



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 987 156 805
Organisasjonsform: Kommandittselskap
Foretaksnavn: ISLAND OFFSHORE VIII KS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 11.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 29.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	319 069 897	317 784 967
Annen driftsinntekt	5	99 342	334 607
Sum inntekter		319 169 239	318 119 574
Kostnader			
Varekostnad	9	71 876 092	66 251 132
Lønnskostnad	9	163 451 555	155 935 710
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	90 986 454	95 571 954
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5	47 181 513	41 076 179
Annen driftskostnad	4	11 178 163	9 282 516
Sum kostnader		384 673 777	368 117 491
Driftsresultat		-65 504 538	-49 997 917
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern		56 321	265 643
Annen finansinntekt	3	1 773 574	1 649 227
Sum finansinntekter		0	0
Annen finanskostnad	3	59 190 468	60 289 015
Sum finanskostnader		0	0
Netto finans		-57 360 573	-58 374 145
Ordinært resultat før skattekostnad		-122 865 111	-108 372 062
Ordinært resultat etter skattekostnad		0	0
Årsresultat		-122 865 111	-108 372 062
Totalresultat		-122 865 111	-108 372 062
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-122 865 111	-108 372 062
Sum overføringer og disponeringer	11	-122 865 111	-108 372 062



Resultatregnskap

Beløp i: NOK	Note	2020	2019
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Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg	5,6	1 497 959 454	1 612 316 801
Sum varige driftsmidler		1 497 959 454	1 612 316 801
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		1 497 959 454	1 612 316 801
Omløpsmidler			
Varer			
Varer		3 361 954	9 176 157
Sum varer		0	0
Fordringer			
Kundefordringer	6	50 308 792	62 080 758
Andre fordringer	9	42 592 168	46 380 546
Sum fordringer		92 900 960	108 461 305
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		45 298 165	43 524 142
Sum bankinnskudd, kontanter og lignende		45 298 165	43 524 142
Sum omløpsmidler		141 561 079	161 161 604
SUM EIENDELER		1 639 520 533	1 773 478 405



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	12	391 341 505	391 341 505
Overkurs		149 807 850	149 807 850
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		541 149 355	541 149 355
Opptjent egenkapital			
Annen egenkapital		-51 775 317	71 089 794
Sum opptjent egenkapital		-51 775 317	71 089 794
Sum egenkapital	11	489 374 038	612 239 149
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7		1 143 787 277
Sum annen langsiktig gjeld		0	1 143 787 277
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7	1 126 074 704	
Leverandørgjeld	9	220 270	42 228
Skyldige offentlige avgifter			1 099
Annen kortsiktig gjeld		23 851 521	17 408 651
Sum kortsiktig gjeld		1 150 146 495	17 451 979
Sum gjeld		1 150 146 495	1 161 239 255
SUM EGENKAPITAL OG GJELD		1 639 520 533	1 773 478 404



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
Org.nr: 996250318

Sentralbord
800 80 000
Telefaks
22 17 08 60



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

Seniorrådgiver

Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen



Island Offshore VIII KS

Annual report 2020

Board of directors' report

Annual accounts

- Income statement
- Balance sheet
- Cash flow
- Notes

Auditors' report



Annual Report 2020
Island Offshore VIII KS
Org. no 987 156 805

Business activities

The Company owns eight Offshore Service Vessels operating in the North Sea. As of 31.12.2020, six of the vessels were operating on term contracts, and two vessels were operating in the spot market. One vessel was sold in March 2020. The fleet is managed by Island Offshore Management AS, and the Company is operated from Ulsteinvik, Norway.

Statement on results

Revenue in 2020 is NOK 319.1 mill compared to NOK 317.8 mill in 2019. Several of the PSVs have been trading the spot market in 2020 and achieved an average of 90% utilization compared with 94% in 2019. Average day rates achieved in 2020 is somewhat higher than in 2019 thus has a positive impact on earnings. The fleet has satisfactory backlog going into 2021.

The operating result for 2020 is a loss of NOK -65.5 mill compared to a loss of NOK -50.0 mill in 2019. Increased crew expenses is mostly due to non-recurring increase of pension costs NOK 7.5 mill due to discontinuation and reversal of a collective pension plan and the introduction of a new pension scheme. The operating loss include impairment provision of NOK 47.2 mill in 2020 and NOK 41.1 mill in 2019. Total impairment of the fleet as per 31.12.20 amounts to NOK 472.1 mill based on value-in-use analysis and indication of sale value.

Loss for the year of 2020 is NOK 122.9 mill compared with NOK 108.4 mill in 2019.

Net equity is NOK 489.4 mill at 31.12.2020 compared to NOK 612.2 mill at 31.12.2019. The decrease is due to this year's loss. Considering the state of the market and impairment of vessel book values, the Board is satisfied with the overall financial development for the Company.

Cash flow from operational activities is positive with NOK 43.3 mill. The Company has paid agreed loan installments of NOK 7 mill in addition to extraordinary down payment of NOK 38 mill following sale of vessel. Investments in 2020 include installation of three battery systems to reduce fuel usage and environmental footprint. Cash outflow from vessel capital expenditure programs amount to NOK 61.8 mill in 2020. Net cash flow is positive with NOK 1.8 mill in 2020 resulting in a total cash reserve of NOK 45.3 mill at 31.12.2020.

The Company does not have ongoing research and development activities.

Going concern

Due to the continued state of the market and the implications for earnings and cash flow, the Island Offshore Group, including Island Offshore VIII KS, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The term of the restructuring agreement is until end of 2020 and includes modified amortization schedules for each vessel, in addition to lifting of certain financial covenants. Negotiations with stakeholders for agreements effective post 2020 has been



conducted throughout 2020 and continues in 2021. The objective is to conclude the process as soon as possible, but additional time is required due to the complexity of the restructuring. The discussions are constructive and progressing; however, no assurances can be given as to when a conclusion is attainable involving all companies and stakeholders. The IOSH Group is in a challenging financial position, and the viability of the IOSH Group will require a long-term agreement with secured and unsecured creditors to strengthen the financial situation.

Further, market state in 2020 has been significantly impaired by the COVID-19 pandemic and the immediate effect on market activity and cost of operations. The assessment is that the Island Offshore Group 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 on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2020, and the condition that a new restructuring agreement is agreed and made effective with secured and unsecured lenders before or short after 29.4.2021.

Due to the COVID-19 pandemic and outcome of the financial restructuring process, there is uncertainty for the Company to continue as a going concern over the next 12 months.

Work environment and gender equality

The Company does not have employees. The crew is hired from Island Offshore Management AS and other related parties. The board comprises representatives from the largest participants in the partnership.

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 emission of poisonous gas as well as diesel, chemicals or other oil containing substances.

Financial risk

The Company has a satisfactory vessel employment status for the fleet going into 2021, considering the market state. The customers are large oil companies with low to moderate credit risk. The Company is exposed to market risk upon negotiation of extensions or new contracts.

The Company's liabilities total NOK 1.150 mill at 31.12.2020. In accordance with Norwegian Accounting Principles, the loans from financial institutions are classified as short term loans.

Financial instruments are employed to hedge the foreign currency exposure.

Future outlook

The PSV market is expected to improve in 2021 however the extent of recovery is dependent on market balance and overall activity level considering the COVID-19 implications.



The COVID-19 pandemic is causing operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations. Accordingly, the demand for OSV vessels has also declined across markets and there is increased risk of negative future financial implications for the Company. This could impact the long-term market outlook and future assessments of recoverable amounts of Island Offshore Group's assets.

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

Six of the eight vessels were awarded term contracts with satisfactory charter rates in 2021. Based on the order backlog and that the assumption that a new restructuring agreement is agreed and made effective with secured and unsecured lenders, the financial prospects for the Company remain positive.

On a general note, it is emphasized that there is uncertainty related to the estimates of future earnings.

Other matters

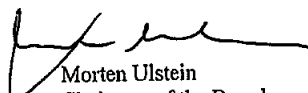
Beyond the above, the Board of Directors is not aware of any subsequent events that could be significant for the evaluation of the Company's financial position and results. Reference is made to the income statement, balance sheet, notes and cash flow analysis.


Allocation of results

The Board proposes the following allocation of the 2020 net loss of NOK -122.865.111


Transferred to other equity	NOK	-122.865.111
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Ulsteinvik, 29.04.21


Morten Ulstein
Chairman of the Board


Gary J. Chouest
Board Member

Håvard Ulstein
Board Member


Arne Loen
Board Member



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Other matters

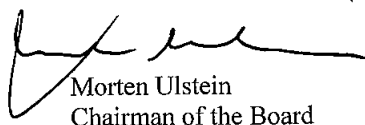
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Allocation of results

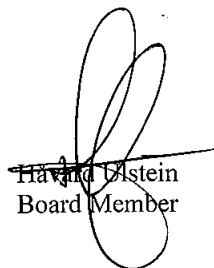
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Transferred to other equity	NOK -122.865.111
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Ulsteinvik, 29.04.21


Morten Ulstein
Chairman of the Board

Gary J. Chouest
Board Member


Håvard Ulstein
Board Member


Arne Loen
Board Member

Island Offshore VIII KS
Org. no 987 156 805



Island Offshore VIII KS

Income statement

	Note	2020	2019
Revenue			
Freight income	2	319 069 897	317 784 966
Other operating income		99 342	334 607
Total revenue		<u>319 169 239</u>	<u>318 119 573</u>
Operating expenses			
Vessel expenses	9	71 876 092	66 251 132
Crew expenses	9	163 451 556	155 935 710
Depreciation	5	90 986 454	95 571 954
Write-down on ships	5	47 181 513	41 076 179
Other operating expenses	4	11 178 162	9 282 515
Total operating expenses		<u>384 673 777</u>	<u>368 117 490</u>
Operating result		<u>-65 504 538</u>	<u>-49 997 917</u>
Financial income and expenses			
Interest income from group companies		56 321	265 643
Other financial income	3	1 773 574	1 649 227
Other financial expenses	3	59 190 468	60 289 015
Net financial items		<u>-57 360 573</u>	<u>-58 374 145</u>
Ordinary result before tax		<u>-122 865 111</u>	<u>-108 372 062</u>
Net profit or loss for the year	11	<u>-122 865 111</u>	<u>-108 372 062</u>
Allocated as follows			
Transferred to other equity		<u>-122 865 111</u>	<u>-108 372 062</u>



Island Offshore VIII KS

Balance sheet as of December 31

	Note	2020	2019
Fixed assets			
<i>Tangible assets</i>			
Ships	5,6	1 497 959 454	1 612 316 801
Total tangible assets		<u>1 497 959 454</u>	<u>1 612 316 801</u>
Total fixed assets		<u>1 497 959 454</u>	<u>1 612 316 801</u>
Current assets			
Inventories		<u>3 361 954</u>	<u>9 176 157</u>
<i>Receivables</i>			
Trade receivables	6	50 308 792	62 049 131
Other receivables	9	<u>42 592 168</u>	<u>46 412 175</u>
Total accounts receivable		<u>92 900 960</u>	<u>108 461 306</u>
Cash and cash equivalents		<u>45 298 165</u>	<u>43 524 142</u>
Total current assets		<u>141 561 079</u>	<u>161 161 605</u>
Total assets		<u>1 639 520 533</u>	<u>1 773 478 406</u>

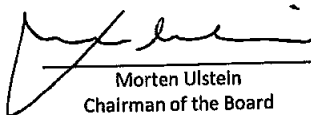


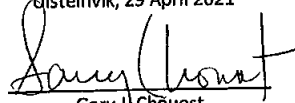
Island Offshore VIII KS


Balance sheet as of December 31

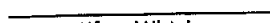
	Note	2020	2019
Equity			
<i>Paid-in capital</i>			
Equity, undistributable	12	391 341 505	391 341 505
Other paid-in capital		<u>149 807 850</u>	<u>149 807 850</u>
Total paid-in capital		<u>541 149 355</u>	<u>541 149 355</u>
<i>Retained earnings</i>			
Other equity		<u>-51 775 317</u>	<u>71 089 794</u>
Total retained earnings		<u>-51 775 317</u>	<u>71 089 794</u>
Total equity	11	<u>489 374 038</u>	<u>612 239 149</u>
Liabilities			
<i>Long-term liabilities</i>			
Liabilities to financial institutions	6,7	<u>0</u>	<u>1 143 787 277</u>
Total long-term liabilities		<u>0</u>	<u>1 143 787 277</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	6,7	1 126 074 704	
Trade creditors	9	220 270	42 228
Public duties payable		0	1 099
Other current liabilities	9	<u>23 851 521</u>	<u>17 408 653</u>
Total current liabilities		<u>1 150 146 495</u>	<u>17 451 980</u>
Total liabilities		<u>1 150 146 495</u>	<u>1 161 239 257</u>
Total equity and liabilities		<u>1 639 520 533</u>	<u>1 773 478 406</u>

31 December 2020
Ulsteinvik, 29 April 2021


Morten Ulstein
Chairman of the Board


Gary J. Chouest
Member of the Board


Arne Loen
Member of the Board


Håvard Ulstein
Member of the Board

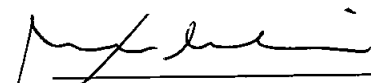


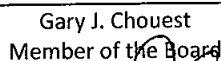
Island Offshore VIII KS


Balance sheet as of December 31

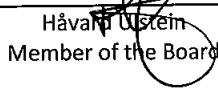
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Total equity	11	<u>489 374 038</u>	<u>612 239 149</u>
Liabilities			
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Liabilities to financial institutions	6,7	<u>0</u>	<u>1 143 787 277</u>
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<i>Current liabilities</i>			
Liabilities to financial institutions	6,7	1 126 074 704	
Trade creditors	9	220 270	42 228
Public duties payable		0	1 099
Other current liabilities	9	<u>23 851 521</u>	<u>17 408 653</u>
Total current liabilities		<u>1 150 146 495</u>	<u>17 451 980</u>
Total liabilities		<u>1 150 146 495</u>	<u>1 161 239 257</u>
Total equity and liabilities		<u>1 639 520 533</u>	<u>1 773 478 406</u>

31 December 2020
Ulsteinvik, 29 April 2021


Morten Ulstein
Chairman of the Board


Gary J. Chouest
Member of the Board


Arne Loen
Member of the Board


Håvard Ulstein
Member of the Board

**Cash Flow Statement**

Island Offshore VIII KS

	2020	2019
<i>Cash flow from operating activities</i>		
Profit before tax	-122 865 111	-108 372 062
+ Ordinary depreciation	90 986 454	95 571 954
+ Impairment provision on vessel value	47 181 513	41 076 179
-/+ Change in inventory	5 814 203	-5 670 057
-/+ Change in accounts receivable	11 740 339	-5 656 174
+/- Change in accounts payable	178 042	-2 326 095
+/- Change in other accruals	10 261 777	11 336 062
= Net cash flow from operating activities	<u>43 297 217</u>	<u>25 959 807</u>
<i>Cash flow from investment activities</i>		
- Investments in fixed assets	-61 810 621	-23 341 227
+ Payments by sale of fixed asset	38 000 000	0
+ Repayment of long term receivables	0	16 000 000
= Net cash flow from investment activities	<u>-23 810 621</u>	<u>-7 341 227</u>
<i>Cash flow from financing activities</i>		
+ Drawdown of new debt incl wrap around loan	75 633 333	0
- Repayment of long term liabilities	-93 345 906	-25 588 631
- Repayment of other long term liabilities	0	-16 000 000
= Net cash flow from financing activities	<u>-17 712 573</u>	<u>-41 588 631</u>
= <i>Net change in cash and cash equivalents</i>	<u>1 774 023</u>	<u>-22 970 052</u>
+ <i>Cash reserve 1.1</i>	43 524 142	66 494 194
= <i>Cash reserve 31.12</i>	<u>45 298 165</u>	<u>43 524 142</u>



Notes to the financial statements 2020

Island Offshore VIII KS

NOTE 1 ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Ref Accounting Act §7-36.

Island Offshore VIII KS is 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 instalment 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 note 5 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. Normal maintenance expenses are expensed as incurred.

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.



Notes to the financial statements 2020

Island Offshore VIII KS

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 REVENUE BY GEOGRAHICAL REGION

In NOK mill	2020	2019
Norway	261,4	271,7
UK	0,3	5,9
The Netherlands	57,4	39,7
Germany	-	0,4
Total Revenue	319,1	317,8

One SCV was laid up in 2019 and 2020, and sold 31.03.20.

Several of the PSV vessels have been in the spot market in 2019 and 2020. Achieved utilization is 90% compared with 94% in 2019 for the 8 vessels combined. However, average charter rates are somewhat higher than compared with 2019.

At year end, two vessel were in the spot market and the remaining 6 vessels had term contracts.

NOTE 3 SPECIFICATIONS

Other financial income:

	2020	2019
Interest income, bank	34 731	65 928
Interest income, CIRR	-	297 666
Foreign exchange gain realized	1 738 843	1 285 633
Total other financial income	1 773 574	1 649 227



Notes to the financial statements 2020

Island Offshore VIII KS

Other financial expenses:

	2020	2019
Foreign exchange loss hedging	3 529 459	-
Foreign exchange loss realized	1 494 852	851 385
Depreciation on capitalized financial costs	1 544 485	1 545 510
Guarantee commission	8 914 318	10 259 543
Interest expenses financial loans	43 670 148	47 291 833
Interest expenses, CIRR	-	297 666
Other financial expenses	37 206	43 079
Total other financial expenses	59 190 468	60 289 015

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

Expenses audit fee totals NOK 337 737 in 2020. The fee includes work done for the general partner Island Offshore VIII AS. The fee is exclusive of VAT and can be specified as follows:

Audit	176 500
Audit confirmation work	37 000
Advisory and Tax Filing	116 500
Other	7 737
Total	337 737

NOTE 5 FIXED ASSETS

	Ships	Projects in progress	Periodic maintenance	Total
Total acquisition costs 1.1	2 855 682 037	2 518 112	157 257 403	3 015 457 552
Additions	17 669 351	34 481 233	9 660 037	61 810 621
Disposals at costs	(229 948 037)	-	(15 086 656)	(245 034 693)
Acc. depreciation 31.12	(738 815 399)	-	(123 402 969)	(862 218 368)
Acc impairment provisions	(472 055 659)	-	-	(472 055 659)
Book value 31.12	1 432 532 293	36 999 345	28 427 815	1 497 959 454
Annual depreciation charge	79 171 680		11 814 775	90 986 454
Impairment provision	47 181 513	-	-	47 181 513
Economic life	20 years		3 years	
Depreciation plan	Linear		Linear	

Additions are mainly related engine overhauls for five vessels and installation of ESS battery system for three vessels. Enova grant is received in 2020 with NOK 16.5 mill for the ESS battery investments and the funds received are recorded as credit on vessel value. The Company sold the the Island Spirit in March 2020.



Notes to the financial statements 2020

Island Offshore VIII KS

Total impairment recorded in 2020 to reflect market value for two PSVs is NOK 26.0 mill.

Due to the present difficult market for the sale and buy of equivalent vessels, the vessel value 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 8 %. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis indicated further impairment on vessel value for Island Endeavour and Island Empress hence NOK 21.2 mill is recorded as increased write-down on ships. The rest of the fleet does not indicate any need to write down the book value of the vessels in 2020. Total impairment on vessel value recorded in balance sheet as per 31.12.20 was NOK 472.1 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			
Island Offshore VIII KS	-9	-21	-56

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore VIII KS	-153	-21	-6

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore VIII KS	-343	-21	-

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 previous impairment provision is assumed not to be reversed and the fact that value of vessel can only be adjusted back to original net book value.

NOTE 6 PLEDGE OF ASSETS

	2020	2019
Book value of secured debt	1 126 074 704	1 143 787 277
Book value of pledged assets:		
Ships	1 497 959 454	1 612 316 801
Factoring	50 308 792	62 049 131
Bank deposits	45 298 165	43 524 142
TOTAL	1 593 566 411	1 717 890 074

In addition any insurance claims are pledged.



Notes to the financial statements 2020

Island Offshore VIII KS

NOTE 7 LONG TERM LIABILITIES

The vessels are financed in financial institutions and the loans have a repayment profile for 12 and 15 years. In 2020, the Company received additional loan NOK 25 mill from the same bank in order to finance the ESS battery investments for Island Commander, Island Crusader and Island Contender. The repayment profile for these loans are 3 and 5 years.

April 12, 2018 the Company and the senior secured bank lenders as well as unsecured creditors agreed a long- term and a sustainable financing platform including a deferral agreement ending December 31st 2020.

At 31.03.2020 one ship owning entity in the Group did not comply with the minimum cash requirement and due to cross default provisions, the Company did not comply with covenants as of 31.03.2020. Subsequently, in May 2020 the Group and the Company declared an one-sided stand-still towards the lenders and have following the declaration completed several information meetings and have stopped scheduled installment payments. Negotiations for extension of the current financing were initiated simultaneously with the stand-still declaration, but were not concluded prior to maturity at 31.12.20.

Thus, the negotiations are ongoing and progressing. In accordance with Norwegian Accounting Principles, the loans from financial institutions are classified as short term loans.

Finance expenses are capitalized and expensed over the term of the loan. The book value of capitalized finance expenses is NOK 4.871.322 at 31.12.2020.

NOTE 8 FINANCIAL INSTRUMENTS

Currency forward and option contracts are used to hedge contracted revenue in foreign currencies. Outstanding contracts at 31.12.2020 expire in April 2021 depending on the underlying contract cash flow. The estimated net unrealized loss is NOK 787.395 at 31.12.2020 for sale of future EURO hedging.

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 unrealized loss of total NOK 787.395 is not recorded in the financial statements as per 31.12.20 in accordance with the Norwegian Accounting Act and NGAAP.

NOTE 9 RELATED PARTIES

Transactions with related parties:

	<u>2020</u>	<u>2019</u>
Other receivables	36 869 786	40 161 694
Trade creditors	0	0
Other current liabilities	14 766 305	0

Other receivables are mainly prepayments to Manager Island Offshore Management AS. Other current liabilities are monthly invoice for vessel expenses from Manager.

**Notes to the financial statements 2020****Island Offshore VIII KS**

	<u>2020</u>	<u>2019</u>
Crew hire	163 451 555	155 935 710
Management services	17 851 349	18 237 672

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 and business services for the company.

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 10 TAXES

Deferred tax/tax asset is calculated based upon the temporary differences between accounting and tax values at the end of the accounting year.

Deferred tax/tax asset has been calculated as follows:

	<u>2020</u>	<u>2019</u>
Fixed assets	933 110 193	966 265 884
Receivables	0	-31 628
Gains/losses on fixed assets	55 408 216	77 438 386
Total temporary differences	<u>988 518 409</u>	<u>1 043 672 642</u>
Deferred tax	<u>217 474 050</u>	<u>229 607 981</u>
Tax rate	<u>22 %</u>	<u>22 %</u>

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

Specification of difference between accounting result before tax and tax basis:

	<u>2020</u>	<u>2019</u>
Profit before tax	-122 865 111	-108 372 062
Change in temporary differences	55 154 233	22 568 543
<i>Permanent differences</i>		
Non-deductible expenses	5 630	3 592
Tax basis	<u>-67 705 248</u>	<u>-85 799 927</u>



Notes to the financial statements 2020

Island Offshore VIII KS

NOTE 11 EQUITY

	2020	2019
Total equity, undistributable 31.12	391 341 505	391 341 505
Uncalled capital	-	-
Total capital committed 31.12	391 341 505	391 341 505
<i>of this tied up capital</i>	<i>156 536 602</i>	<i>156 536 602</i>
<i>of this free capital</i>	<i>234 804 903</i>	<i>234 804 903</i>
Committed capital	391 341 505	391 341 505
Contributed by merger previous years	149 807 850	149 807 850
Other paid in capital	149 807 850	149 807 850
Total paid in capital	541 149 355	541 149 355
Retained earnings 1.1.	71 089 794	179 461 856
This year's loss	-122 865 111	-108 372 062
Retained earnings 31.12.	-51 775 317	71 089 794
Total equity 31.12	489 374 038	612 239 149

NOTE 12 OWNERSHIP

Participants at 31.12.20:

Island Offshore VIII KS	Ownership share	No. of shares	Committed Capital
Island Offshore VIII AS	10,000 %	39 134 151	39 134 151
IOSH LP	65,939 %	258 045 409	258 045 409
Sneingen AS	7,120 %	27 863 419	27 863 419
Island Offshore Invest AS	5,008 %	19 598 049	19 598 049
EMAR Invest AS	1,373 %	5 373 167	5 373 167
Inger M. Kristensen AS	1,373 %	5 373 167	5 373 167
DUK Invest AS	1,373 %	5 373 167	5 373 167
Garstein AS	1,353 %	5 295 402	5 295 402
Island Investment LLC	2,706 %	10 590 839	10 590 839
Dalseth Invest AS	2,083 %	8 151 047	8 151 047
Ingus AS	0,836 %	3 271 844	3 271 844
Beeline AS	0,836 %	3 271 844	3 271 844
TOTAL	100,000 %	391 341 505	391 341 505



Notes to the financial statements 2020

Island Offshore VIII KS

NOTE 13 GOING CONCERN

Due to the continued state of the market and the implications for earnings and cash flow, the Island Offshore Group, including Island Offshore VIII KS, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The term of the restructuring agreement is until end of 2020 and includes modified amortization schedules for each vessel, in addition to lifting of certain financial covenants. Negotiations with stakeholders for agreements effective post 2020 has been conducted throughout 2020 and continues in 2021. The objective is to conclude the process as soon as possible, but additional time is required due to the complexity of the restructuring. The discussions are constructive and progressing; however, no assurances can be given as to when a conclusion is attainable involving all companies and stakeholders. The IOSH Group is in a challenging financial position, and the viability of the IOSH Group will require a long-term agreement with secured and unsecured creditors to strengthen the financial situation.

Further, market state in 2020 has been significantly impaired by the COVID-19 pandemic and the immediate effect on market activity and cost of operations. The assessment is that the Island Offshore Group 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 on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2020, and the condition that a new restructuring agreement is agreed and made effective with secured and unsecured lenders before or short after 29.4.2021.

Due to the COVID-19 pandemic and outcome of the financial restructuring process, there is uncertainty for the Company to continue as a going concern over the next 12 months.

NOTE 14 COVID-19

The COVID-19 pandemic is causing operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations. Accordingly, the demand for OSV vessels has also declined across markets and there is increased risk of negative future financial implications for the Company. This could impact the long-term market outlook and future assessments of recoverable amounts of Island Offshore Group's assets.

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



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INDEPENDENT AUDITOR'S REPORT

To the Annual Partnership Meeting of Island Offshore VIII KS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Island Offshore VIII KS, which comprise the balance sheet as at 31 December 2020, the income statement and statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Material uncertainty related to going concern

We draw attention to note 13 and note 14 in the financial statements and the Board of Director's report, which describes that the Company is dependent on an agreement with its creditors for an acceptable and sustainable restructuring to continue as going concern. These events or conditions, along with other matters as set forth in note 13, note 14 and the Board of Director's report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not reflect impairment charges or provisions that might be required if the Company was liquidated or the assets sold in a distressed situation

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the audit of 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 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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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

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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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 those charged with governance 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Independent auditor's report - Island Offshore VIII KS

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 3 May 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

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Independent auditor's report - Island Offshore VIII KS

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