



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 922 593 116
Organisasjonsform: Aksjeselskap
Foretaksnavn: ISLAND DEFENDER 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: 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, 31.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	22 954 142	4 474 732
Sum inntekter		22 954 142	4 474 732
Kostnader			
Varekostnad	6	9 247 323	
Lønnskostnad	6	19 044 061	
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	6 462 122	2 164 363
Annen driftskostnad	4	138 474	14 214 018
Sum kostnader		34 891 980	16 378 381
Driftsresultat		-11 937 838	-11 903 649
Finansinntekter og finanskostnader			
Annen renteinntekt		13 785	2 719
Annen finansinntekt	3	71 862	14
Sum finansinntekter		0	0
Rentekostnad til foretak i samme konsern		3 539 945	2 864 618
Annen finanskostnad	3	430 538	88 332
Sum finanskostnader		0	0
Netto finans		-3 884 836	-2 950 217
Ordinært resultat før skattekostnad		-15 822 673	-14 853 866
Ordinært resultat etter skattekostnad		0	0
Årsresultat		-15 822 673	-14 853 866
Totalresultat		-15 822 673	-14 853 866
Overføringer og disponeringer			
Udekket tap		-15 822 673	-14 853 867
Sum overføringer og disponeringer	8	-15 822 673	-14 853 867



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Skip, rigger, fly og lignende		200 499 239	204 963 624
Sum varige driftsmidler	5	200 499 239	204 963 624
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		200 499 239	204 963 624
Omløpsmidler			
Varer			
Varer		1 403 283	1 982 802
Sum varer		0	0
Fordringer			
Kundefordringer			3 711 735
Andre fordringer	6	6 443 776	34 100
Sum fordringer		6 443 776	3 745 835
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		564 687	25 234
Sum bankinnskudd, kontanter og lignende		564 687	25 234
Sum omløpsmidler		8 411 746	5 735 871
SUM EIENDELER		208 910 985	210 717 495



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		90 000	30 000
Overkurs		230 270 528	
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital	9	230 360 528	30 000
Opptjent egenkapital			
Annen egenkapital		-30 702 094	-14 879 420
Sum opptjent egenkapital		-30 702 094	-14 879 420
Sum egenkapital	8	199 658 434	-14 849 420
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	9		207 000 000
Sum annen langsiktig gjeld		0	207 000 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		956 935	545
Annen kortsiktig gjeld	6	8 295 615	18 566 369
Sum kortsiktig gjeld		9 252 550	18 566 915
Sum gjeld		9 252 550	225 566 915
SUM EGENKAPITAL OG GJELD		208 910 986	210 717 495



Island Defender AS

Annual report 2020

Board of directors' report

Annual accounts

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

Auditors' report



Annual Report 2020

Island Defender AS

Org. no 922 593 116

Business activities

Island Defender AS was founded 13.03.19 and owns one PSV, the Island Defender, which was delivered to the Company 23.08.19. The vessel has been operating in the North Sea in 2020. In 2019 and up to 31.08.20, the vessel was operated by the vessel manager Viking Supply and operating costs including payroll costs are reported net in the Income Statement in 2019. Current vessel manager Island Offshore Management AS assumed management from 01.08.20. The Company is operated from Ulsteinvik, Norway.

Statement on results

Revenue in 2020 totals NOK 23.0 mill compared with NOK 4.5 mill in 2019. Achieved vessel utilization was 85% in 2020 thus satisfactory considering the market conditions. Operating profit is still a loss with NOK -11.9 mill due to low average day rates and restructuring expenses related to change of vessel management. Net result is a loss of NOK -15.8 considering financial expenses of NOK -3.9 mill.

Cash flow from operational activities is negative with NOK -22.4 mill. Cash flow from financing activities includes conversion of owner's long term loan of NOK 207.0 mill in addition to a short term loan of NOK 23.3 mill. Net cash flow is positive with NOK 0.5 mill in 2020 resulting in a net cash reserve of NOK 0.6 mill at 31.12.2020.

Net equity is NOK 199.7 mill as at 31.12.20 compared to NOK -14.8 mill at 31.12.2019. Change in equity is due to capital funding decreased by this year's loss of NOK -15.8 mill.

The Company does not have ongoing research and development activities.

Going concern

The Company has no long-term liabilities. However, 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.

Island Defender AS
Org. no 922 593 116



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.

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 satisfactory considering that the Company is debt free. However, the market for PSV vessels is still expected to be volatile going forward. The vessel has been in lay-up from December 2020 to March 2021, however is re-activated in April 2021.

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 9.5 mill as of 31.12.2020.

Future outlook

The vessel will operate in the spot market in 2021 and the markets are expected to be volatile and with limited visibility. However improvement is expected due to a combination of more rig activity and increased migration of vessels to other markets. The COVID-19 implications may impair market recovery further until the pandemic is under control and economic activity increases. Continued operational disruptions increases the overall risk of activity deferrals and cancellations thus also the risk of negative future financial implications for the Company.

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.

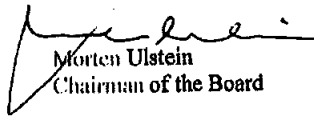


Allocation of results

The Board proposes the following transfer of the 2020 net loss of NOK -15 822 673

Transferred to other equity NOK -15 822 673

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

Island Defender AS
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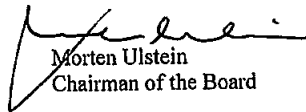


Allocation of results

The Board proposes the following transfer of the 2020 net loss of NOK -15 822 673

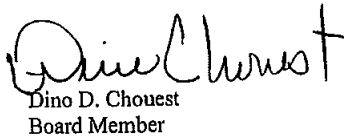
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Ulsteinvik, 29.04.21


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Chairman of the Board

Håvard Ulstein
Board Member

Giovanni Peditto
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Dino D. Chouest
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Board Member

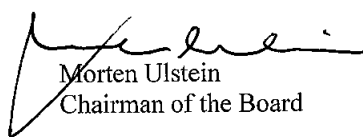


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Transferred to other equity NOK -15 822 673

Ulsteinvik, 29.04.21



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Chairman of the Board



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Giovanni Peditto
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Dino D. Chouest
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Fredrik Mordal Hessen
Board Member



Island Defender AS

Income statement

	Note	2020	2019
Revenue			
Freight income	2	<u>22 954 142</u>	<u>4 474 732</u>
Operating expenses			
Vessel expenses	6	9 247 323	0
Crew expenses	6	19 044 062	0
Depreciation	5	6 462 122	2 164 363
Other operating expenses	4	<u>138 473</u>	<u>14 214 018</u>
Total operating expenses		<u>34 891 980</u>	<u>16 378 381</u>
Operating result		<u>-11 937 838</u>	<u>-11 903 649</u>
Financial income and expenses			
Other financial income	3	85 647	2 733
Interest paid to group companies		3 539 945	2 864 618
Other financial expenses	3	<u>430 538</u>	<u>88 332</u>
Net financial items		<u>-3 884 836</u>	<u>-2 950 217</u>
Ordinary result before tax		<u>-15 822 674</u>	<u>-14 853 866</u>
Net profit or loss for the year		<u>-15 822 674</u>	<u>-14 853 866</u>
Allocated as follows			
Uncovered losses	8	<u>-15 822 674</u>	<u>-14 853 867</u>



Island Defender AS

Balance sheet as of December 31

	Note	2020	2019
Fixed assets			
<i>Tangible assets</i>			
Ships	5	<u>200 499 239</u>	<u>204 963 624</u>
Total tangible assets		<u>200 499 239</u>	<u>204 963 624</u>
Total fixed assets		<u>200 499 239</u>	<u>204 963 624</u>
Current assets			
Inventories		<u>1 403 283</u>	<u>1 982 802</u>
<i>Receivables</i>			
Trade receivables		0	3 711 735
Other receivables	6	<u>6 443 776</u>	<u>34 100</u>
Total accounts receivable		<u>6 443 776</u>	<u>3 745 835</u>
Cash and cash equivalents		<u>564 687</u>	<u>25 234</u>
Total current assets		<u>8 411 746</u>	<u>5 753 871</u>
Total assets		<u>208 910 985</u>	<u>210 717 495</u>

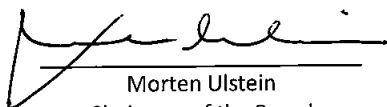


Island Defender AS

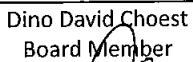
Balance sheet as of December 31

	Note	2020	2019
Equity			
<i>Paid-in capital</i>			
Share capital		90 000	30 000
Share premium reserve		230 270 528	0
Total paid-in capital	9	<u>230 360 528</u>	<u>30 000</u>
<i>Retained earnings</i>			
Other equity		<u>-30 702 094</u>	<u>-14 879 420</u>
Total retained earnings		<u>-30 702 094</u>	<u>-14 879 420</u>
Total equity	8	<u>199 658 434</u>	<u>-14 849 420</u>
Liabilities			
<i>Other long-term liabilities</i>			
Other long-term liabilities	9	<u>0</u>	<u>207 000 000</u>
Total other long term liabilities		<u>0</u>	<u>207 000 000</u>
<i>Current liabilities</i>			
Trade creditors		956 935	545
Other short-term liabilities	6	<u>8 295 615</u>	<u>18 566 370</u>
Total current liabilities		<u>9 252 550</u>	<u>18 566 915</u>
Total liabilities		<u>9 252 550</u>	<u>225 566 915</u>
Total equity and liabilities		<u>208 910 985</u>	<u>210 717 495</u>

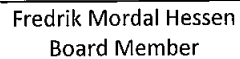
Ulsteinvik, 31 December 2020 / 29 April 2021



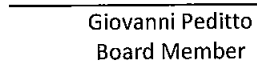
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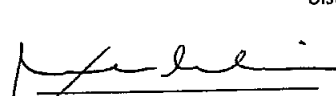


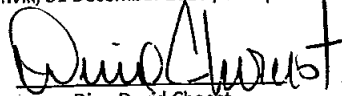
Island Defender AS

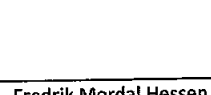
Balance sheet as of December 31


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Total equity and liabilities		<u>208 910 985</u>	<u>210 717 495</u>


Ulsteinvik, 31 December 2020 / 29 April 2021


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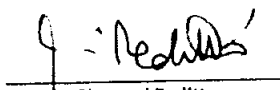


Island Defender AS

Balance sheet as of December 31

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Ulsteinvik, 31 December 2020 / 29 April 2021


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**Cash Flow Statement**

Island Defender AS

	2020	13.03.-31.12.19
<i>Cash flow from operational activities:</i>		
Profit before tax	-15 822 673	-14 853 867
- Taxes paid	0	0
+ Depreciation	6 462 122	2 164 363
-/+ Change in inventory	-991 071	-1 982 802
-/+ Change in accounts receivable	0	-3 711 735
+/- Change in accounts payable	956 390	545
+/- Change in accruals	-12 968 696	18 506 717
= Cash flow from operational activities	-22 363 928	123 221
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-427 147	-207 127 987
= Cash flow from investment activities	-427 147	-207 127 987
<i>Cash flow from financing activities</i>		
+ Draw down loan from financial institutions	0	207 000 000
- Conversion intercompany loans	-207 000 000	0
+ Share issue and premium reserve	230 330 528	30 000
= Net cash flow from financing activities	23 330 528	207 030 000
= <i>Net change in cash and cash equivalents</i>	<i>539 453</i>	<i>25 234</i>
+ <i>Cash reserve 1.1</i>	<i>25 234</i>	<i>0</i>
= <i>Cash reserve 31.12</i>	<i>564 687</i>	<i>25 234</i>



Notes to the financial statements 2020

Island Defender AS

NOTE 1 ACCOUNTING PRINCIPLES

Island Defender AS was founded 13.03.19 and owns one PSV, the Island Defender, which was delivered 23.08.19 to the Company. In 2019 and up 31.08.20, the vessel was operated by the Manager Viking Supply and operating costs including payroll costs are reported net in the Income Statement in 2019. Manager Island Offshore Management AS took over the management from 01.08.20 and operating expenses are reported gross on payroll and vessel operating costs in the Income Statement in 2020.

From 28.05.20 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 financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Ref Accounting Act §7-36.

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 Defender AS



Notes to the financial statements 2020

Island Defender 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	2019
Denmark	18,1	4,5
Netherlands	4,9	
Total Revenue	23,0	4,5

The vessel was delivered 23.08.19 and started work in the North Sea from 13.11.19.
The vessel achieved in average 85% utilization in 2020 and was in lay-up from 26.11.20. The vessel has been operating in the North Sea and in Dutch sector with cargo transportation.



Notes to the financial statements 2020

Island Defender AS

NOTE 3 SPECIFICATIONS

Other financial income comprises:

	<u>2020</u>	<u>2019</u>
Other interest receivables	13 785	2 719
Realized foreign currency gain	8 101	14
Unrealized foreign currency gain	63 761	-
Total other financial income	<u>85 647</u>	<u>2 733</u>

Other financial expenses comprise:

	<u>2020</u>	<u>2019</u>
Foreign currency exchange loss	87 594	-
Unrealized foreign currency exchange loss	176 980	88 214
Other financial costs	165 964	118
Sum other financial costs	<u>430 538</u>	<u>88 332</u>

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

EY took over from PWC as auditor for the Company on 16.11.20 with effect from 01.01.20. Total audit fee amounts to NOK 100.000 as per 31.12.20. The fee paid to PWC exclusive of VAT and can be specified as follows:

Audit	60.000
Advisory, work with Annual Statement, Tax filing	40.000
Total	100.000



Notes to the financial statements 2020

Island Defender AS

NOTE 5 FIXED ASSETS

	Ships	Capitalized maintenance	Total
Acquisition costs 1.1	207 000 000	1 698 577	208 698 577
Additions	0	427 147	427 147
Sale			0
Accumulated depreciation 31.12	-7 197 814	-1 428 671	-8 626 485
Book Value 31.12	199 802 186	697 053	200 499 239
This years' depreciation	5 175 000	1 287 122	6 462 122
Economic life	20 yrs	3 yrs	

The market value of Island Defender 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 Defender AS	-	-	-20

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Defender AS	-27	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Defender AS	-53	-	-



Notes to the financial statements 2020

Island Defender AS

NOTE 6 RELATED PARTIES

Transactions with related parties:	2020	2019
Other short term receivables	4 400 000	0
Long term loan from owner	0	-207 000 000
Other short term liabilities	-8 576 202	-17 858 627

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. In 2019, Vard Group AS as owner granted a loan of NOK 207 mill as funding prior to delivery of the vessel. In addition, short term loan of NOK 17.9 mill. These loans were converted to paid in capital as per 28.05.20, before Island Offshore XII Ship AS purchased 100% of the shares in the company. Refer to note 9.

Transactions with related parties	2020	2019
		0
Purchase of management services	-2 286 868	0
Crew hire	-19 044 061	0
Intercompany interests expenses	-3 539 945	-2 864 618

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.

Unpaid intercompany interest expenses have been converted to paid in capital 28.05.20.

NOTE 7 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.



Notes to the financial statements 2020

Island Defender AS

Deferred tax / tax asset has been calculated as follows:

	2020	2019
Fixed Assets	45 784 133	26 935 470
Total temporary differences	45 784 133	26 935 470
Tax loss carried forward	-70 098 168	-38 952 991
Basis for deferred tax	<u>-24 314 035</u>	<u>-12 017 521</u>
Denied internal interests expenses	-6 388 060	-2 861 900
Basis for deferred tax	<u>-30 702 095</u>	<u>-14 879 421</u>
Deferred tax in Balance Sheet	-6 754 461	-3 273 473
Tax rate	22 %	22 %

Calculation of this year's tax expense:

	2020	2019
Profit before tax	- 15 822 673	- 14 853 866
Permanent differences	-	25 555
Annual tax basis	- 15 822 673	- 14 879 421
Denied interests expenses	3 526 160	2 861 900
Change in temporary differences	- 18 848 664	- 26 935 470
Tax basis	- 31 145 177	- 38 952 991
Tax percentage	22 %	22 %
Changes deferred tax asset	-	-

As it will take the Company some time to utilized deferred tax losses, it has been decided not to record deferred tax assets in the Balance Sheet as per 31.12.20 and 31.12.19.

NOTE 8 EQUITY

	Share capital	Share premium account	Other equity	Total
Equity 1.1	30 000	-	-14 879 420	-14 849 420
Share issue	60 000	230 270 528	-	230 330 528
This year's result	-	-	-15 822 673	-15 822 673
Equity 31.12	90 000	230 270 528	-30 702 093	199 658 435

The Company converted partners loan including unpaid interests expenses as share issue and increase share premium fund (ref note 6) 28.05.20.

On the same day, Island Offshore XII Ship AS purchased the shares in Island Defender AS by inviting Vard Group to increase their owner share in the Island Offshore XII Ship AS by way of a contribution in kind with assignment of 100% of the shares in the vessel owning entity Island Defender AS.



Notes to the financial statements 2020

Island Defender AS

NOTE 9 OWNERSHIP

The share capital of NOK 90 000 consist of 30 000 shares a NOK 3,-.

Summary of owner interests as per 31.12.20:

Shareholder	Registration		
	No.	No. of shares	in %
Island Offshore XII Ship AS	994 289 764	30 000	25 %

NOTE 10 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 11 GOING CONCERN

The Company has no long term liabilities. However, 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 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.



Notes to the financial statements 2020

Island Defender AS

NOTE 12 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 Defender AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Island Defender 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 11 and note 12 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 11, note 12 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 Defender AS

A member firm of Ernst & Young Global Limited

Penneo Dokumentnøkkel: AKEKA-55T60-LAZYP-00IS3-BF3BH-K3J42



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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)

Penneo Dokumentnøkkel: AKEKA-55T60-LA2YP-00IS3-BF3BH-K3J42

Independent auditor's report - Island Defender AS

A member firm of Ernst & Young Global Limited



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Jørn Knutsen

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5992-4-3012515

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Skatteetaten

Vår dato 03.02.2021	Din/Deres dato 22.01.2021	Saksbehandler Kjell Knutsen
800 80 000 Skatteetaten.no	Din/Deres referanse AR412070926	Telefon 51825856
Org.nr 974761076	Vår referanse 2021/5085739	Postadresse Postboks 9200 Grønland 0134 OSLO

ISLAND DEFENDER AS
Postboks 370
6067 ULSTEINVIK

Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk for 922593116 Island Defender AS og 924922494 Island Offshore XII PSV AS

Vi viser til søknad av 22.01.2021 om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller 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

Fra søknaden siteres:

Viser til brev fra skattedirektoratet datert 29.10.2013, brev datert 23.02.2015, brev datert 23.02.2016, brev datert 27.04.17, brev datert 12.03.19 (referanse 2019/5531837) der vi fikk tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for flere av våre selskaper. Bakgrunnen er at selskapene er majoritetseid av en felles utenlandsk aksjonær og der andre vesentlige eiere er familiemedlemmer, eiet direkte eller gjennom selskaper, hhv av en amerikansk og en norsk familie.

Vi ønsker å søke om å få utvide dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk (regnskapsloven § 3-4) til også å omfatte følgende selskap:

Island Defender AS: Org.nr. 922 593 116
Island Offshore XII PSV AS: Org.nr. 924 922 494

Dette er norske private aksjeselskap.
Island Defender AS og Island Offshore XII PSV AS er selskaper som er 100% eid av det norske selskapet Island Offshore XII Ship AS som er indirekte er majoritetseid av Island Offshore



Shipholding, L.P. et Cayman Island selskap som er eid 50% av Gary Chouest m/familie og 50% av Morten Ulstein m/familie.

Borgstein AS er forretningsfører for selskapene. Selskapenes forretningsspråk er engelsk, som også er arbeidsspråket i styrene. Kundene og leverandørene er i hovedsak internasjonale og norske virksomheter med leveranser til offshore industrien, mens kreditorene er finansinstitusjoner med internasjonal virksomhet. Engelske regnskaper vil fullt ut dekke det informasjonsbehov som de vesentlige regnskapsbrukerne måtte ha. Selskapene må uansett utarbeide regnskap på engelsk, og vi mener det vil påføre en unødvendig byrde gjennom økte kostnader og tidsbruk og også være nødt til å utarbeide det på norsk.

Skattekontorets 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 mv., 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 skjevt 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, kunder og lokalsamfunnet.

Det er etter skattekontorets 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.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I dette tilfellet er det opplyst at både selskapenes forretningsspråk og arbeidsspråket i styrene er engelsk. Videre at kundene og leverandørene i hovedsak er internasjonale og norske virksomheter med leveranser til offshoreindustrien, mens kreditorene er finansinstitusjoner med internasjonal virksomhet. Ifølge søknadene vil engelske regnskaper fullt ut dekke det informasjonsbehov som de vesentlige regnskapsbrukerne måtte ha. Det er også vist til at konsernet allerede har tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for flere av konsernets selskaper.



Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Gro Stangeland
underdirektør
Innsats, storbedrift
Skatteetaten

Kjell Knutsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.