for the gangway and pedestal equipment of NOK 5.0 mill, presented as other long term receivables.

Other short term receivables, other short term liabilities and accounts payable consists mainly of transactions with the management company Island Offshore Management AS and Island Offshore Crewing AS.

Other long term liabilities are loans and accrued interests payable from the ultimate owners of Island Offshore Shipholding L.P. NOK 481.3 mill, loan from Manager NOK 15.6 in addition to a seller credit loan NOK 39.2 mill towards Island Ventures 4 LLC. Island Offshore UK Limited has a seller credit loan of balance NOK 5.6 mill towards Borgstein Skipsinvest AS and Brazil Vessel LLC arising from the time the Company purchased the shares in Island Ventures 4 AS.

	2023	2022
Bareboat hire income	0,0	41,6
Bareboat hire expense	0,0	-17,9
Crew hire	-540,4	-551,2
Management services	-49,7	-56,4

Island Victory AS entered into Bareboat Charter Agreement with Island Offshore Shipping AS when the vessel was operating in the US. From July 2021 to November 2022, Island Offshore VIII KS leased the vessels Island Endeavour and Island Empress from Green Island PSV AS. The bareboat rent was based on arms-length principles and based on BIMCO standard Bareboat Charter Agreement.

The Group has entered into management agreements with Island Offshore Management AS and Borgstein AS to carry out technical and commercial services for the vessels. The services include crewing, purchase, administration, sales, accounting and technical operations.

According to the management agreement, the ship owning company will refund all direct costs related to the vessel, to the management company. An annual fee is paid based on arm's length principle.

#### NOTE 12 TAXES – NORWAY

Deferred tax/tax asset is calculated based upon the temporary differences between accounting and tax values at the end of the accounting year. Negative temporary differences and positive temporary differences that reverse or may reverse in the same period are offset and recorded net. Deferred tax is recorded in the balance sheet only for the limited liability companies, but all temporary differences are presented here for information purposes.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

Deferred tax liability/tax asset has been calculated as follows:

	2023	2022
Fixed assets	3 698,6	3 061,1
Receivables and temporary foreign exchange difference	-2,3	-
Gains / losses fixed assets carried forward	112,9	81,0
Other temporary differences	-29,1	-7,8
Tax loss carried forward	-638,5	-804,8
<b>Total temporary differences</b>	<b>3 141,6</b>	<b>2 329,4</b>
Temporary differences from general partner and limited liability companies not included in deferred tax asset calculation	224,6	232,7
Temporary differences from partnerships not included in deferred tax calculations	-2 770,2	-2 116,8
<b>Deferred tax basis</b>	<b>596,1</b>	<b>445,4</b>
<b>Net deferred tax</b>	<b>131,1</b>	<b>98,0</b>
Deferred tax liability	131,1	98,0
Deferred tax asset	-	-
<b>Net deferred tax</b>	<b>131,1</b>	<b>98,0</b>
Tax rate	22 %	22 %
<b>Specification of tax expense</b>		
Tax payable in Norway	-	1,4
Change in deferred tax	33,1	16,9
<b>Tax expense</b>	<b>33,1</b>	<b>18,3</b>

The variance between the tax expense in the financial statement and the pre-tax result multiplied by nominal tax rate is mainly explained by participating entities that are not included in basis for calculation of tax expense. As it will take some time for the General Partners to utilize tax loss carried forward to offset future payable tax, it is decided not to record deferred tax asset in the balance sheet of the Group as per 31.12.23.

#### NOTE 13 EQUITY

	Paid in capital	Other equity	Minority interest	Total
<b>Equity 01.01.2023</b>	<b>895,5</b>	<b>-957,0</b>	<b>885,4</b>	<b>823,9</b>
Effect liquidation subsidiaries		-39,7	-0,3	-39,9
Debt forgiveness recorded as equity		44,5		44,5
Effect on currency difference		-0,8		-0,8
Annual result		688,7	186,6	875,2
<b>Equity 31.12.23</b>	<b>895,5</b>	<b>-264,2</b>	<b>1 071,7</b>	<b>1 703,0</b>

As part of the sale of vessel and restructuring agreement, secured lenders agreed to forgive debt with NOK 44.5 mill in 2023 for the Partnership Island Offshore X KS. The debt forgiveness is booked directly towards equity in accordance with Norwegian Accounting Principles.



## Notes to the Consolidated Financial Statements 2023

### Island Offshore Shipholding LP

All figures in NOK mill

#### NOTE 14 OWNERSHIP

Owners	Share %	Paid in capital
Amnor LLC	1,00 %	9,0
Island Investment LLC	49,50 %	443,3
Borgstein Skipsinvest AS	49,50 %	443,3
<b>Totalt</b>	<b>100,00 %</b>	<b>895,5</b>

#### NOTE 15 OTHER MATTERS

Some of the vessels within the Group is operating worldwide constituting exposure of Permanent Establishment (PE) abroad. Tax advisors have been engaged to verify compliance with local tax regulation when there is uncertainty related to the eventual tax liabilities. If tax liability is identified, compliance with local tax regulations has and will be undertaken and tax reporting and payments have been initiated according on this basis.

#### NOTE 16 GOING CONCERN

The vessels owned by the Group operate in the offshore service market, which has suffered a significant downturn from 2015 due to the low oil price and reduced offshore activity.

The previous Restructuring Agreement with secured and unsecured lenders was made effective in May 2020, whereby unsecured lenders agreed to extend facilities until the end of 2023 or later at amended interest terms. All ship owning entities within the IOSH Group have serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest. Since December 2023, agreement has been reached with the senior secured lenders and unsecured lenders financing the ship-owning companies. The agreements include extended runways and amended amortization and interest terms.

The offshore service market has continued to improve in 2024, and the Group has a satisfactory backlog for the fleet. The assessment is that the Island Offshore Shipholding Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position, cash, and backlog of the Group at 31.12.2023, and that a sustainable financing agreement has been agreed and made effective with secured and unsecured lenders in December 2023.



Island Offshore Shipholding LP

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## **Annual report 2023**

### **Annual accounts**

- Income statement
- Balance sheet
- Cash flow statement
- Notes

### **Auditors' report**



## Annual Report 2023

### Island Offshore Shipholding LP

#### The Business

The Company is registered in the Cayman Islands and currently owns one W2W vessel, one Stimulation vessel, two Subsea Construction Vessels (SCV) and one Light Well Intervention vessels (LWI). The vessels are marketed for employment worldwide, but three of the vessels primarily operate in the North Sea; the remaining two have operated outside West Africa, Trinidad & Tobago, Mexico and in international waters in 2023.

IOSH LP is the majority shareholder in several Norwegian limited partnerships and limited liability companies owning a fleet of OSVs operating worldwide. Technical and commercial management for the vessels is carried out by Island Offshore Management AS and Borgstein AS respectively, from Ulsteinvik, Norway.

#### Statement of Results

Revenue in 2023 totals NOK 663.5 million compared to NOK 627.3 million in 2022 which included agent revenue of NOK 41.5 mill reported gross in the revenue and vessel expenses. The vessels had on average 96% utilization in 2023 compared with 93% utilization in 2022.

The operating result for 2023 is a profit of NOK 257.1 million compared to a profit of NOK 110.4 million in 2022. The operating profit includes reversal of impairment provision on vessel value with NOK 126.5 million.

This year's net profit is NOK 347.3 million compared to a loss of NOK 214.1 million in 2022. The share of the net results from investments in subsidiaries is a profit in 2023 of NOK 386.9 million compared with a loss of NOK -228.3 million in 2022. The main reason for the loss in 2022 was dilution of ownership interest in Island Offshore III KS, following an equity issue whereby the IOSH's interests were reduced from 57.2% to 18.5%. The financial expenses in 2023 includes a write down on receivables from the Partnership Island Offshore X KS with NOK 162.5 million.

Net cash flow from operational activities is positive at NOK 128.8 million. Capitalized maintenance expenses amount to NOK 77.7 million in 2023. The Company refinanced loan with NOK 1,000.0 million of which NOK 1,136.1 million was repaid to financial institutions. PIK interests on bond loan has been added to the bond loan with a value of NOK 24.2 million in 2023. The Company has sold bonds with the sale price of NOK 6.2 mill. Overall, the Company has a negative cash flow of NOK 54.6 million leaving a cash balance at 31.12.2023 of NOK 45.5 million.

Net equity totals NOK 462.1 million as at 31.12.2023 compared to NOK 114.8 million at 31.12.2022. The increase is equal to this year's profit. The net equity is positively impacted by the reversal of previous year's impairment of vessel values in 2023 with a total of NOK 126.5 million.

The Company does not have ongoing research and development activities.

Island Offshore Shipholding LP



## Going Concern

The Parent's and the Group's vessels operate in the offshore service market, which has suffered a significant downturn from 2015 due to the low oil price and reduced offshore activity.

The previous Restructuring Agreement with secured and unsecured lenders was made effective in May 2020, whereby unsecured lenders agreed to extend facilities until the end of 2023 or later at amended interest terms. All ship owning entities within the IOSH Group, as well as the Parent company, have serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest.

Since December 2023, agreement has been reached with the senior secured lenders and unsecured lenders financing the ship-owning companies. The agreements include extended runway on maturity on loans and amended terms regarding installments and interest terms. The number of financial institutions financing the Parent company is reduced.

Negotiations for an extension also included the subsidiary Island Offshore X KS. The parent company had originally issued a guarantee in favour of the banks providing the ship mortgage loans in a total amount of NOK 345.9 mill as per 31.12.22. The guaranteed liabilities were set on hold as a deferred liability in accordance with the Intercreditor Agreement entered into in connection with the refinancing agreement. The current restructuring agreement had the condition that the Parent Company took over the B-facility loan of NOK 162.5 mill from the Island Offshore X KS and that the owner loan of NOK 124.8 mill was written down or converted to equity.

There are signs of improvement in the offshore market in 2024 and the Group has a satisfactory backlog for its fleet. The assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2023, and that a sustainable restructuring agreement has been agreed and made effective with secured and unsecured lenders in December 2023.

## Work Environment and Gender Equality

The Company does not have employees. The offshore crew is hired from Island Offshore Management AS and Island Offshore Crewing AS. The Managers are all men and comprises representatives from the owners in the partnership.

The Vessel Manager Island Offshore Management AS continuously work to promote gender equality in all aspects of the business with the objective of securing equal opportunities irrespective of gender, ethnicity, nationality or religious orientation.

As employer the Vessel Manager has the responsibility to maintain, complete and report on progress with the work to promote and secure basic human rights and decent working conditions (Norwegian Transparency Act; "Åpenhetsloven"). The 2022 report is available and the 2023 report will be available on Island Offshore's webpage [www.islandoffshore.com](http://www.islandoffshore.com) before 30.06.24.

Island Offshore Shipholding LP



## External Environment

The Company's operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental plans are prepared for each vessel and systematic efforts are employed to reduce the risk of emissions of gas to air as well as emission of diesel oil, chemicals or other oil-containing substances to the sea. The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The CSRD implies a significant increase in sustainability reporting requirements in the Norwegian Accounting Act effective from the accounting year 2025. In addition, the EU Monitoring, Reporting and Verification (MRV) regulation will apply for Offshore Service Vessels above 5000 GT from 2025 whereby emission reporting will be verified by DNV. The objective of MRV is to assess the environmental impact of maritime transport and to serve as the basis for carbon tax determination. Entry into the EU Emission Trading System (EU ETS) will apply from 2027 for the same vessels. The emissions cap-and-trade system aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions through a limited number of EU Allowances (EUAs). The increasing reporting requirements will lead to increased expenses related to reporting efforts, but will likely also imply future investments required to reduce emission from the vessels in order to comply with regulatory requirements. It is not expected that the utilization or the lifetime of the vessels will be negatively impacted by the new EU and CSRD requirements.

## Financial Risk

Considering repayment of loans in December 2023, and yard stay for the LWI and the SCV vessels early 2024, the Company has some strain on liquidity at the start of 2024. However, the Company has seen continued strengthening of the market including rates across the fleet to continue operations. The strong order backlog for the Company gives visibility in earnings and reduces financial risk. Financial instruments are used to hedge cash flow in foreign currency thus limiting exposure to foreign currency risk to the extent such facilities are available.

Total liabilities are NOK 2,833.5 million including NOK 988.2 million of ship mortgages and NOK 866.0 million of corporate bonds. The parent company took over facility B from the subsidiary Island Offshore X KS and owes NOK 162.5 mill to the bank. The loan is not interest bearing and no installments are due until maturity on 31.03.2027. Bonds and Seller Credits has extended maturity until March 2027.

As some of the vessel is operating worldwide, tax advisors have been engaged to verify compliance with local tax regulation when there is uncertainty related to the eventual tax liabilities.

## Future outlook

All vessels have term contracts with expiry end 2024 or later.

Market state is improving with increased activity in many segments. Our chartering strategy remains firm with focus on securing long-term commitments with strategically preferred clients, in addition to exploring new business opportunities in niches and markets complementing our existing Oil & Gas activity. We consider our fleet to be well-positioned with attractive and strategically important customers. Overall, the Company is well diversified and positioned in attractive market segments and with attractive charterers. On a general note, there is uncertainty with regards to assessment of future results.

**Island Offshore Shipholding LP**



The current geopolitical risk may cause operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations. This could impact the long-term market outlook and assessments of recoverable asset amounts.

The Board of Directors continue to monitor the financial situation of the Company closely.

#### Other matters

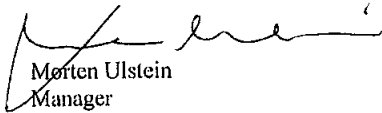
Beyond the above, the Managers are not aware of any subsequent events that could be significant for the evaluation of the Company's financial position and results. Reference is made to the income statement, cash flow, balance sheet and notes.

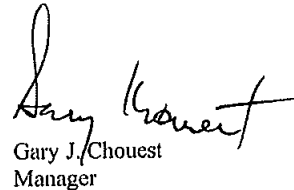
#### Allocation of results

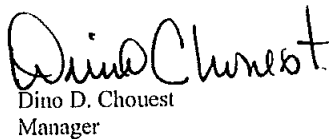
The Board proposes the following allocation of the 2023 net profit NOK 347.270.149:

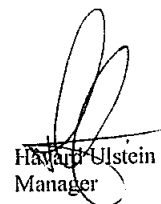
Transferred to other equity	NOK 347 270 149
-----------------------------	-----------------

Ulsteinvik, 25.04.2024

  
Morten Ulstein  
Manager

  
Gary J. Chouest  
Manager

  
Dino D. Chouest  
Manager

  
Harald Ulstein  
Manager

Island Offshore Shipholding LP



## Island Offshore Shipholding LP

### Income statement

	Note	2023	2022
<b>Revenue</b>			
Freight income	2,10	663 474 617	627 311 463
Total revenue		<u>663 474 617</u>	<u>627 311 463</u>
<b>Operating expenses</b>			
Vessel expenses	2,10	129 634 422	161 892 923
Crew expenses	10	271 266 571	224 185 310
Depreciation	5	109 103 910	113 116 445
Write-down on ships	5	-126 497 830	0
Other operating expenses	4,6	22 855 301	17 760 199
Total operating expenses		<u>406 362 374</u>	<u>516 954 877</u>
Operating result		<u>257 112 243</u>	<u>110 356 586</u>
<b>Financial income and expenses</b>			
Income from investments in subsidiaries and associated companies	6	386 887 200	-228 258 413
Interest income from group companies		0	1 083 530
Other financial income	3	12 635 134	11 394 150
Write-down on other financial assets	6,8	162 542 430	0
Other financial expenses	3	146 821 998	108 685 859
Net financial items		<u>90 157 906</u>	<u>-324 466 592</u>
Ordinary result before tax		<u>347 270 149</u>	<u>-214 110 006</u>
<b>Net profit or loss for the year</b>		<u>347 270 149</u>	<u>-214 110 006</u>
<b>Allocated as follows</b>			
Transferred to other equity	12	347 270 149	-214 110 006



## Island Offshore Shipholding LP

### Balance sheet as of December 31

	Note	2023	2022
<b>Fixed assets</b>			
<i>Tangible assets</i>			
Ships	5,7	1 998 334 539	1 903 258 014
<i>Financial assets</i>			
Investments in subsidiaries and associated companies	6	949 787 021	647 922 359
Investments in shares and units	6	79 594 766	79 594 766
Other receivables	10	55 788 546	57 203 161
Total financial assets		<u>1 085 170 333</u>	<u>784 720 286</u>
Total fixed assets		<u>3 083 504 872</u>	<u>2 687 978 300</u>
<b>Current assets</b>			
Stock of fuel etc.		<u>2 704 527</u>	<u>4 873 686</u>
<i>Receivables</i>			
Trade receivables	7	113 244 380	75 627 367
Other receivables	10	50 700 866	65 040 406
Total accounts receivable		<u>163 945 246</u>	<u>140 667 773</u>
Cash and cash equivalents	7	<u>45 467 757</u>	<u>100 022 035</u>
Total current assets		<u>212 117 530</u>	<u>245 563 494</u>
Total assets		<u>3 295 622 402</u>	<u>2 933 541 794</u>

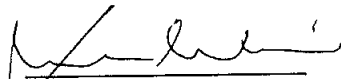


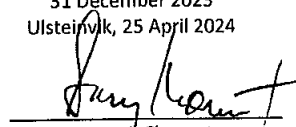
Island Offshore Shipholding LP


Balance sheet as of December 31

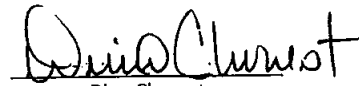
	Note	2023	2022
<b>Equity</b>			
<i>Paid-in capital</i>			
Equity, undistributable	13	895 548 243	895 548 243
<i>Retained earnings</i>			
Other equity		-433 471 549	-780 741 699
Total equity	12	<u>462 076 694</u>	<u>114 806 544</u>
<b>Liabilities</b>			
<i>Other long-term liabilities</i>			
Bonds	8	871 934 886	832 780 494
Liabilities to financial institutions	7,8	1 150 757 017	1 122 854 835
Other long-term liabilities	8,10	720 336 230	637 738 317
Total other long term liabilities		<u>2 743 028 133</u>	<u>2 593 373 646</u>
<i>Current liabilities</i>			
Trade creditors	10	1 612 651	1 447 899
Other short-term liabilities	10	88 904 924	223 913 705
Total current liabilities		<u>90 517 575</u>	<u>225 361 604</u>
Total liabilities		<u>2 833 545 708</u>	<u>2 818 735 250</u>
Total equity and liabilities		<u>3 295 622 402</u>	<u>2 933 541 794</u>

31 December 2023  
Ulsteinvik, 25 April 2024

  
Morten Ulstein  
Chairman of the Board

  
Gary J. Chouest  
Member of the Board

  
Håvard Ulstein  
Member of the Board

  
Dino Chouest  
Member of the Board



<b>Cash Flow Statement</b>
Island Offshore Shipholding LP

	2023	2022
<b><i>Cash flow from operational activities:</i></b>		
Profit before tax	347 270 149	-214 110 006
Reversed share of result gain-/ loss+ from subsidiaries and associated companies	-386 887 200	228 258 413
+ Loan guaranteed and transferred from subsidiary	162 542 430	0
+ Depreciation	109 103 910	113 116 445
+ Impairment provision on vessel value	-126 497 830	0
-/+ Change in inventory	2 169 159	841 583
-/+ Change in accounts receivable	-37 617 013	-13 172 078
+/- Change in accounts payable	164 752	991 787
+/- Change in other accruals, prepaid expenses	58 561 393	-29 103 773
= Net cash flow from operational activities	<u>128 809 750</u>	<u>86 822 371</u>
<b><i>Cash flow from investment activities</i></b>		
+ Payments sale of fixed assets	0	2 453 500
- Payments investments in fixed assets	-77 682 606	-31 415 838
= Net cash flow from investment activities	<u>-77 682 606</u>	<u>-28 962 338</u>
<b><i>Cash flow from financing activities</i></b>		
+ Refinancing loan from financial institutions	1 000 000 000	0
+/- Capitalized pik interests of bond loan	24 210 805	23 534 088
+ Sale of bonds	6 215 419	0
- Repayment of loan	-1 136 107 646	-144 238 993
= Net cash flow from financing activities	<u>-105 681 422</u>	<u>-120 704 905</u>
= Net change in cash and cash equivalents	<u>-54 554 278</u>	<u>-62 844 872</u>
+ Cash reserve 1.1	<u>100 022 035</u>	<u>162 866 907</u>
= Cash reserve 31.12	<u>45 467 757</u>	<u>100 022 035</u>

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## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### NOTE 1 ACCOUNTING PRINCIPLES

Island Offshore Shipholding LP, is registered in the Cayman Islands and directly and indirectly owns the majority shareholding of several Norwegian ship owning entities. Thus, the parent company is included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Borgstein AS, Stålhaugen 9, 6065 Ulsteinvik, Norway.

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway.  
The significant principles are described below.

##### Classification criteria

Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets.

Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first instalment on secured debt which is serviced by the cash flow from fixed assets.

##### Use of estimates:

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

##### Presentation of subsidiaries and associated companies

Subsidiaries are accounted for by the equity method. Associated companies with ownership and control interests from 20% to 50% are accounted for by the equity method.  
Investments in shares classified as financial fixed assets are valued at cost price considering write-down of values on shares.

##### Valuation of current assets

Receivables are recorded net of expected future losses.  
Bunkers and lube oil balances are accrued in the balance sheet based upon consumption and purchase price.

##### Fixed assets and depreciation

Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and estimated residual value after end of economic life. Adjusted for residual value, the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for the vessel. Please refer to notes for details.

##### Shipbuilding contracts

Instalments to the yard for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are capitalized.

##### Capitalized periodical maintenance (dry docking)

The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking, normally every 30 months. Upon delivery of new vessels, a portion of acquisition cost is decomposed and recorded as periodic maintenance. Normal maintenance expenses are expensed as incurred.



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### Financing expenses

Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan.

#### Currency

Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. Currency gains/losses on revenue contracts are not offset towards gains/losses on long-term liabilities.

Contract revenue in foreign currency is hedged by use of forward FX contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred.

#### Revenue and expense recognition

Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year. Contract revenue is accrued and recognized linearly over the term of the contract irrespective of invoicing terms.

#### Taxes

Deferred tax/tax asset is calculated on the basis of all differences between accounting and tax values for assets and liabilities. Deferred tax is estimated with 22% rate based on the temporary differences between tax and accounting values, as well as deferred tax loss carried forward at the end of the accounting year. In accordance with NGAAP, deferred tax/tax asset is not recorded for participation taxed companies.

#### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term cash equivalents.

#### NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2023	2022
Norway	407,9	388,6
UK	-	0,9
Trinidad and Tobago	17,4	-
Angola	-	99,9
Mexico	11,8	0,2
Equatorial Guinea	103,5	4,8
Mauritania	-	8,0
USA	1,0	0,2
Spain	-	0,2
Denmark	-	2,5
Ghana	0,4	-
International waters	121,5	122,1
<b>Total Freight Income</b>	<b>663,5</b>	<b>627,3</b>



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

The fleet consists of one PSV performing Walk to Work services, one Wellstim vessel, two SCVs and one LWI vessel.

The PSV/W2W vessel is on a 4 year firm contract with expiry 01.04.27 and achieved 100% utilization in 2023 compared with 97% utilization in 2022.

The Wellstim vessel achieved 100% utilization in 2023 compared with 98% utilization 2022

The two SCV vessels are operating world-wide with an utilization of 100% in 2023 compared with 99% in 2023.

The LWI had 78% utilization in 2023 compared with 72% utilization in 2022 .

In 2023, NOK 13.781.187 has been reported as recharged expenses to customer, thus reported gross in the total operating income with equivalent amount in vessel expenses. Comparable amount in 2022 was NOK 15.328.282.

The Company had agent contract with the affiliated company Green Island Crown AS in 2022 of which revenue due from external customer is reported gross with NOK 41.5 mill as freight income relating to Island Crown with equivalent amount due to Green Island Crown AS reported under vessel expenses (reference note 9).

#### NOTE 3 SPECIFICATION OF ITEMS

##### Other financial income:

	<u>2023</u>	<u>2022</u>
Other interest income	-	86 165
Interest income bank and bond asset	5 688 081	1 135 362
Foreign exchange gain realized	9 553 144	10 170 845
Foreign exchange gain+ / loss - unrealized	-3 528 500	-506 414
Interests income related party	922 409	508 192
<b>Total other financial income</b>	<b><u>12 635 134</u></b>	<b><u>11 394 150</u></b>

##### Other financial expenses comprise:

	<u>2023</u>	<u>2022</u>
Deprecation of capitalized financial expenses	7 230 716	2 826 952
Interest cost related party	12 618 184	9 499 350
Interest cost long term loans	111 099 630	87 965 506
Foreign exchange loss realized	9 713 885	8 386 046
Loss sale of bonds	6 155 885	-
Other financial expenses+/income -	3 697	10 005
<b>Total other financial expenses</b>	<b><u>146 821 998</u></b>	<b><u>108 687 859</u></b>



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### NOTE 4 PAYROLL, EMPLOYEES

The Company does not have employees and has no obligation to have pension funds. There has been no consideration paid to the Board of Directors. Payroll expenses in the financial statements relate to hired crew.

##### Auditor

Remuneration of NOK 544.039,- can be specified as follows:

Statutory audit service	360.438
Tax Filing and Group tax computation	105.000
Other services	45.992
Expenditures	32.609
<b>Expensed remuneration excluding VAT</b>	<b>544.039</b>

The Company is not registered in Norwegian VAT register, thus no VAT are charged to the invoice.

#### NOTE 5 FIXED ASSETS

##### Tangible fixed assets:

##### Fixed assets

	Ship	Projects in Progress	Drydocking / periodic maintenance	Total
Acquisition cost 1.1.	2 880 715 715	16 063 521	390 457 485	3 287 236 721
Additions	4 836 483	22 335 974	50 510 149	77 682 606
Disposals	-	-	-	-
Acc depreciation 31.12	(990 963 736)	-	(375 621 052)	(1 366 584 788)
Acc impairment provision 31.12	-	-	-	-
<b>Book value 31.12.</b>	<b>1 894 588 462</b>	<b>38 399 495</b>	<b>65 346 582</b>	<b>1 998 334 539</b>
Annual depreciation charge	74 741 601	-	34 362 310	109 103 911
Reversal previous years' impairment provision	(126 497 830)	-	-	(126 497 830)
Economic life	20 year		3 to 10 years	
Depreciation plan	Linear		Linear	

Additions mainly relates to 15 year class renewal for the LWI vessel completed in February 2023 and various engine overhauls, maintenance and repair expenses. Capital expenditures in project in progress relates mainly to the 20 year class renewal for one of the SCV vessel.

The market values obtained from independent ship brokers are higher than book value on the vessels.



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

The vessel values are also subject to an impairment test analysis employing estimates of future cash flows for each vessel. The analysis includes current backlog and an assumed gradual improvement of both charter hire rates and utilization through the rest of the expected vessel usage time. A key assumption in the analysis is the Weighted Average Cost of Capital (WACC), which is set to 10.5%. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis does not indicate any need to write down the book value of the vessels in 2023. On the contrary, considering improved market terms and increased utilization with satisfactory current backlog, there are excess values for the vessels. Thus, previous years' impairment provision on vessel value is reversed with NOK 126.5 mill in the income statement and net book value of the vessel is in accordance with the Company's ordinary depreciation plan as per 31.12.23.

In order to illustrate the implications of changes in key assumptions, a sensitivity analysis has been undertaken. A summary of the implications is presented below:

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Offshore Shipholding LP	-	-	-

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore Shipholding LP	-	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore Shipholding LP	-29	-	-

Note that when amending key assumption with negative effect on impairment provision estimate, the corresponding improvement of key assumption will not have the equivalent positive effect, since the value of vessel can only be adjusted back to original net book value.

The new Corporate Sustainability Reporting Directive (CSRD) will be implemented in Norway according to EU model thus introduced at the latest in 2025. The CSRD implies a significant increase in sustainability reporting requirements in the Norwegian Accounting Act effective from the accounting year 2025. In addition, the EU Monitoring, Reporting and Verification (MRV) regulation will apply for Offshore Service Vessels above 5000 GT from 2025 whereby emission reporting will be verified by DNV. The objective of MRV is to assess the environmental impact of maritime transport and to serve as the basis for carbon tax determination. Entry into the EU Emission Trading System (EU ETS) will apply from 2027 for the same vessels. The emissions cap-and-trade system aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions through a limited number of EU Allowances (EUAs). The increasing reporting requirements will lead to increased expenses related to reporting efforts, but will likely also imply future investments required to reduce emission from the vessels in order to comply with regulatory requirements. It is not expected that the utilization or the lifetime of the vessels will be negatively impacted by the new EU and CSRD requirements.

**Notes to the financial statements 2023**

## Island Offshore Shipholding LP

**NOTE 6 SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTMENTS IN SHARES**

Investments in subsidiaries are accounted for by the equity method. (Figures in NOK thousands).

*Partnerships:*

NOK 1000	Island Offshore VIII KS	Island Offshore X KS	Island Pioneer KS	TOTAL
Business office	Ulstein	Ulstein	Ulstein	
Date of acquisition	2004/2007/2017	2004	2010	
Acquisition cost	342 694	427 311	68 400	
Committed capital	391 342	51 674	175 000	
Uncalled capital	-	-	75 000	
Ownership	65,94 %	88,46 %	63,00 %	
<b>Opening balance 1.1</b>	<b>178 568</b>	-	-	<b>178 568</b>
Share of net result 2023	262 349		64 843	327 193
Receivable regarding bank loan taken over by parent company	-	162 542	-	162 542
Write down financial assets	-	-162 542	-	-162 542
Liquidation of Partnership	-	-	-64 843	-64 843
<b>Closing balance Partnerships 31.12.</b>	<b>440 918</b>	-	-	<b>440 918</b>

Value of shares in the partnership Island Offshore X KS have been tested on the partnership's value adjusted equity and the analysis indicated zero as book value of the investment. The short term receivable of NOK 124.8 million was written down to zero in financial expenses in the Income Statement in 2020. In 2023, and in accordance with refinancing agreement, the Company took over the B-facility loan of NOK 162.5 mill. The corresponding loan receivables were written down in financial expenses with same amount. Thus, in total NOK 287.3 has been written down as funds paid to the Partnership Island Offshore X KS. In addition, NOK 9.194.926 has been recorded as loss on receivables in other operating expenses in 2023, relating to guarantee claim due from the partnership Island Offshore X KS.

The Partnership Island Pioneer KS and the General Partner Island Pioneer AS were dissolved in 2023. Values were written down to zero in 2022 and the results in 2023 is a correction of previous impairment provision.



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

*Limited liability companies:*

Company	Island Offshore VIII AS	Island Offshore X AS	Island Offshore XI AS	Island Offshore XII AS	Island Pioneer AS	Island Offshore International Shipping AS	Island Offshore UK Ltd	Total
Business address	Ulstein	Ulstein	Ulstein	Ulstein	Ulstein	Ulstein	Aberdeen	
Date of acquisition	2005/2017	2004/2007	2004	2007	2010	2015	2015	
Acquisition cost	28 567	24 825	20 432	154 245	7 600	99	12	
Ownership	72,90 %	100,00 %	55,03 %	61,65 %	70,00 %	99,00 %	100,00 %	
Opening balance	26 587	0	23 697	419 068	0	0	0	469 353
Share of net result 2023	28 959	0	7 341	3 216	20 179			59 695
Liquidation of General Partner					-20 179			(20 179)
Closing balance 31.12	55 546	0	31 038	422 284	0	0	0	508 867
Total profit in Income Statement for partnerships, and limited liability companies								386 887
Net book value Investments in subsidiaries and associated companies								949 786

Profit or loss relating to investments in subsidiaries and associates are not recorded in accordance with the Norwegian Accounting Act and NGAAP when total equity for the subsidiary is a loss. Booked equity in Island Offshore X AS, Island Offshore International Shipping AS and Island Offshore UK Limited are with losses, hence the value of shares are written down to zero.

As mentioned above, the Island Pioneer AS was dissolved in 2023.

The Company's owner interests in the Partnership Island Offshore III KS was in 2022 reduced from 57.2% to 18.5%, thus classified as investment in shares and units with NOK 79.594.766 as per 31.12.23 and 31.12.22.

NOK 1000	Island Offshore III KS
Business office	Ulstein
Date of acquisition	2005
Acquisition cost	130 757
Committed capital	288 700
Uncalled capital	-
Ownership	18,50 %
Recorded balance on Partnership	79 595
Partnership's results in 2023 (100%)	150.928
Partnership's Equity (100%)	557 155



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### NOTE 7 PLEDGE OF ASSETS

	<u>2023</u>	<u>2022</u>
Liabilities secured by pledge	988 214 587	1 122 854 835
<b>Book value of pledged assets:</b>		
Ships	1 998 334 539	1 903 258 014
Factoring	113 244 380	75 627 367
Cash deposits	45 467 757	100 022 035
<b>Total</b>	<u><u>2 157 046 676</u></u>	<u><u>2 078 907 416</u></u>

In addition eventual future insurance payouts are pledged.

#### NOTE 8 LONG-TERM LIABILITIES

The current Restructuring Agreement with secured and unsecured lenders was made effective in December 2023, whereby secured lenders agreed to extend facilities until the end of 2026 at amended interest terms. The number of financial institutions financing the Company is reduced. All ship owning entities within the IOSH Group has serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest.

The parent company took over facility B from the subsidiary Island Offshore X KS and owes NOK 162.5 mill to the bank. The loan is not interest bearing and no installments are due until maturity on 31.03.2027. Bonds and Seller Credits has extended maturity until March 2027. Accrued interest payable connected to owner loans, bonds and seller credits are classified as long term as per 31.12.2024 considering that the maturity of unsecured loans are in March and June 2027.

Financing expenses are capitalized and expensed over the expected term of the loan. The remaining balance is NOK 11.8 mill at 31.12.2023.

#### NOTE 9 FINANCIAL INSTRUMENTS

The company has a strategy to hedge contracted revenue in foreign currency when contracts are entered for a longer period of time. The financial instrument is linked to a specific revenue cash flow and can be measured in respect of success rate according to strategy. The estimated net unrealized loss or gain is not recorded in the financial statement in accordance with the Norwegian Accounting Act and NGAAP.

There are no forward contracts used to hedge future freight revenue as per 31.12.23.



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### NOTE 10 RELATED PARTIES

Transactions with related parties:

	<u>2023</u>	<u>2022</u>
Other long term receivables	55 788 546	57 203 160
Other short term receivables	43 464 116	58 616 377
Loans from shareholders	-434 011 139	-353 570 613
Other long term liabilities	-54 763 624	-54 763 624
Accounts payable	-1 473 047	-335 195
Other short term liabilities	-40 567 092	-96 832 698

The Company has provided a long term loan receivable of NOK 50.8 mill to Island Offshore Shipping AS. The Company has a pledge on Island Offshore Shipping AS' shares in Island Diligence as insurance for this loan. Remaining accrual NOK 5.0 mill regarding prepaid operational lease to Borgstein AS for the gangway and pedestal equipment, presented as other long term receivables.

Other short term receivables in 2023 includes prepaid monthly vessel expenses with NOK 26 mill to Manager. In 2023, the Parent Company entered into agent contracts with Island Offshore International Shipping AS and had outstanding NOK 16.1 mill in relation to this. Accrued interests are charged with NOK 1.0 mill as per 31.12.23 in relation to outstanding receivable towards affiliates.

Loans from shareholders are related to funding in connection with capital commitments in subsidiaries and cash sweep guarantees. Accrued interests NOK 80.4 mill connected to owner loans are classified as long term debt according to terms in refinancing agreement. Maturity of unsecured loans including accrued interests are at the earliest in March 2027. Other long term liabilities is rest of a seller credit loan NOK 39.2 mill towards Island Ventures IV LLC and a long term loan from Island Offshore Management AS. Loan agreements with related parties have been established and all loans are charged at interest based on arm's length principle.

Other short term liabilities are mainly towards the subsidiary Island Offshore Crewing AS (crew provider) with NOK 11.5 mill and invoices for operating expenses to Manager NOK 27.5 mill.

	<u>2023</u>	<u>2022</u>
Agent Contracts	154 910 100	103 119 206
Crew hire	-271 266 571	-224 185 310
Management services	-19 623 257	-17 645 956



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

The company has entered into agent contracts with Island Offshore International Shipping AS and Island Offshore Management AS for the operation of Island Frontier. No risk for the operation company thus revenue is reported by the shipowner.

In 2022, the Company had flow-through contracts with the affiliated company Green Island Crown AS in 2022 of which revenue due from external customer is report gross with NOK 41.5 mill as freight income with equivalent amount NOK 41.5 mill due to Green Island Crown AS reported under vessel expenses ref note 2.

The company has entered into management agreements with Island Offshore Management AS and Borgstein AS to carry out technical and commercial services for the vessel. The services include crewing, purchase, administration, sales, accounting and technical operations. According to the management agreement, the ship owning company will refund all direct costs related to the vessel, to the management company. An annual fee is paid based on arm's length principle.

#### NOTE 11 TAXES – NORWAY

Deferred tax/tax asset is calculated based upon the temporary differences between accounting and tax values at the end of the accounting year. Negative temporary differences and positive temporary differences that reverse or may reverse in the same period are offset and recorded net.

Deferred tax/tax asset has been calculated as follows:

	<u>2023</u>	<u>2022</u>
Fixed asset	1 480 105 003	1 288 879 991
Gain/loss account	110 508 814	138 136 018
<b>Total temporary differences</b>	<b>1 590 613 817</b>	<b>1 427 016 009</b>
<b>Deferred tax/tax asset</b>	<b>349 935 040</b>	<b>313 943 522</b>
Tax rate	22 %	22 %

In accordance with Norwegian GAAP, deferred tax/tax asset is not recorded for participation taxed companies.



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

A specification of the differences between net accounting result and net tax result is presented below:

	<u>2023</u>	<u>2022</u>
Profit before tax	347 270 149	-214 110 006
<i>Permanent differences:</i>		
Non-deductible expenses	175 463	117 693
Reversed loss related to write down on financial loans to subsidiaries	171 738 386	-
Net accounting result - partnerships and limited liability companies	-386 887 200	228 258 413
Net tax result - partnerships	-	34 135 506
<i>Change in temporary differences:</i>		
Fixed assets	-191 225 012	-14 511 903
Gain/loss account	27 627 204	34 534 004
Denied deduction for internal interests expenses	11 695 775	8 989 157
<b>Annual tax basis</b>	<u><u>-19 605 235</u></u>	<u><u>77 412 864</u></u>

The Partnership is transparent as regards to tax liability, thus Company's partners are liable for the tax liability in accordance to owner share.

#### NOTE 12 EQUITY

	<u>Paid in capital</u>	<u>Other equity</u>	<u>Total</u>
Equity 1.1	895 548 243	-780 741 699	114 806 544
<i>Change in equity</i>			
Net result		347 270 149	347 270 149
<b>Equity 31.12.</b>	<u><u>895 548 243</u></u>	<u><u>-433 471 550</u></u>	<u><u>462 076 693</u></u>

#### NOTE 13 OWNERSHIP

<u>Owners</u>	<u>Owner Share %</u>	<u>Paid in capital</u>
Amnor LLC	1,00 %	8 955 471
Island Investment LLC	49,50 %	443 296 386
Borgstein Skipsinvest AS	49,50 %	443 296 386
<b>Totalt</b>	<u><u>100,00 %</u></u>	<u><u>895 548 243</u></u>



## Notes to the financial statements 2023

### Island Offshore Shipholding LP

#### NOTE 14 GOING CONCERN

The Parent's and the Group's vessels operate in the offshore service market, which has suffered a significant downturn from 2015 due to the low oil price and reduced offshore activity.

The previous Restructuring Agreement with secured and unsecured lenders was made effective in May 2020, whereby unsecured lenders agreed to extend facilities until the end of 2023 or later at amended interest terms. All ship owning entities within the IOSH Group, as well as the Parent company, have serviced all debt in accordance with the Restructuring Agreement, including both amortization and interest. Since December 2023, agreement has been reached with the senior secured lenders and unsecured lenders financing the ship-owning companies. The agreements include extended runway on maturity on loans and amended terms regarding installments and interest terms. The number of financial institutions financing the Parent company is reduced.

Negotiations for an extension also included the subsidiary Island Offshore X KS. The parent company had originally issued a guarantee in favour of the banks providing the ship mortgage loans in a total amount of NOK 345.9 mill as per 31.12.22. The guaranteed liabilities were set on hold as a deferred liability in accordance with the Intercreditor Agreement entered into in connection with the refinancing agreement. The current restructuring agreement had the condition that the Parent Company took over the B-facility loan of NOK 162.5 mill from the Island Offshore X KS and that the owner loan of NOK 124.8 mill was written down or converted to equity.

There are signs of improvement in the offshore market in 2024 and the Group has a satisfactory backlog for its fleet. The assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2023, and that a sustainable restructuring agreement has been agreed and made effective with secured and unsecured lenders in December 2023.



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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Offshore Shipholding Lp

### Opinion

We have audited the financial statements of Island Offshore Shipholding Lp (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - Island Offshore Shipholding Lp 2023

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Bergen, 29 April 2024  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Jørn Knutsen  
State Authorised Public Accountant (Norway)

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## Knutsen, Jørn

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