



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 920 718 590
Organisasjonsform: Aksjeselskap
Foretaksnavn: ISLAND VICTORY AS
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: Ja
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Silje Molvær
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, 31.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		151 260 730	3 423 131
Sum inntekter		151 260 730	3 423 131
Kostnader			
Varekostnad	5	59 336 862	3 052 784
Lønnskostnad		21 805 773	
Avskrivning på varige driftsmidler og immaterielle eiendeler		3 181 015	87 343
Annen driftskostnad		30 866 068	
Sum kostnader		115 189 718	3 140 127
Driftsresultat		36 071 012	283 005
Finansinntekter og finanskostnader			
Annen renteinntekt		6 343	1 546
Annen finansinntekt		5 432	
Sum finansinntekter		11 775	1 546
Rentekostnad til foretak i samme konsern		170 089	234 014
Annen finanskostnad		42 945 671	698
Sum finanskostnader		43 115 759	234 712
Netto finans		-43 103 984	-233 167
Ordinært resultat før skattekostnad		-7 032 972	49 838
Skattekostnad på ordinært resultat	6	-1 551 653	10 964
Ordinært resultat etter skattekostnad		-5 481 319	38 874
Årsresultat		-5 481 319	38 874
Totalresultat		-5 481 319	38 874
Overføringer og disponeringer			
Udekket tap		-5 481 319	38 874
Sum overføringer og disponeringer	7	-5 481 319	38 874



Resultatregnskap

Beløp i: NOK	Note	2020	2019
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Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	1 840 869	289 216
Sum immaterielle eiendeler		1 840 869	289 216
Varige driftsmidler			
Maskiner og anlegg	3	1 199 795 736	252 599 813
Skip, rigger, fly og lignende		6 617 483	
Sum varige driftsmidler		1 206 413 219	252 599 813
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		1 208 254 088	252 889 029
Omløpsmidler			
Varer			
Varer		2 097 949	
Sum varer		0	0
Fordringer			
Kundefordringer		4 627 515	3 016 113
Andre fordringer	5	21 623 261	653 865
Sum fordringer		26 250 776	3 669 978
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		30 932 562	584 385
Sum bankinnskudd, kontanter og lignende		30 932 562	584 385
Sum omløpsmidler		59 281 286	4 254 362
SUM EIENDELER		1 267 535 376	257 143 391



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8	120 000 000	115 000 000
Overkurs		394 629 191	127 109 191
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		514 629 191	242 109 191
Opptjent egenkapital			
Annen egenkapital		-6 526 718	-1 025 401
Sum opptjent egenkapital		-6 526 718	-1 025 401
Sum egenkapital	7	508 102 473	241 083 790
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner			9 901 920
Sum annen langsiktig gjeld	7	0	9 901 920
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	7	700 625 788	
Annen kortsiktig gjeld	8	58 807 115	25 961 521
Sum kortsiktig gjeld		759 432 903	25 961 521
Sum gjeld		759 432 903	35 863 441
SUM EGENKAPITAL OG GJELD		1 267 535 376	276 947 231



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Journalnummer: 2021 747967

Enheten

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Forretningsadresse: Stålhaugen 9
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Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Silje Molvær
Dato for fastsettelse av årsregnskapet: 11.06.2021

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 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020.

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Brønnøysundregistrene, 28.09.2021



Organisasjonsnr: 920 718 590
ISLAND VICTORY AS

RESULTATREGNSKAP

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Organisasjonsnr: 920 718 590
ISLAND VICTORY 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 (organization number 994 289 764) is the parent company of Island Victory AS, however consolidated account are prepared by ultimate parent company Island Offshore Shipholding LP, c/o Borgstein AS, 6065 Ulsteinvi, 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 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. 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

1

Er det usikkerhet om fortsatt drift?: Nei

Note

11

Antall aksjer og aksjeeiere

<u>Aksjeklasse</u>	<u>Ant. aksjer</u>	<u>Pålydende</u>	<u>Bokført verdi</u>
Ordinære	120000.00	1000.00	120000000.00

<u>Aksjeeiere - fritekst</u>	<u>Antall</u>	<u>Eierandel</u>	<u>Aksjeklasse</u>
Island Offshore Xii Ship AS	120000.00	100.00%	Ordinære

<u>Sum</u>	<u>Sum antall</u>	<u>Sum eierandel</u>
	120000.00	100.00%

Note

4

Lønn og ytelser**Note**

4

Ytelser til ledende personer

Er det gitt ytelser til ledende person: Nei

Ytelser til daglig leder

<u>Ytelser</u>	<u>Lønn</u>	<u>Pensj.forpl.</u>	<u>Andre godtgj.</u>
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Note

4

Ytelser til andre ledende personer**Note**

4

Ytelser til revisjon

<u>Revisjon</u>	<u>Årets</u>	<u>Fjorårets</u>
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	45000.00	25000.00
<u>Andre tjenester</u>	<u>Årets</u>	<u>Fjorårets</u>
	75130.00	43675.00
<u>Sum godtgjørelse til revisor</u>	<u>Årets</u>	<u>Fjorårets</u>
	120130.00	68675.00

Note
4

Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:
0.00

Note
4

Obligatorisk tjenstepensjon

Er virksomheten pliktig til å ha tjenstepensjonsordning etter lov:
Nei

Oppfyller pensjonsordning lovkravene: Nei



Skatteetaten

Vår dato 30.04.2019	Din/Deres dato 12.03.2019	Saksbehandler Torstein Kinden Helleland
800 80 000 Skatteetaten.no	Din/Deres referanse Mai-Britt Myklebust	Telefon 22078139
Org.nr 974761076	Vår referanse 2019/5631837	Postadresse Postboks 9200 Grønland 0134 OSLO

BORGSTEIN AS
Postboks 370
6067 ULSTEINVIK

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 12. mars 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

Island Diligence AS	org.nr. 920 421 091
Island Victory AS	org.nr. 920 718 590
Island Drilling Management AS	org.nr. 992 448 636
Island Drilling Crewing AS	org.nr. 921 499 906

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de ovennevnte selskapene dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Felles for alle selskapene er at indirekte majoritetseiere er en norsk og en utenlandsk familie. Island Diligence AS er eid av tre selskaper der det ene er utenlandsk. Island Victory AS er 100 % eid av det norske selskapet Island Offshore XII Ship AS som er majoritetseid av Island Offshore Shipholding. L.P., et Cayman Island selskap. Island Offshore XII Ship AS har tillatelse til å benytte engelsk språk. Island Drilling Management AS og Island Drilling Crewing AS er søsterselskaper og er 100 % eid av Island Drilling Company AS. Island Drilling Company AS er majoritetseid av det amerikanske selskapet Rig Invest, L.L.C. Island Drilling Company AS har tillatelse til å benytte engelsk språk. Selskapenes forretningspråk er engelsk, som også er arbeidsspråket i styrene. Kundene og leverandørene er i hovedsak internasjonale og norske virksomheter med leveranser til offshore industrien. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *årsregnskapet og årsberetningen ... være på norsk.*



Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjøvt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at indirekte majoritetsiere er to utenlandske familier der den ene er utenlandsk. Morselskapene til tre av selskapene har tillatelse til å benytte engelsk språk. Arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Henning Stokke
seniorrådgiver
Juridisk avdeling
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

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Island Victory AS

Annual report 2020

Board of directors' report

Annual accounts

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

Auditors' report



Annual Report 2020
Island Victory AS
Org. no 920 718 590

Business activities

The Company took delivery of the Island Victory on 03.02.20 from Vard Langsten. The vessel is a Deep Water Installation/AHTS vessel which operated in the North Sea and in the Gulf of Mexico in 2020. The vessel is managed by Island Offshore Management AS and the Company is operated from Ulsteinvik, Norway.

Statement on results

Revenue in 2020 totals NOK 151.3 mill and the vessel achieved in average 80% utilization after the delivery 03.02.20. EBITDA in 2020 amounts to a profit with NOK 66.9 mill and operating profit is NOK 36.1 mill. Net result is a loss of NOK -5.5 considering financial expenses of NOK -43.1 mill.

Cash flow from operational activities is negative with NOK -5.5 mill. Capital expenditure totals NOK 984.7 mill in 2020 reflecting the delivery of the vessel in February 2020. Cash flow from financing activities includes payment of share capital of NOK 272.5 and a seller credit NOK 37.5 mill, in addition to a loan NOK 710.5 mill from secured creditors. Net cash flow is positive with NOK 30.3 mill in 2020 resulting in a net cash reserve of NOK 30.9 mill at 31.12.2020.

Net equity is NOK 508.1 mill as at 31.12.20 compared to NOK 242.1 mill at 31.12.2019. Change in equity is due to capital funding decreased by this year's loss of NOK -5.4 mill.

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 the parent company Island Offshore XII Ship AS, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. Effective April 12th 2018, the refinancing was closed and effective with all parties. 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

Island Victory AS
Org. no 920 718 590



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.

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's financial position as at 31.12.2020 is solid and the Company has satisfactory working capital. However, the market for AHTS vessels and mooring services is still expected to be volatile going forward.

The Company's customers are mainly large oil companies with a moderate credit risk. Financial instruments are employed to hedge foreign currency exposure.

The Company's liabilities totals NOK 759.4 mill as of 31.12.2020. As mention under section going concern, the Company is in breach with loan covenants and is dependent that a new restructuring agreement is agreed and made effective with secured and unsecured lenders before or short after 29.4.2021.

Future outlook

The vessel will operate in the project and spot market in 2021 and the markets are expected to improve but remain volatile. The COVID-19 implications may impair market recovery as activity is deferred. Overall, the vessel has secured a satisfactory contract backlog for 2021.

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.

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.

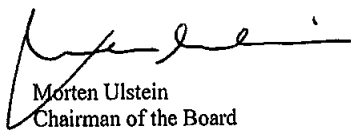


Allocation of results

The Board proposes the following transfer of the 2020 net loss of NOK -5 481 319

Transferred to other equity NOK -5 481 319

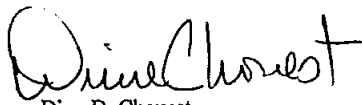
Ulsteinvik, 29.04.21



Morten Ulstein
Chairman of the Board

Håvard Ulstein
Board Member

Giovanni Peditto
Board Member



Dino D. Chouest
Board Member

Fredrik Mordal Hessen
Board Member



Allocation of results

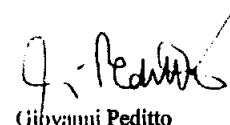
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Ulsteinvik, 29.04.21


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Island Victory AS
Org. no 920 718 590

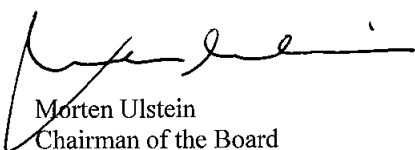


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Ulsteinvik, 29.04.21



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Board Member



Island Victory AS

Income statement

	Note	2020	2019
Revenue			
Freight Income	2	<u>151 260 730</u>	<u>3 423 131</u>
Vessel expenses			
Vessel expenses	8	59 336 862	3 052 784
Crew expenses	8	21 805 773	0
Depreciation	5	30 866 068	0
Other operating expenses	4	<u>3 181 014</u>	<u>87 343</u>
Total operating expenses		<u>115 189 717</u>	<u>3 140 127</u>
Operating result		<u>36 071 013</u>	<u>283 004</u>
Financial income and expenses			
Other financial income	3	11 775	1 546
Interest paid to group companies		170 089	234 014
Other financial expenses	3	<u>42 945 671</u>	<u>698</u>
Net financial items		<u>-43 103 985</u>	<u>-233 166</u>
Ordinary result before tax		<u>-7 032 972</u>	<u>49 838</u>
Tax on ordinary result	9	<u>-1 551 654</u>	<u>10 964</u>
Net profit or loss for the year		<u>-5 481 318</u>	<u>38 874</u>
Allocated as follows			
Transferred to other equity	10	<u>-5 481 318</u>	<u>38 874</u>



Island Victory AS

Balance sheet as of December 31

	Note	2020	2019
Fixed assets			
<i>Intangible assets</i>			
Deferred tax asset	9	1 840 870	289 216
Total intangible assets		<u>1 840 870</u>	<u>289 216</u>
<i>Tangible assets</i>			
Ships		<u>1 206 413 219</u>	<u>252 599 813</u>
Total tangible assets		<u>1 206 413 219</u>	<u>252 599 813</u>
Total fixed assets	5,6	<u>1 208 254 089</u>	<u>252 889 029</u>
Current assets			
Inventories		<u>2 097 949</u>	<u>0</u>
<i>Receivables</i>			
Trade receivables	6,8	4 627 515	3 016 113
Other receivables	8	<u>21 623 261</u>	<u>653 865</u>
Total accounts receivable		<u>26 250 776</u>	<u>3 669 978</u>
Cash and cash equivalents	6	<u>30 932 562</u>	<u>584 385</u>
Total current assets		<u>59 281 287</u>	<u>4 254 363</u>
Total assets		<u>1 267 535 376</u>	<u>257 143 392</u>



Island Victory AS

Balance sheet as of December 31

	Note	2020	2019
Equity			
<i>Paid-in capital</i>			
Share capital	11	120 000 000	115 000 000
Share premium reserve		394 629 191	127 109 191
Total paid-in capital		<u>514 629 191</u>	<u>242 109 191</u>
<i>Retained earnings</i>			
Other equity		<u>-6 526 718</u>	<u>-1 025 401</u>
Total retained earnings		<u>-6 526 718</u>	<u>-1 025 401</u>
Total equity	10	<u>508 102 473</u>	<u>241 083 790</u>
Liabilities			
<i>Other long-term liabilities</i>			
Liabilities to financial institutions	7	<u>0</u>	<u>-9 901 920</u>
Total other long term liabilities		<u>0</u>	<u>-9 901 920</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	7	700 625 788	0
Seller credits	7	37 500 000	0
Other short-term liabilities	8	21 307 115	25 961 522
Total current liabilities		<u>759 432 903</u>	<u>25 961 522</u>
Total liabilities		<u>759 432 903</u>	<u>16 059 602</u>
Total equity and liabilities		<u>1 267 535 376</u>	<u>257 143 392</u>

Ulsteinvik,
31 December 2020, 29 April 2021

Morten Ulstein
Chairman of the Board

Dino David Chouest
Board Member

Fredrik Mordal Hessen
Board Member

Giovanni Peditto
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Island Victory AS

Balance sheet as of December 31

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31 December 2020, 29 April 2021Morten Ulstein
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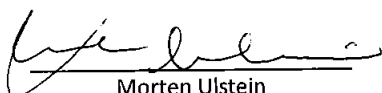


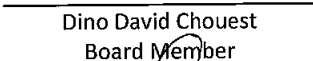
Island Victory AS

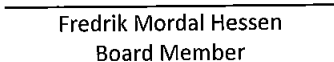
Balance sheet as of December 31

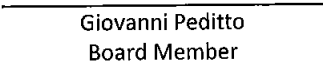
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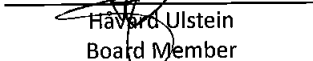
Ulsteinvik,
31 December 2020, 29 April 2021


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Chairman of the Board


Dino David Chouest
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Fredrik Mordal Hessen
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Giovanni Peditto
Board Member


Håvard Ulstein
Board Member

**Cash Flow Statement**

Island Victory AS

	2020	2019
<i>Cash flow from operational activities:</i>		
Profit before tax	-7 032 972	49 838
- Taxes paid	0	0
+ Depreciation	30 866 068	0
-/+ Change in inventory	-2 097 949	0
-/+ Change in accounts receivable	-1 611 402	-3 016 113
+/- Change in accounts payable	34 850	-258 455
+/- Change in accruals	-25 678 653	24 158 889
= Cash flow from operational activities	-5 520 058	20 934 159
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-984 679 474	-85 573 782
= Cash flow from investment activities	-984 679 474	-85 573 782
<i>Cash flow from financing activities</i>		
+ Draw down loan from financial institutions	710 527 708	0
- Loan from owner	37 500 000	0
+ Issue of Share Capital	272 520 000	60 000 000
= Net cash flow from financing activities	1 020 547 708	60 000 000
= <i>Net change in cash and cash equivalents</i>	<u>30 348 176</u>	<u>-4 639 623</u>
+ <i>Cash reserve 1.1</i>	<u>584 385</u>	<u>5 224 008</u>
= <i>Cash reserve 31.12</i>	<u>30 932 561</u>	<u>584 385</u>



Notes to the financial statements 2020

Island Victory AS

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 XII Ship AS (organization number 994 289 764) is the parent company of Island Victory AS, however consolidated accounts are prepared by ultimate parent company Island Offshore Shipholding LP, c/o Borgstein AS, 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.

Island Victory AS



Notes to the financial statements 2020

Island Victory 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	2020
Norway	105,0
USA	<u>46,2</u>
Total Revenue	<u>151,3</u>

The vessel was delivered on 3rd February 2020 and has achieved in average 80% utilization since delivery. The Company entered into bareboat contract with Island Offshore Shipping AS when the vessel was operating in the US hence lower revenue and lower operating costs from August to December.



Notes to the financial statements 2020

Island Victory AS

NOTE 3 SPECIFICATIONS

Other financial income comprises:

	2020	2019
Realized foreign exchange gain+ / loss-	5 433	-
Interest income, bank	6 343	-
Total other interest income	11 775	-

Other financial expenses comprise:

	2020	2019
Interest expense term loans	35 595 104	-
Foreign exchange loss	2 199 928	-
Depreciation financial expenses	5 150 639	698
Sum other financial costs	42 945 671	698

NOTE 4 PAYROLL, EMPLOYEES

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

Auditor

Expenses audit fee totals NOK 120.130 in 2020. The fee is exclusive of VAT and can be specified as follows:

Audit	45.000
Advisory, going concern evaluation	31.000
Capitalization	41.200
Other	2.930
Total	120.130



Notes to the financial statements 2020

Island Victory AS

NOTE 5 FIXED ASSETS

	Newbuilding	Ships	Capitalized maintenance	Total
Acquisition costs 1.1	252 599 813	-	-	252 599 813
Additions	-252 599 813	1 228 282 084	8 997 203	984 679 474
Sale				0
Accumulated depreciation 31.12	0	-28 486 348	-2 379 720	-30 866 068
Book Value 31.12	-	1 199 795 736	6 617 483	1 206 413 219
This years' depreciation		28 486 348	2 379 720	2 379 720
Economic life		20 yrs	3 yrs	

The market value of Island Victory obtained by independent brokers, is lower than the net book value of the vessel. Due to the present market situation for the sale and purchase of equivalent vessels, the vessels and the new build values 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 rates through the rest of estimated vessel usage time.

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

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

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Victory AS	-	-	-94

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Victory AS	-113	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Victory AS	-175	-	-

**Notes to the financial statements 2020**

Island Victory AS

NOTE 6 PLEDGE OF ASSETS

	<u>2020</u>
Book value of debt secured by pledge	712 500 000
Book value of secured assets	
Vessel	1 206 413 219
Receivables	4 627 515
Bank deposits	30 932 561
TOTAL	<u><u>1 241 973 295</u></u>

In addition any insurance claims are pledged.

NOTE 7 LONG TERM LIABILITIES**Debt due more than 5 years after end of the accounting period:**

April 12, 2018 the parent 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. The objective is to conclude the process before 31.3.2021 but additional time is required due to the complexity of the restructuring.

Prior to the delivery of Island Victory, Vard Group contributed a seller credit with NOK 37.5 mill.

NOTE 8 RELATED PARTIES

Transactions with related parties:	<u>2020</u>	<u>2019</u>
Trade debtors	3 277 422	0
Other short term receivables	15 000 000	91 662
Other short term liabilities	-5 274 689	-25 727 507

Trade debtors are bareboat hire due from Island Offshore Shipping as per 31.12.20. Other short term receivables are prepayment of operating vessel expense towards Island Offshore Management AS (Manager). Other short term liabilities are vessel operating invoices from Island Offshore Management AS.



Notes to the financial statements 2020

Island Victory AS

	2020	2019
Transactions with related parties		
Bareboat hire revenue	-43 955 064	0
Purchase of management services	-2 984 228	-3 052 784
Crew hire	-21 805 773	0

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.

The Company has entered into Bareboat Charter Agreement with Island Offshore Shipping AS. The bareboat rent is based on arms-length principles and based on BIMCO standard Bareboat Charter Agreement.

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:

	2020	2019
Fixed Assets	142 353 032	-
Total temporary differences	142 353 032	-
Denied interest expenses	-170 089	
Tax loss carried forward	-150 550 532	-1 314 617
Basis for deferred tax	<u>-8 367 589</u>	<u>-1 314 617</u>
Deferred tax in Balance Sheet	-1 840 870	-289 217
Tax rate	22 %	22 %

Calculation of this year's tax expense:

	2020	2019
Profit before tax	- 7 032 972	49 838
Permanent differences	- 20 000	-
Annual tax basis	- 7 052 972	49 838
Change in temporary differences	<u>- 142 182 943</u>	<u>- 49 838</u>
Tax basis	- 149 235 915	-
Tax percentage	22 %	22 %
Changes deferred tax asset	<u>1 551 654</u>	<u>10 964</u>
Tax expenses Income Statement	<u>1 551 654</u>	<u>10 964</u>

**Notes to the financial statements 2020**

Island Victory AS

NOTE 10 EQUITY

	Share capital	Share premium account	Other equity	Total
Equity 1.1	115 000 000	127 109 191	-1 025 401	241 083 790
Share issue	5 000 000	267 520 000	-20 000	272 500 000
This year's result	-	-	-5 481 318	-5 481 318
Equity 31.12	120 000 000	394 629 191	-6 526 718	508 102 473

The Company completed a share issue in order to fund the Company prior to the delivery of Island Victory.

NOTE 11 OWNERSHIP

The share capital of NOK 120 000000 consist of 120 000 shares a NOK 1 000,-.

Summary of owner interests as per 31.12.20:

Shareholder	Registration		
	No.	No. of shares	in %
Island Offshore XII Ship AS	994 289 764	120 000	100 %

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 31.12.20.

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 the parent company Island Offshore XII Ship AS, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. Effective April 12th 2018, the refinancing was closed and effective with all parties. 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.



Notes to the financial statements 2020

Island Victory AS

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.



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Victory AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Island Victory AS, 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) are 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 Victory AS

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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
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The auditor's report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

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Independent auditor's report - Island Victory AS

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Jørn Knutsen

Statsautorisert revisor

På vegne av: Ernst & Young AS

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