



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 09.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 25.08.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	193 129 498	131 756 253
Sum inntekter		193 129 498	131 756 253
Kostnader			
Varekostnad	9	65 302 015	53 875 031
Lønnskostnad	9	51 051 030	53 218 439
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	30 844 738	28 900 189
Annen driftskostnad	4	3 553 816	3 084 129
Sum kostnader		150 751 599	139 077 787
Driftsresultat		42 377 899	-7 321 534
Finansinntekter og finanskostnader			
Annen finansinntekt	3	405 618	1 216 286
Sum finansinntekter		0	0
Rentekostnad til foretak i samme konsern	9	185 004	223 471
Annen finanskostnad	3	11 003 641	14 181 454
Sum finanskostnader		0	0
Netto finans		-10 783 028	-13 188 639
Ordinært resultat før skattekostnad		31 594 872	-20 510 174
Skattekostnad på ordinært resultat	10	6 992 024	-4 512 238
Ordinært resultat etter skattekostnad		0	0
Årsresultat		24 602 848	-15 997 936
Totalresultat		24 602 848	-15 997 936
Overføringer og disponeringer			
Udekket tap		24 602 848	-15 997 936
Sum overføringer og disponeringer	11	24 602 848	-15 997 936



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg	5,7	608 528 789	635 060 022
Sum varige driftsmidler		608 528 789	635 060 022
Finansielle anleggsmidler			
Investering i datterselskap	6	726 941 746	726 991 746
Sum finansielle anleggsmidler		726 941 746	726 991 746
Sum anleggsmidler		1 335 470 534	1 362 051 768
Omløpsmidler			
Varer			
Varer		1 141 172	6 016 867
Sum varer		0	0
Fordringer			
Kundefordringer	7,9	46 386 714	15 138 692
Andre fordringer	9	44 379 544	19 596 514
Sum fordringer		90 766 258	34 735 206
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	7	19 751 259	31 102 363
Sum bankinnskudd, kontanter og lignende		19 751 259	31 102 363
Sum omløpsmidler		111 658 689	71 854 436
SUM EIENDELER		1 447 129 223	1 433 906 204



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	12	404 097 000	404 097 000
Overkurs		328 188 318	328 188 318
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		732 285 318	732 285 318
Opptjent egenkapital			
Annen egenkapital		264 310 928	239 708 080
Sum opptjent egenkapital		264 310 928	239 708 080
Sum egenkapital	11	996 596 246	971 993 398
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10	100 477 688	93 485 664
Sum avsetninger for forpliktelser		100 477 688	93 485 664
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		135 876 288	
Sum annen langsiktig gjeld		135 876 288	0
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	7,8	180 000 000	210 000 000
Leverandørgjeld	7,8	77 250	664 034
Annen kortsiktig gjeld	9	34 101 751	157 763 077
Sum kortsiktig gjeld		214 179 001	368 427 111
Sum gjeld		450 532 977	461 912 775
SUM EGENKAPITAL OG GJELD		1 447 129 223	1 433 906 173



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 732992

Enheten

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årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 09.06.2022

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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Brønnøysundregistrene, 02.08.2022

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



Organisasjonsnr: 994 289 764
ISLAND OFFSHORE XII SHIP AS

RESULTATREGNSKAP

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Organisasjonsnr: 994 289 764
ISLAND OFFSHORE XII SHIP AS

BALANSE

Beløp i: NOK **Note** **2021** **2020**

BALANSE - EIENDELER

Anleggsmidler

Immaterielle eiendeler

Sum immaterielle eiendeler 0 0

Varige driftsmidler

Maskiner og anlegg 5,7 608 528 789 635 060 022

Sum varige driftsmidler 608 528 789 635 060 022

Finansielle anleggsmidler

Investering i datterselskap 6 726 941 746 726 991 746

Sum finansielle anleggsmidler 726 941 746 726 991 746

Sum anleggsmidler 1 335 470 534 1 362 051 768

Omløpsmidler

Varer

Varer 1 141 172 6 016 867

Sum varer 0 0

Fordringer

Kundefordringer 7,9 46 386 714 15 138 692

Andre fordringer 9 44 379 544 19 596 514

Sum fordringer 90 766 258 34 735 206

Investeringer

Sum investeringer 0 0

Bankinnskudd, kontanter og lignende

Bankinnskudd, kontanter og lignende 7 19 751 259 31 102 363

Sum bankinnskudd, kontanter og lignende 19 751 259 31 102 363

Sum omløpsmidler 111 658 689 71 854 436

SUM EIENDELER 1 447 129 223 1 433 906 204

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Selskapskapital 12 404 097 000 404 097 000

Overkurs 328 188 318 328 188 318

Annen innskutt egenkapital 0 0



Sum innskutt egenkapital		732 285 318	732 285 318
Opptjent egenkapital			
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Kortsiktig gjeld			
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SUM EGENKAPITAL OG GJELD		1 447 129 223	1 433 906 173



Organisasjonsnr: 994 289 764
ISLAND OFFSHORE XII SHIP AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Ref Accounting Act §7-36 Island Offshore XII Ship AS is the parent company of Island Victory AS, Island Offshore XII PSV AS and Island Defender AS, however consolidated accounts are not prepared as these four companies are included in the consolidated financial statement for Island Offshore Shipholding LP, c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway. The significant principles are described below. Classification criteria Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first instalment on secured debt which is serviced by the cash flow from fixed assets. Presentation of subsidiaries and associated companies Subsidiaries and associated companies are accounted for by the equity method. 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

Antall årsverk i regnskapsåret

0.00

<u>Sum</u>	<u>Beløp</u>
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<u>Balanseført verdi 31.12.</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
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Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Pantstillelse</u>	<u>Beløp</u>
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<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>
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**Consolidated Financial
Statements 2021**

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



ISLAND OFFSHORE



Annual Report 2021

Island Offshore Shipholding LP - Group

Business

The parent company, Island Offshore Shipholding LP, is registered in the Cayman Islands and directly and indirectly owns the majority shareholding of several Norwegian ship owning entities included in the consolidated financial statements. The fleet comprises 22 vessels in operation at 31.12.2021. Four vessels were sold in 2021, and one subsidiary took delivery of a PSV from Vard Group on 31.05.21.

The vessels operate in the market segments PSV, AHTS, Wellstim, Walk-to Work, Light Well Intervention and Subsea Construction. The business includes activities in the geographical regions Norway, North Sea, UK, US, West Coast of Africa and international waters. The fleet order backlog excluding charterer's options totals NOK 1.0 billion at 31.12.21.

The technical and commercial operations are carried out by management companies in Ulsteinvik, Portugal and Aberdeen (UK).

Statement on results

Freight revenue totals NOK 1,640.5 mill in 2021 versus NOK 1,500.0 mill in 2020. Overall, utilization for remaining fleet has improved due to increased market activity. Average utilization of the fleet was 78% in 2021 compared with 75% in 2020. At year-end 2021, one vessel was in lay-up, however reactivated in Q1-2022.

The operating result before depreciation for 2021 is NOK 554 mill versus NOK 323 mill in 2020. All vessel segments report positive EBITDA in 2021 and 2020.

A revised impairment analysis of the fleet value has been performed based on estimates of expected future earnings for each vessel and broker valuations. The usage value analysis do not indicate further impairment on vessel value. As per 31.12.21, the remaining fleet value has historically been written down with NOK 742.1 mill with a corresponding negative effect on equity.

Net financial items were NOK -192 mill in 2021 compared with NOK -311 mill in 2020. The decrease in financial expenses are mainly due to sale of vessels of which sale proceeds are being used to reduce interest bearing loans. In addition, gain of NOK 52.9 mil from loan re-purchase are recorded as financial income.

The net profit for the year is NOK 16.1 mill compared with a loss of NOK -956.0 mill in 2020. Last year's Income Statement included impairment on vessel value with NOK 623.7 mill.

Book value for fixed assets totals NOK 6,428.9 mill as per 31.12.21 versus 6,906.1 mill as per 31.12.20.

The Group's operating cash flow is positive with NOK 277.6 mill. The Group has invested NOK 319.0 mill in vessel capital expenditures related to periodical maintenance and special surveys, vessel contract modifications and the acquisition of the vessel Island Discoverer. Vard Group AS contributed NOK 209.4 mill by way of contribution in kind in order to acquire the vessel in May 2021. The Group received NOK 461 mill for the sale of four vessels in 2021 and sales proceeds have been used to reduce vessel loan balances. The Group has paid in total NOK 573.2 mill to the banks in 2021. Partner loan received is

Island Offshore Shipholding LP - Group



NOK 14 mill. Net cash flow for the year is positive with NOK 118.2 mill in 2021 resulting in a cash balance of NOK 380.8 mill. Please refer to the cash flow statement for further details.

Net equity is NOK 1,183.3 mill, equivalent to a net book equity-ratio of 16% at 31.12.2021 versus NOK 734.4 mill at 31.12.2020. The increase is due to this year's profit, capital contribution from minority owners and a direct booking towards equity of NOK 222.3 mill due to a write down of interest bearing liability. Please refer to note 11.

The Group does not have ongoing research and development activities.

Going concern

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

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

Island Offshore Shipholding Group, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Due to the immediate worsening of the market conditions and limited visibility in terms of recovery at the time, the Group announced a unilateral standstill to halt scheduled instalment payments to secured lenders in May 2020. Island Offshore serviced its debt according to the restructuring agreement until May 2020. Since May 2020, agreement has been reached with the senior secured lenders financing the majority of the ship-owning companies' vessels, whilst negotiations for an extension was still ongoing, and progressing, with the senior lenders to the Parent Company. It is expected that the Parent Company and the subsidiary Island Offshore X KS, within a short period of time, will reach an agreement with the lenders based on a runway until 31.12.23 and agreed level of fixed amortization. Since formal agreement is not in place at the time of approval of the financial statements, there is uncertainty with regards to the going concern assumption for these two companies.

There are signs of improvement in the offshore market in 2022 and the assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement for the parent company will be agreed and made effective with secured and unsecured lenders short after June 2022.

Work environment and gender equality

The Group companies do not have employees. The offshore crew is hired from Island Offshore Management AS and Island Offshore Crewing AS.

External environment

Vessel operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental plans are prepared for each vessel and systematic efforts are employed to reduce the risk of gas, diesel oil or chemicals emissions in addition to other oil-containing substances.

Island Offshore Shipholding LP - Group



Financial risk

Overall, the Group has satisfactory order backlog and contract coverage for the fleet in 2022, which secures predictability of earnings. Vessel revenue is exposed to currency risk, especially towards GBP, EUR and USD. Loans in foreign currency and financial instruments are used to hedge cash flow and reduce foreign currency risk. Forward contracts are used to hedge future freight revenue in EUR, GBP and USD. Outstanding contracts 31.12.21 expire in 2022 depending on the underlying cash flow. The estimated net unrealized gain is NOK 1.0 mill at 31.12.2021, which is not recorded in the financial statements in accordance with the Norwegian Accounting Act and NGAAP.

Loans from financial institutions totals NOK 3,991.4 mill and Bond loan totals NOK 809.2 mill at 31.12.2021. In accordance with Norwegian Accounting Principles, the loans from financial institutions are classified as long term loans with the exception of NOK 180 mill of which have a short runway period with maturity date 30.06.22.

Future outlook

The COVID-19 pandemic is still 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.

Overall, it is expected increase in rig activity and encouraging E&P spending in 2022. Additional contract awards were added to fleet backlog in Q1-22 including LWI work for 2022. Recent awards reduce exposure to the spot market going forward. Ultimately, a continued stable oil price is essential to ensure sustainability for the offshore business. The Group's chartering strategy remains firm with focus on securing long-term commitments with strategically preferred clients, in addition to exploring new business opportunities. The fleet is well-positioned with attractive and strategically important customers.

The Managers continue to monitor the financial situation of the Group closely and will assess the need for capital contributions going forward.

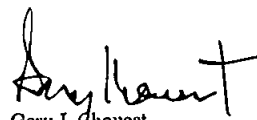
Other matters

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

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

Ulsteinvik, 30.06.22


Morten Ulstein
Manager


Gary J. Chouest
Manager


Dino D. Chouest
Manager


Håvard Ulstein
Manager

Island Offshore Shipholding LP - Group



Consolidated Income Statement

Island Offshore Shipholding LP

NOK mill	Note	2021	2020
Freight income	13	1 640,5	1 500,0
Other operating income	4	-	35,0
Total operating income		1 640,5	1 535,0
Operating expenses vessel	8,15	385,6	431,5
Crew expenses	3,8	618,1	679,7
Other operating expenses	3,8	81,7	100,6
Operating expenses before depreciation		1 085,5	1 211,8
Depreciation	4	328,1	341,3
Impairment provision on vessel value	4	-0,4	623,7
Operating expenses		1 413,2	2 176,7
Operating profit		227,3	-641,8
Other interest income		0,4	2,1
Other financial income	2	71,0	24,1
Other interest expenses		226,6	281,8
Other financial expenses	2	37,1	55,3
Net financial income and expenses		-192,4	-310,9
Operating profit before tax		34,8	-952,7
Tax	10,14	18,7	3,3
Annual net profit		16,1	-956,0
Minority interest	11	52,5	-86,8
Majority interest	11	-36,4	-869,2



Consolidated Balance sheet

Island Offshore Shipholding LP

NOK mill	Note	2021	2020
Assets			
Fixed assets			
Tangible fixed assets			
Ships	4,5	6 428,9	6 906,1
Total tangible assets		6 428,9	6 906,1
Financial fixed assets			
Other long term receivables	5,6,8	80,0	50,8
Total financial fixed assets		80,0	50,8
Total fixed assets		6 508,9	6 956,9
Current assets			
Stock of supplies	8,15	13,3	23,4
Debtors			
Accounts receivables	5,8	308,1	174,2
Other receivables	5,8	193,9	231,3
Total debtors		502,0	405,5
Investments			
Cash and bank deposits	5	381,0	262,5
Total current assets		896,4	691,4
Total assets		7 405,3	7 648,3



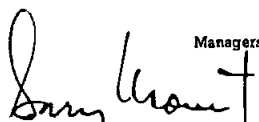
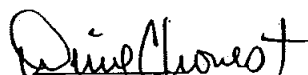
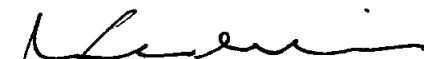
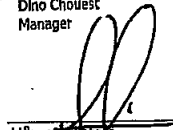
Consolidated Balance sheet

Island Offshore Shipholding LP

NOK mill	Note	2021	2020
Liabilities and equity			
Equity			
Paid in equity			
Paid in capital	11,12	895,6	895,6
Total paid in equity		895,6	895,6
Other equity	11	-837,6	-1 038,0
Total retained earnings		-837,6	-1 038,0
Minority Interest	11	1 126,3	876,9
Total equity		1 183,3	734,4
Liabilities			
Provision for liabilities			
Deferred tax	10	81,1	63,8
Total provision		81,1	63,8
Other long term liabilities			
Bonds	6	-	-
Liabilities to financial institutions	5,6	1 928,2	-
Other long term liabilities	6,8	650,7	397,7
Total long term liabilities		2 578,9	397,7
Current liabilities			
Bonds	6	809,2	766,6
Liabilities to financial institutions	6,6	2 063,2	4 829,4
Seller credits	6	239,9	444,4
Trade creditors	8	103,2	22,0
Tax payable	10	1,5	1,1
Unpaid public fees		0,0	-
Other short term liabilities	8	345,0	369,1
Total current liabilities		3 562,0	6 452,4
Total liabilities		6 222,0	6 913,9
Total equity and liabilities		7 405,3	7 648,3

Ulsteinvik, 31.12.21 / 30.06.22

Managers in Island Offshore Shipholding LP


Gary Chouest
Manager
Dino Chouest
Manager
Morten Ulstein
Manager
Håvard Ulstein
Manager



Cash Flow Statement - Consolidated

Island Offshore Shipholding LP

in NOK mill	31.12.21	31.12.20
<i>Cash flow from operational activities</i>		
Result before tax	34,8	-952,7
- Taxes paid/refunded	-1,0	-0,7
- Discount on loan	-52,9	0,0
+ Depreciation	328,1	341,3
+ Write down vessel value	-0,4	623,7
+/- Change in unrealized agio/disagio	6,1	-6,2
-/+ Change in inventory	10,1	63,1
-/+ Change in accounts receivable	-133,9	-32,5
+/- Change in accounts payable	81,2	-5,8
+/- Change in other accruals	5,5	30,0
= Net cash flow from operational activities	<u>277,6</u>	<u>60,1</u>
<i>Cash flow from investment activities</i>		
- Payments in connection with purchase of assets	-319,0	-1 315,3
+ Payments in connection with sale of assets	<u>461,0</u>	<u>164,7</u>
= Net cash flow from investment activities	<u>142,0</u>	<u>-1 150,6</u>
<i>Cash flow from financing activities</i>		
+ Drawdown of financial bank loans	25,6	797,5
+ Loan from minority owner	0,0	0,0
- Net of refinancing and Repayment of loans	-573,2	-278,6
+ Bond loan	22,8	22,1
+ Partners' loan	14,0	30,0
- Write off interest bearing debt	-222,3	0,0
+ Gain by write off interest bearing debito towards equity	222,3	0,0
+ Share capital issue	<u>209,4</u>	<u>350,2</u>
= Net cash flow from financing activity	<u>-301,4</u>	<u>1 091,3</u>
= <i>Net change in cash and cash equivalents</i>	<u>118,2</u>	<u>0,9</u>
+ <i>Cash, bank balance in the beginning of the period</i>	<u>262,6</u>	<u>261,7</u>
= <i>Cash, bank balance in the end of the period</i>	<u>380,8</u>	<u>262,6</u>



Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

NOTE 1 ACCOUNTING PRINCIPLES

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

Consolidation principles

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

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

Use of estimates:

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

Classification criteria

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

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

Presentation of subsidiaries / investment in financial shares

The book value of investments in subsidiaries are eliminated in the consolidated financial statements. Investments in shares classified as financial fixed assets are valued at cost price considering write-down of values on shares.

Valuation of current assets

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

Fixed assets and depreciation

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

Shipbuilding contracts

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

Island Offshore Shipholding LP



Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

Capitalized periodical maintenance (dry docking)

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

Stock of supplies

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

Financing expenses

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

Currency

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

Revenue and expense recognition

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

Taxes

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

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

Cash flow statement

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

Financial market risk

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

**Notes to the Consolidated Financial Statements 2021**

Island Offshore Shipholding LP

All figures in NOK mill

NOTE 2 SPECIFICATION OF ITEMS**Other financial income:**

NOK mill	2021	2020
Unrealized foreign exchange gain	0,8	-0,8
Unrealized currency exchange gain on USD loans	-	6,2
Foreign currency exchange gain	17,3	18,7
Gain repurchase of loans	52,9	-
Total other financial income	71,0	24,1

Other financial expenses comprise:

NOK mill	2021	2020
Foreign currency exchange loss	15,1	45,1
Amortization of financing costs	15,7	9,6
Unrealized currency exchange loss on USD loans	6,1	-
Other financial expenses	0,3	0,7
Total other financial expenses	37,1	55,3

NOTE 3 PAYROLL, EMPLOYEES

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

No consideration has been paid to the Board of Directors or other leading personnel. Payroll expenses in the financial statements relate to hired crew. None of the companies in the Group are obliged to have obligatory pension schemes in accordance with Norwegian law.

Auditor

Remuneration can be specified as follows (NOK mill):

	2021	2020
Statutory audit services	1,106.8	981.6
Other services including tax filing services	500.5	685.5
VAT not refunded	148.8	-
Various audit confirmations, other audit expenses including travel expenses and no VAT refund	234.2	267.8
Expensed auditor remuneration	1,990.3	1,935.0

**Notes to the Consolidated Financial Statements 2021****Island Offshore Shipholding LP**

All figures in NOK mill

NOTE 4 FIXED ASSETS*Tangible fixed assets:*

NOK mill	Ship	Periodic maintenance	Total
Acquisition value 1.1.	10 709,8	799,0	11 508,8
Additions	254,8	64,2	319,0
Disposals at cost	-1 422,1	-165,9	-1 588,0
Accumulated depreciation 31.12.	-2 485,7	-583,0	-3 068,7
Accumulated impairment on vessel value 31.12	-742,1	-	-742,1
Book value 31.12.	6 314,7	114,3	6 428,9
Annual depreciation charge	251,3	76,8	328,1
Annual impairment provision	-0,4	-	-0,4
Economic lifetime	20 yrs	3-10 yrs	

The vessel Island Discoverer was acquired 31.05.21 as contribution in kind with NOK 212.5 as part of the Investment and Shareholder agreement between Island Offshore XII AS, Island Offshore XII Ship AS and Vard Group AS. Rest of additions are mainly related periodic maintenance, class renewals, installation of ESS battery system and various engine overhauls.

The Island Empress, Island Endeavour, Island Crown and Ocean Intervention III were sold to affiliated companies in 2021. The Island Duchess was sold to an external party in 2021. Total net proceeds amount to NOK 461 mill. The Island Empress and Island Endeavour are leased back to the Group on bareboat contract terms. Net gains and losses compared with net book value is presented as reversal of impairment provision.

The market values obtained from independent ship brokers indicate impairment of the fleet book value for certain vessels. Considering the present market conditions, management has performed an impairment test analysis employing estimates of future cash flows for each vessel. The analysis takes into account the present market conditions for each segment and vessel. The future cash flow for the Group is expected to be a gradual improvement of both charter hire rates and utilization through the rest of the expected vessel usage time. Key assumptions in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 8 %. The usage period of the vessel is assumed to be 30 years after delivery.

The usage value analysis do not indicate further impairment on vessel value.
As per 31.12.21, the remaining fleet value was written down with a total of NOK 742.1 mill.

**Notes to the Consolidated Financial Statements 2021****Island Offshore Shipholding LP**

All figures in NOK mill

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

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Estimated impairment provision	-	-	-145

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Estimated impairment provision	-419	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Estimated impairment provision	-933	-	-

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

NOTE 5 PLEDGE OF ASSETS

NOK mill	2021	2020
Liabilities secured by pledge	3 772,2	4 659,9
Book value of pledged assets:		
Ships	6 020,8	6 701,2
Factoring	246,5	170,8
Cash deposits	376,6	253,8
Total	6 643,9	7 125,8

In addition, eventual insurance payouts are pledged.

The vessels Island Dawn and Island Duke were sold in 2020 and Island Duchess and Ocean Intervention III were sold in 2021. The sales proceeds have been used in order to repay part of the vessel loans. In addition, a portion of the loans have been forgiven by the secured lenders with a total amount of NOK 222.2 mill. Thus, a total of NOK 222.3 mill related to these four vessels are classified as unsecured debt as per 31.12.21.

The long term financial liabilities includes NOK 100 mill to one financial institution as a residual debt arising from a buy-back of loans. As part of the refinancing agreement signed in June 2021, it is agreed that NOK 50 mill of the remaining debt will be forgiven if Island Offshore VIII KS pays NOK 50 mill as a bullet payment within four years after the closing date. This includes PIK interests at 2% which will be written down without further consideration. It is considered very likely that the bullet payment will be paid as planned, thus no PIK interests have been accrued for in the Balance Sheet.

In addition, the senior secured lenders for the company Island Victory AS was granted a 1st priority ship mortgage on the vessel Island Defender as additional security for deferral of payment of installment in 2021 and 2022.

Island Offshore Shipholding LP

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Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

NOTE 6 LONG-TERM LIABILITIES

The vessels are financed in financial institutions with repayment profiles varying between 5 to 15 years. On April 12, 2018 the Island Offshore Group 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 31, 2020.

The Restructuring Agreement with secured and unsecured lenders was made effective in April 2018 whereby the senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Island Offshore serviced its debt according to the restructuring agreement until May 2020, when a unilateral standstill was declared by the Parent Company and all amortization payments was halted. Since May 2020 negotiations for an extension was ongoing, and progressing, with the senior lenders to the Group. The Group completed several information meetings and negotiations with secured lenders and was successful in 2021 to agree on a refinancing agreement for most of the subsidiaries. However, due to the complexity of the restructuring, additional time was required to ensure a holistic long-term solution for the parent company and the subsidiary Island Offshore X KS. It is expected that also the Parent Company Island Offshore Shipholding, L.P. and the subsidiary Island Offshore X KS, within a short period of time, will reach an agreement with the lenders based on a runway until 31.12.23 and agreed level of fixed amortization. The market is showing signs of improvement and the Group has satisfactory backlog for its fleet.

In accordance with Norwegian Accounting Principles, the loans from financial institutions and seller credit are classified as long term loans in 2021 with the following exceptions;

- due to the short runway period for Island Offshore XII Ship AS with maturity date on 30.06.2022, the loan is in accordance with Norwegian Accounting Principles classified as short-term loan as per 31.12.21 with NOK 180 mill.
- since formal restructuring agreements for Island Offshore Shipholding LP and Island Offshore X KS are not in place at the time of approval of the financial statement, the loans from financial institutions NOK 1.883.2 mill, bond loan NOK 809.2 mill and seller credits NOK 239.9 mill are classified as short term loans in accordance with Norwegian Accounting Principles.

Financing expenses are capitalized and expensed over the expected term of the loan. The remaining balance is NOK 19.8 mill at 31.12.2021 for the Group.

NOTE 7 FINANCIAL INSTRUMENTS

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

Forward contracts are used to hedge future freight revenue in EUR. Outstanding contracts 31.12.21 expire during 2022 depending on the underlying cash flow. The estimated net unrealized gain is NOK 1.0 mill at 31.12.2021, which is not recorded in the financial statements in accordance with the Norwegian Accounting Act and NGAAP.

**Notes to the Consolidated Financial Statements 2021****Island Offshore Shipholding LP**

All figures in NOK mill

NOTE 8 RELATED PARTIES

Transactions with related parties:

	<u>2021</u>	<u>2020</u>
Long term receivable	80,0	50,8
Other short term receivables	99,6	101,6
Other long term liabilities	(450,5)	(397,7)
Accounts payable	(39,1)	(10,9)
Other short term liabilities	(119,0)	(161,4)
Total	<u>(428,9)</u>	<u>(417,6)</u>

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

The parent company has provided a long term loan receivable of NOK 50.8 mill to Island Offshore Shipping AS. The Company has a pledge on Island Offshore Shipping AS' shares in Island Diligence AS as insurance for this loan. The Company has prepaid operational lease to Borgstein AS for the gangway and pedestal equipment of NOK 29.2 mill, presented as other long term receivables. Corresponding prepayment is received from charterer of the vessel Island Clipper, thus prepayment of NOK 29.2 mill from customer is presented as other long term liability. The long term receivable and liability will be reduced in accordance with monthly lease revenue and lease expenses during the lease period.

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

Other long term liabilities are loans from the ultimate owners of Island Offshore Shipholding L.P. NOK 390.1 mill, loan from Manager NOK 15.6 in addition to a seller credit loan NOK 39.2 mill towards Island Ventures 4 LLC. Island Offshore UK Limited has a seller credit loan of balance NOK 5.6 mill towards Borgstein Skipsinvest AS and Brazil Vessel LLC arising from the time the Company purchased the shares in Island Ventures 4 AS.

	<u>2021</u>	<u>2020</u>
Bareboat hire income	167,7	44,0
Bareboat hire expense	-7,7	0,0
Crew hire	-618,1	-679,7
Management services	-60,4	-66,1
Total	<u>-518,5</u>	<u>-701,9</u>

Island Victory AS has entered into Bareboat Charter Agreement with Island Offshore Shipping AS when the vessel was operating in the US. From 01.07.21, Island Offshore VIII AS leases the vessels Island Endeavour and Island Empress from Green Island PSV AS. The bareboat rent is based on arms-length principles and based on BIMCO standard Bareboat Charter Agreement.

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

Island Offshore Shipholding LP

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Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

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

NOTE 9 SUBSIDIARIES

Investments in subsidiaries and associated companies are accounted for by the equity method in the separate financial statement. In the consolidated financial statement, the investments and the share of net accounting result from subsidiaries are eliminated. Companies included in the consolidated financial statement 2021:

Organization No	Company	Address	Ownership
		CAYMAN ISLAND /	
990035903	ISLAND OFFSHORE SHIPHOLDING LP	ULSTEINVIK NORWAY	Parent company
982411408	ISLAND OFFSHORE III KS	ULSTEINVIK, NORWAY	57,21 %
987156783	ISLAND OFFSHORE VIII AS	ULSTEINVIK, NORWAY	72,90 %
987156805	ISLAND OFFSHORE VIII KS	ULSTEINVIK, NORWAY	65,94 %
887254982	ISLAND OFFSHORE X AS	ULSTEINVIK, NORWAY	100,00 %
987845325	ISLAND OFFSHORE XI AS	ULSTEINVIK, NORWAY	63,57 %
888271392	ISLAND OFFSHORE XII AS	ULSTEINVIK, NORWAY	61,65 %
994289764	ISLAND OFFSHORE XII SHIP AS	ULSTEINVIK, NORWAY	0,00 %
920718590	ISLAND VICTORY AS	ULSTEINVIK, NORWAY	0,00 %
922593116	ISLAND DEFENDER AS	ULSTEINVIK, NORWAY	0,00 %
924922494	ISLAND DISCOVERER AS	ULSTEINVIK, NORWAY	0,00 %
987255188	ISLAND OFFSHORE X KS	ULSTEINVIK, NORWAY	88,46 %
992611588	ISLAND PIONEER KS	ULSTEINVIK, NORWAY	63,00 %
992611634	ISLAND PIONEER AS	ULSTEINVIK, NORWAY	70,00 %
914405025	ISLAND OFFSHORE INTERNATIONAL SHIPPING AS	ULSTEINVIK, NORWAY	99,00 %
997571290	ISLAND VENTURES 4 AS	ULSTEINVIK, NORWAY	0,00 %
492749	ISLAND OFFSHORE UK LIMITED	ABERDEEN, UK	100,00 %
492748	ISLAND OFFSHORE SUBSEA UK LIMITED	ABERDEEN, UK	0,00 %

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

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

As part of the investment-, sale- and shareholders agreement between Island Offshore XII AS, Island Offshore XII Ship AS and Vard Group AS, Vard Group AS purchased the shares in Island Discoverer AS prior to the delivery of the vessel. The vessel Island Discoverer was acquired as contribution in kind by Vard Group. After the delivery of the vessel in May 2021, Vard Group invited Island Offshore XII AS as shareholder in Island Discoverer AS. Settlement for the shares was for Island Offshore XII AS to sell to Vard Group AS a total of 45.459 shares in Island Offshore XII Ship AS, thus Vard Group AS increased its ownership from 35.7% to 46.9% in Island Offshore XII Ship AS.

Island Ventures 4 AS is 100 % owned by Island Offshore UK Limited.

Island Offshore Subsea UK Limited is 100% owned by Island Offshore UK Limited.

**Notes to the Consolidated Financial Statements 2021****Island Offshore Shipholding LP**

All figures in NOK mill

NOTE 10 TAXES – NORWAY

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

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

	<u>2021</u>	<u>2020</u>
Fixed assets	3 354,6	3 212,7
Receivables and temporary foreign exchange difference	-	-64,6
Gains / losses fixed assets carried forward	108,3	-6,6
Other temporary differences	-7,0	-6,8
Tax loss carried forward	-724,2	-624,3
Total temporary differences	<u>2 731,7</u>	<u>2 510,4</u>
Temporary differences from general partner and limited liability companies not included in deferred tax asset calculation	251,3	241,4
Temporary differences from partnerships not included in deferred tax calculations	-2 614,4	-2 461,7
Deferred tax basis	<u>368,6</u>	<u>290,1</u>
Net deferred tax	<u>81,1</u>	<u>63,8</u>
Deferred tax liability	82,3	65,6
Deferred tax asset	1,2	1,8
Net deferred tax	<u>81,1</u>	<u>63,8</u>
Tax rate	<u>22 %</u>	<u>22 %</u>
Specification of tax expense		
Tax payable in Norway	0,3	0,4
Foreign tax payable	1,2	0,2
Change in deferred tax	17,2	2,7
Tax expense	<u>18,7</u>	<u>3,3</u>

The variance between the tax expense in the financial statement and the pre-tax result multiplied by nominal tax rate is explained by participating entities that are not included in basis for calculation of tax expense. As it will take some time for the General Partners to utilize tax loss carried forward to offset future payable tax, it is decided not to record deferred tax asset in the balance sheet of the Group as per 31.12.21.

**Notes to the Consolidated Financial Statements 2021****Island Offshore Shipholding LP**

All figures in NOK mill

NOTE 11 EQUITY

	Paid in capital	Other equity	Minority interest	Total
Equity 01.01.2021	895,5	-1 038,0	876,9	734,4
Share issue	-	-	209,4	209,4
Effect of increased ownership in retained earnings/loss for minority owners	-	13,5	-13,5	-
Effect by dissolution of subsidiaries	-	1,1	-	1,1
Debt forgiveness recorded as equity	-	222,3	-	222,3
Annual result		-36,4	52,5	16,1
Equity 31.12.21	895,5	-837,6	1 125,3	1 183,3

NOTE 12 OWNERSHIP

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

NOTE 13 GEOGRAPHICAL SPLIT OF REVENUE

	2021	2020
Norway	991,9	993,8
UK	151,6	209,4
Brazil	0,0	48,3
The Netherlands	80,7	62,3
Portugal	0,0	1,9
Denmark	7,3	4,7
USA	182,8	46,2
Morocco	5,2	0,0
Germany	8,1	0,0
Angola	86,9	67,6
Red Sea	0,0	13,8
Trinidad & Tobago	6,8	0,0
Spain	0,0	11,0
International Waters	119,2	41,0
Total	1 640,5	1 500,0

Island Offshore Shipholding LP

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Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

Fleet comprises 22 vessel compared with 25 vessel last year. Overall, utilization for remaining fleet has improved due to increased market activity. Average utilization of the fleet was 78% in 2021 compared with 75% in 2020. At year-end 2021, one vessel was in lay-up, however reactivated in Q1-2022.

NOTE 14 OTHER MATTERS

Some of the vessels within the Group has performed work on foreign continental shelves constituting a Permanent Establishment (PE). In 2021 this includes the US and UK continental shelf. Compliance with local tax regulations has been undertaken and tax reporting and payments have been initiated on this basis. Tax advisors have been engaged to verify compliance with local tax regulation when there is uncertainty related to the eventual tax liabilities. Island Offshore Shipbuilding Group has in 2021 expensed a net of total NOK 1.2 mill in foreign taxes.

NOTE 15 INVENTORY

Inventories in 2021 comprise in total NOK 13.3 mill as vessels' stock of lubricants and fuel valued at cost based on the FIFO principle. Comparable numbers in 2020 was NOK 23.4 mill.

NOTE 16 GOING CONCERN

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

Island Offshore Shipholding Group, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Due to the immediate worsening of the market conditions and limited visibility in terms of recovery at the time, the Group announced a unilateral standstill to halt scheduled instalment payments to secured lenders in May 2020. Island Offshore serviced its debt according to the restructuring agreement until May 2020. Since May 2020, agreement has been reached with the senior secured lenders financing the majority of the ship-owning companies' vessels, whilst negotiations for an extension was still ongoing, and progressing, with the senior lenders to the Parent Company. It is expected that the Parent Company and the subsidiary Island Offshore X KS, within a short period of time, will reach an agreement with the lenders based on a runway until 31.12.23 and agreed level of fixed amortization. Since formal agreement is not in place at the time of approval of the financial statements, there is uncertainty with regards to the going concern assumption for these two companies.

There are signs of improvement in the offshore market in 2022 and the assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement for the parent company will be agreed and made effective with secured and unsecured lenders short after June 2022.



Notes to the Consolidated Financial Statements 2021

Island Offshore Shipholding LP

All figures in NOK mill

NOTE 17 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. The Board of Directors continue to monitor the financial situation of the Company closely and will assess the need for capital contributions going forward.



Island Offshore Shipholding LP

Annual report 2021

Annual accounts

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

Auditors' report



Annual Report 2021

Island Offshore Shipholding LP

The Business

The Company is registered in the Cayman Islands and currently owns one W2W vessel, one Stimulation vessel, two Subsea Construction Vessels (SCV) and one Light Well Intervention vessels (LWI). Effective 30.09.2021, the Company sold the W2W vessel Island Crown to an affiliated company. The vessel Island Frontier was modified from and LWI to an SCV vessel during autumn 2021, and awarded a term contract. All the vessels are marketed for employment worldwide, but primarily operate in the North Sea. The Island Pride and Island Frontier have operated in international waters in 2021.

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

Statement of Results

Revenue in 2021 totals NOK 506.6 million compared to NOK 505.4 million in 2020, and includes recharged expenses of NOK 66.4 mill reported gross in revenue and vessel expenses. The Island Crown was sold 30.09.21 and had 67% utilization up to the date of the sale. The vessel Island Frontier was idle through 2020 to September 2021, when she was mobilized for subsea construction work in Angola. The other LWI vessel, Island Wellserver, achieved 52% utilization in 2021 compared with 76% in 2020 due to a shorter campaign than expected. The vessels Island Centurion, Island Pride and Island Clipper achieved 100% utilization with good financial results.

The operating result for 2021 is a profit of NOK 17.0 million compared to a loss of NOK -11.0 million in 2020. In 2020 the result was negatively impacted by an impairment provision of NOK 40.5 million regarding book value of the vessels Island Frontier and Island Crown. Sale of the Island Crown in September 2021, resulted in a gain of NOK 16.9 million. Other operating expenses in 2021 include losses on outstanding receivables from the dissolved partnership Island Navigator Holding KS and the general partner Island Navigator Holding AS.

This year's net profit is NOK 2.9 million compared to a loss of NOK -391.5 million in 2020. Share of net results from investments in subsidiaries is a profit of NOK 70.6 million in 2021 compared with a loss of NOK 133.0 million in 2020. Financial expenses in 2020 included also a write down on receivable of NOK 124.8 million regarding a working capital facility to the subsidiary Island Offshore X KS.

Net cash flow from operational activities is positive with NOK 77.9 million. Capitalized maintenance expenses amount to NOK 61.6 million in 2021. Sale of abovementioned vessel contributed with NOK 327.7 million including working capital but offset by repayment of loans NOK 323.3 million. The Company paid NOK 7.5 million of installments to secured lenders in 2021. An affiliated company has lent NOK 15.6 million to the Company and PIK interests on bond loan has been added to the bond loan with value NOK 22.8 million in 2021. Overall, the Company has a positive cash flow of NOK 36.1 million leaving a cash balance at 31.12.2021 of NOK 162.9 million.

Island Offshore Shipholding LP



Net equity totals NOK 328.9 million as at 31.12.2021 compared to NOK 326.0 million at 31.12.2020. The increase is equal to this year's profit. The net equity is impacted by previous year's impairment on vessel value with a total of NOK 126.5 million recorded as per 31.12.2021. In addition, the previous year impairment of NOK 125 million related to working capital loan to Island Offshore X KS has significant negative impact on net equity.

The Company does not have ongoing research and development activities.

Going Concern

Island Offshore Shipholding Group, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Due to the immediate worsening of the market conditions and limited visibility in terms of recovery at the time, the Group announced a unilateral standstill to halt scheduled instalment payments to secured lenders in May 2020. Island Offshore serviced its debt according to the restructuring agreement until May 2020.

Since May 2020, agreement has been reached with the senior secured lenders financing the majority of the ship-owning companies' vessels, whilst negotiations for an extension was still ongoing, and progressing, with the senior lenders to the Company. It is expected that the Company and the subsidiary Island Offshore X KS, within a short period of time, will reach an agreement with the lenders based on a runway until 31.12.23 and agreed level of fixed amortization. Since formal agreement is not in place at the time of approval of the financial statements, there is uncertainty with regards to the going concern assumption.

There are signs of improvement in the offshore market in 2022 and the assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement will be agreed and made effective with secured and unsecured lenders short after June 2022.

Work Environment and Gender Equality

The Company does not have employees. The offshore crew is hired from Island Offshore Management AS and Island Offshore Crewing AS. The Managers are representatives for the owners.

External Environment

The Company's operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental plans are prepared for each vessel and systematic efforts are employed to reduce the risk of emissions of gas to air as well as emission of diesel oil, chemicals or other oil-containing substances to the sea.

Island Offshore Shipholding LP



Financial Risk

Overall the order backlog for the Company is relatively strong and this gives visibility in earnings and reduces financial risk. Financial instruments are used to hedge cash flow in foreign currency thus limiting exposure to foreign currency risk to the extent such facilities are available.

Total liabilities are NOK 2,954.0 million including NOK 1,264.5 million of ship mortgages and NOK 809.2 million of corporate bonds. In accordance with NGAAP, loans from financial institutions including the bond loan and seller credits are classified as short-term loans. The largest part of the ship mortgage financing has floating interest rate basis.

Future outlook

Three vessels have long term contracts with expiry in 2023 or later. The LWI vessel Island Frontier is on firm contract for one year with one year option. The LWI vessel Island Wellserver has secured 175 days of operation in 2022 with additional option for a 2024 campaign.

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

The COVID-19 pandemic may still cause operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations. The same applies to the current geopolitical risk at this could impact the long-term market outlook and assessments of recoverable asset amounts.

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

Other matters

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

Island Offshore Shipholding LP

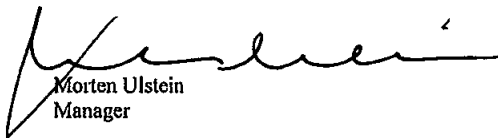


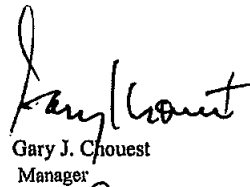
Allocation of results

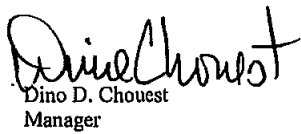
The Board proposes the following allocation of the 2021 net profit NOK 2 931 664:

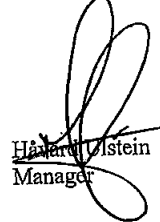
Allocated to other equity NOK 2 931 664

Ulsteinvik, 30.06.22


Morten Ulstein
Manager


Gary J. Chouest
Manager


Dino D. Chouest
Manager


~~Harald Ulstein~~
Manager

Island Offshore Shipholding LP



Island Offshore Shipholding LP

Income statement

	Note	2021	2020
Revenue			
Freight income	2	<u>506 602 651</u>	<u>505 419 056</u>
Operating expenses			
Vessel expenses	9	153 472 261	109 133 785
Crew expenses	9	205 316 857	227 767 029
Depreciation	5	114 483 979	123 169 281
Write-down on ships	5	-16 926 015	40 462 179
Other operating expenses	4	<u>33 207 156</u>	<u>15 875 591</u>
Total operating expenses		<u>489 554 238</u>	<u>516 407 865</u>
Operating result		<u>17 048 413</u>	<u>-10 988 809</u>
Financial income and expenses			
Income from investments in subsidiaries and associated companies	10	70 616 487	-133 033 458
Interest income from group companies		1 807 892	2 448 547
Other financial income	3	3 913 859	5 949 537
Write-down on other financial assets	9,10	0	124 817 711
Interest paid to group companies		115 863	349 402
Other financial expenses	3	<u>90 339 124</u>	<u>132 389 177</u>
Net financial items		<u>-14 116 749</u>	<u>-382 191 664</u>
Ordinary result before tax		<u>2 931 664</u>	<u>-393 180 473</u>
Tax on ordinary result	11	<u>0</u>	<u>-1 640 079</u>
Net profit or loss for the year		<u>2 931 664</u>	<u>-391 540 394</u>
Allocated as follows			
Transferred to other equity	12	<u>2 931 664</u>	<u>-391 540 394</u>



Island Offshore Shipholding LP

Balance sheet as of December 31

	Note	2021	2020
Fixed assets			
<i>Tangible assets</i>			
Ships	5,6	<u>1 987 412 122</u>	<u>2 351 087 371</u>
Total tangible assets		<u>1 987 412 122</u>	<u>2 351 087 371</u>
<i>Financial assets</i>			
Investments in subsidiaries and associated companies	10	955 775 539	886 608 623
Other receivables	6,7,9	<u>80 035 347</u>	<u>50 820 092</u>
Total financial assets		<u>1 035 810 886</u>	<u>937 428 715</u>
Total fixed assets		<u>3 023 223 008</u>	<u>3 288 516 086</u>
Current assets			
Stock of fuel etc.		<u>5 715 269</u>	<u>5 125 987</u>
<i>Receivables</i>			
Trade receivables	6	62 455 290	86 107 751
Other receivables	9	<u>28 647 186</u>	<u>42 413 480</u>
Total accounts receivable		<u>91 102 476</u>	<u>128 521 231</u>
Cash and cash equivalents	6	<u>162 866 907</u>	<u>126 776 747</u>
Total current assets		<u>259 684 652</u>	<u>260 423 965</u>
Total assets		<u>3 282 907 660</u>	<u>3 548 940 051</u>



Island Offshore Shipholding LP

Balance sheet as of December 31

	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Equity, undistributable	13	<u>895 548 243</u>	<u>895 548 243</u>
Total paid-in capital		<u>895 548 243</u>	<u>895 548 243</u>
<i>Retained earnings</i>			
Other equity		<u>-566 631 693</u>	<u>-569 563 356</u>
Total retained earnings		<u>-566 631 693</u>	<u>-569 563 356</u>
Total equity	12	<u>328 916 550</u>	<u>325 984 887</u>
Liabilities			
<i>Other long-term liabilities</i>			
Other long-term liabilities	9	<u>436 859 492</u>	<u>393 503 599</u>
Total other long term liabilities		<u>436 859 492</u>	<u>393 503 599</u>
<i>Current liabilities</i>			
Bonds	7	809 246 406	786 494 040
Liabilities to financial institutions	6,7	1 264 458 509	1 555 253 669
Trade creditors	9	456 111	5 486 925
Other short-term liabilities	7,9	<u>442 970 592</u>	<u>482 216 931</u>
Total current liabilities		<u>2 517 131 618</u>	<u>2 829 451 565</u>
Total liabilities		<u>2 953 991 110</u>	<u>3 222 955 164</u>
Total equity and liabilities		<u>3 282 907 660</u>	<u>3 548 940 051</u>

30 December 2021 / 30.06.22
Ulsteinvik,
Morten Ulstein
Chairman of the Board
Gary J. Choest
Member of the Board
Håvard Ulstein
Member of the Board
Dino Choest
Member of the Board

**Cash Flow Statement**

Island Offshore Shipholding LP

	2021	2020
<i>Cash flow from operational activities:</i>		
Profit before tax	2 931 664	-393 180 473
- Taxes paid	0	1 640 079
Reversed share of result gain-/ loss+ from subsidiaries and		
-/+ associated companies	-70 588 903	133 033 458
+ Write down of financial assets	0	124 817 711
+ Depreciation	114 483 979	123 169 281
+ Impairment provision on vessel value	-16 926 015	40 462 179
-/+ Change in inventory	-589 282	3 246 938
-/+ Change in accounts receivable	23 652 462	-34 029 457
+/- Change in accounts payable	-5 030 813	-2 076 662
+/- Change in other accruals, prepaid expenses	29 983 877	430 729
= Net cash flow from operational activities	<u>77 916 969</u>	<u>-2 486 217</u>
<i>Cash flow from investment activities</i>		
+ Payments sale of fixed assets	310 804 787	88 000
- Payments investments in fixed assets	-61 613 516	-19 186 728
+ Payments from liquidation of subsidiaries	1 421 987	0
+/- Change in long term receivables, fin. Institutions	0	26 312 967
= Net cash flow from investment activities	<u>250 613 258</u>	<u>7 214 239</u>
<i>Cash flow from financing activities</i>		
+ Drawdown of long term interest bearing liabilities	0	0
+ Loan from affiliates	15 596 424	30 000 000
+/- Capitalized pik interests of bond loan	22 752 366	22 119 770
- Repayment of loan	-330 788 857	-38 052 483
- Change in long term liabilities, fin. Institutions	0	-26 312 967
= Net cash flow from financing activities	<u>-292 440 067</u>	<u>-12 245 680</u>
= <i>Net change in cash and cash equivalents</i>	<u>36 090 160</u>	<u>-7 517 658</u>
+ <i>Cash reserve 1.1</i>	<u>126 776 747</u>	<u>134 294 405</u>
= <i>Cash reserve 31.12</i>	<u>162 866 907</u>	<u>126 776 747</u>

Island Offshore Shipholding LP



Notes to the financial statements 2021

Island Offshore Shipholding LP

NOTE 1 ACCOUNTING PRINCIPLES

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

Classification criteria

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

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

Use of estimates:

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

Presentation of subsidiaries and associated companies

Subsidiaries and associated companies are accounted for by the equity method.

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.

Island Offshore Shipholding LP



Notes to the financial statements 2021

Island Offshore Shipholding LP

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

Revenue and expense recognition

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

Taxes

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

Cash flow statement

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

NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2021	2020
Norway	354,6	388,8
UK	-	14,5
Trinidad and Tobago	6,8	-
The Netherlands	19,9	-
Portugal	-	1,9
Angola	13,8	-
Spain	-	11,0
Brazil	-	48,3
International waters	111,5	41,0
		-
Total Freight Income	506,6	505,4

On 30.09.21, the Company sold the W2W vessel Island Crown to an affiliated company. The remaining fleet consists of one PSV performing Walk to Work services, one Wellstim vessel, two SCVs and one LWI vessel.

The LWI vessel Island Frontier was idle the whole of 2020 and continued to be in lay up until September 2021. The vessel was modified to an SCV and late 2021 on mobilization for subsea construction work in Angola. The LWI vessel Island Wellserver had 196 operational days in 2021 and was idle rest of year from September. The LWI had an utilization of 52% in 2021 compared with 76% in 2020.

The SCV vessel Island Pride achieved 100% utilization both in 2021 and in 2020. The vessel is working world wide on a term contract for five years with expiry 31.12.23 including 2*1 year options. The Wellstim vessel Island Centurion achieved 100% utilization both in 2021 and 2020.

The PSV Island Clipper is on a 4 year firm contract with expiry 01.04.23 and achieved 100% utilization both in 2021 and 2020.

**Notes to the financial statements 2021**

Island Offshore Shipholding LP

NOTE 3 SPECIFICATION OF ITEMS**Other financial income:**

	2021	2020
Interest income, CIRR	-	538 100
Interest income bank and bond asset	14 291	346 262
Foreign exchange gain realized	2 979 763	4 830 294
Foreign exchange gain+ / loss - unrealized	795 348	-
Interests income related party	124 458	234 881
Total other financial income	3 913 859	5 949 537

Other financial expenses comprise:

	2021	2020
Depreciation of capitalized financial expenses	4 003 196	4 252 259
Foreign exchange loss unrealized	-	795 348
Interest cost related party	7 005 647	7 057 443
Interest cost long term loans	76 083 902	100 433 791
Interest cost CIRR	-	538 100
Foreign exchange loss realized	3 186 064	4 326 688
Hedging loss	-	14 966 096
Other financial expenses+/income -	60 315	19 453
Total other financial expenses	90 339 124	132 389 178

NOTE 4 PAYROLL, EMPLOYEES

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

Auditor

Remuneration of NOK 778.650,- can be specified as follows:

Statutory audit service	279.750
Tax Filing and Group tax computation	201.075
Other services	97.000
Expenditures	52.012
VAT not deductible	148.813
Expensed remuneration excluding VAT	778.650



Notes to the financial statements 2021

Island Offshore Shipholding LP

NOTE 5 FIXED ASSETS

Tangible fixed assets:

Fixed assets

	Ship	Projects in Progress	Drydocking / periodic maintenance	Total
Acquisition cost 1.1.	3 393 943 052	536 619	344 429 048	3 738 908 719
Additions	206 176	27 188 469	34 218 871	61 613 516
Disposals	(532 550 266)	-	(9 697 585)	(542 247 851)
Acc depreciation 31.12	(842 765 443)	-	(301 598 989)	(1 144 364 432)
Acc impairment provision 31.12	(126 497 830)	-	-	(126 497 830)
Book value 31.12.	1 892 335 689	27 725 088	67 351 345	1 987 412 122
Annual depreciation charge	78 722 962	-	35 761 017	114 483 979
Annual impairment provision	(16 926 015)	-	-	(16 926 015)
Economic life	20 year		3 to 10 years	
Depreciation plan	Linear		Linear	

Additions relates to 10 year class renewal for the well-stim vessel and various engine overhauls, maintenance and repair expenses. One vessel has installed upgraded pedestal equipment, hired as operational lease from related party.

The Company sold the W2W vessel Island Crown on 30.09.21 to an affiliated company. The gain compared with net book value of the vessel is presented as reversed impairment provision.

The market values obtained from independent ship brokers are lower than book value on the vessels. The vessel values are also subject to an impairment test analysis employing estimates of future cash flows for each vessel. The analysis includes current backlog and an assumed gradual improvement of both charter hire rates and utilization through the rest of the expected vessel usage time. A key assumption in the analysis is the Weighted Average Cost of Capital (WACC), which is set to 8 %. The usage period of the vessel is assumed to be 30 years after delivery.

The impairment analysis does not indicate loss in value for the vessels in 2021. Total impairment provision amount to NOK 126.5 mill as per 31.12.21.



Notes to the financial statements 2021

Island Offshore Shipholding LP

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

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Offshore Shipholding	-	-	-45

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore Shipholding	-126	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore Shipholding	-312	-	-

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

NOTE 6 PLEDGE OF ASSETS

	2021	2020
Liabilities secured by pledge	1 264 458 509	1 555 253 669
Book value of pledged assets:		
Ships	1 987 412 122	2 351 087 371
Factoring	62 455 289	86 107 751
Cash deposits	162 866 907	126 776 747
Total	2 212 734 318	2 563 971 869

In addition eventual future insurance payouts are pledged.



Notes to the financial statements 2021

Island Offshore Shipholding LP

NOTE 7 LONG-TERM LIABILITIES

The vessels are financed in financial institutions with repayment profiles varying between 5 to 15 years. On April 12, 2018 the Company and the senior secured bank lenders as well as unsecured creditors agreed a long-term and a sustainable financing platform including a deferral agreement ending December 31, 2020.

The Restructuring Agreement with secured and unsecured lenders was made effective in April 2018 whereby the senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Island Offshore serviced its debt according to the restructuring agreement until May 2020, when a unilateral standstill was declared by the Company and all amortization payments was halted. Since May 2020 negotiations for an extension was ongoing, and progressing, with the senior lenders to the Company and the subsidiary Island Offshore X KS. Due to the complexity of the restructuring, additional time is required to ensure a holistic long-term solution. It is expected within a short period of time that the Company and the subsidiary Island Offshore X KS will reach an agreement with secured and unsecured creditors to strengthen the financial situation. The agreement is based on a runway until 31.12.23 and agreed level of fixed amortization.

Since formal agreement is not in place at the time of approval of the financial statement, the loans from financial institutions NOK 1,264.5 mill, bond loan NOK 809.2 mill and seller credits NOK 219.9 mill are classified as short term loans in accordance with Norwegian Accounting Principles.

The Company has issued guarantee for ship mortgage loans in total NOK 618.7 mill on behalf of the subsidiary Island Offshore X KS and 65,94% of NOK 25 mill i.e. NOK 16.5 mill on behalf of for Island Offshore VIII KS. However, due to the restructuring agreement effective 12.04.2018 with maturity date 31.12.2020 with further postponement in 2021 and 2022, the guarantee liabilities were set on hold as a deferred liability in accordance with the Intercreditor Agreement.

Financing expenses are capitalized and expensed over the expected term of the loan. The remaining balance is NOK 9.5 mill at 31.12.2021.

NOTE 8 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 31.12.21.

**Notes to the financial statements 2021**

Island Offshore Shipholding LP

NOTE 9 RELATED PARTIES

Transactions with related parties:

	2021	2020
Other long term receivables	80 035 347	50 820 092
Other short term receivables	21 496 334	33 351 736
Loans from shareholders	-352 880 614	-354 336 400
Other long term liabilities	-54 763 624	-39 167 200
Accounts payable	-105 414	-2 729 187
Other short term liabilities	-113 899 942	-115 840 802

The Company has provided a long term loan receivable of NOK 50.8 mill to Island Offshore Shipping AS. The Company has a pledge on Island Offshore Shipping AS' shares in Island Diligence as insurance for this loan. The Company has prepaid operational lease to Borgstein AS for the gangway and pedestal equipment of NOK 29.2 mill, presented as other long term receivables. Corresponding prepayment is received from charterer of the vessel Island Clipper, thus prepayment of NOK 29.2 mill from customer is presented as other long term liability. The long term receivable and liability will be reduced in accordance with monthly lease revenue and lease expenses during the lease period.

Other short term receivables includes receivables towards Manager with NOK 1.4 mill in 2021. In 2021, the Parent Company entered into agent contracts with Island Offshore International Shipping AS and had outstanding NOK 11.4 mill in relation to this. Accrued interests are charged with NOK 8.2 mill as per 31.12.20 in relation to outstanding receivable towards affiliates.

According to the refinancing agreement and the subordinated working capital facility, the Parent Company has granted a short term loan, in total NOK 125 mill to the subsidiary Island Offshore X KS in order to fund liquidity shortfall. The loan was written down to zero hence impairment provision in financial expenses in Income Statement for 2020.

Loans from shareholders are related to funding in connection with capital commitments in subsidiaries and cash sweep guarantees. Other long term liabilities is rest of a seller credit loan NOK 39.2 mill towards Island Ventures IV LLC and a long term loan from Island Offshore Management AS. Loan agreements with related parties have been established and all loans are charged at interest based on arm's length principle.

Other short term liabilities are mainly towards the subsidiary Island Offshore Crewing AS (crew provider) with NOK 5.1 mill and a short term loan from Island Pioneer KS (sale of vessel proceeds) with NOK 86.3 mill. It is expected that the latter will be settled when Island Pioneer KS repays paid in capital to its owners. The Company has a liability as per 31.12.21 to pay NOK 22.3 mill in charter hire to Green Island Crown AS, an affiliated company that purchased the W2W vessel Island Crown.



Notes to the financial statements 2021

Island Offshore Shipholding LP

	2021	2020
Income from bareboat contracts	7 047 800	9 713 459
Crew hire	-205 316 858	-227 767 029
Management services	-17 829 812	-17 947 853

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

The Company entered into Bareboat Chart Agreement with Island Offshore Subsea UK Limited, for the operation of Island Crown. The bareboat rent was based on arms-length principles.

NOTE 10 SUBSIDIARIES

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

Partnerships:

NOK 1000	Island Offshore III KS	Island Offshore VIII KS	Island Pioneer KS	Island Navigator Holding KS	TOTAL
Business office	Ulstein	Ulstein	Ulstein	Ulstein	
Date of acquisition	2005	2004/2007/2017	2010	2015	
Acquisition cost	130 757	342 694	68 400	1 440	
Committed capital	247 000	391 342	175 000	2 000	
Uncalled capital	-	-	75 000	400	
Ownership	57,21 %	65,94 %	63,00 %	90,00 %	
Opening balance 1.1	195 035	164 084	58 293	-	417 413
Share of net result 2021	-3 560	43 316	-23	-	39 733
Liquidation results	-	-	-	834	834
Liquidation balances				-834	-834
Closing balance 31.12	191 475	207 400	58 270	-	457 146

Value of shares in the partnership Island Offshore X KS have been tested on the partnership's value adjusted equity and the analysis indicated zero as book value of the investment. Correspondingly, the short term receivable of NOK 124.8 million was written down to zero in financial expenses in the Income Statement in 2020.

The Partnership Island Navigator Holding KS has been dissolved in 2021. Liquidation results are recorded as financial income and liquidation balances corresponds to bank deposits received.



Notes to the financial statements 2021

Island Offshore Shipholding LP

As part of the restructuring agreement for the partnership Island Offshore III KS agreed in December 2021 and effective in January 2022, the registered share capital was reduced with NOK 227,000,000 from NOK 247,000,000 to NOK 20,000,000 by way of reducing nominal value on existing shares by NOK 0.919 from NOK 1.0 to NOK 0.081. Simultaneously, the share capital was increased with NOK 41,700,000 from NOK 20,000,000 to NOK 61,700,000 by way of issuing 514,995,000 shares in the company.

Existing shareholders participated on the share capital increase with the exception of Island Offshore Shipholding LP. Borgstein Skipsinvest AS and Island Investment LLC subscribed for the relevant amount of shares. Thus, the Partnership Island Offshore III KS will not be consolidated in the Island Offshore Shipholding Group accounts from January 2022.

Limited liability companies:

Company	Island Offshore VIII AS	Island Offshore XI AS	Island Offshore XII AS	Island Pioneer AS	Island Navigator Holding AS	Total
Business adress	Ulstein	Ulstein	Ulstein	Ulstein	Ulstein	
Date of acquisition	2005/2017	2004	2007	2010	2015	
Acquisition cost	28 567	20 432	4 080	7 600	215	
Change of ownership			150 165			
Ownership	72,90 %	63,57 %	61,65 %	70,00 %	100,00 %	
Opening balance	24 986	29 089	394 147	20 385	587	469 194
Share of net result 2021	4 789	-367	25 806	-206	0	30 022
Liquidation results					28	28
Liquidation balances					-615	(615)
Closing balance 31.12	29 775	28 722	419 953	20 179	0	498 628
Total loss in profit and loss accounts for partnerships and limited liability companies						70 616
Net book value investments in subsidiaries and associated						955 775

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

The general partner Island Navigator Holding AS has been dissolved in 2021. Liquidation results are recorded as financial income and liquidation balances corresponds to bank deposits received.

**Notes to the financial statements 2021**

Island Offshore Shipholding LP

NOTE 11 TAXES – NORWAY

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

Deferred tax/tax asset has been calculated as follows:

	<u>2021</u>	<u>2020</u>
Fixed asset	1 274 368 088	1 393 362 044
Gain/loss account	172 670 022	49 082 798
Total temporary differences	1 447 038 110	1 442 444 842
Deferred tax/tax asset	318 348 384	317 337 865
Tax rate	22 %	22 %

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

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

	<u>2021</u>	<u>2020</u>
Profit before tax	2 931 664	-393 180 473
<i>Permanent differences:</i>		
Non-deductible expenses	66 434	97 777
Reversed provision for loss on receivable due from subsidiary	-	124 817 711
Reversed loss related to liquidation of subsidiaries	11 839 427	
Net accounting result - partnerships and limited liability companies	-69 755 181	133 033 458
Net tax result - partnerships	8 517 488	10 659 412
Refund taxes abroad	-	1 640 079
<i>Change in temporary differences:</i>		
Fixed assets	118 993 936	11 659 054
Gain/loss account	-123 587 224	12 270 700
Denied deduction for internal interests expenses	6 881 189	6 822 564
Annual tax basis	-44 112 267	-92 179 718

**Notes to the financial statements 2021**

Island Offshore Shipholding LP

NOTE 12 EQUITY

	Paid in capital	Other equity	Total
Equity 1.1	895 548 243	-569 563 356	325 984 887
<i>Change in equity</i>			
Net result		2 931 664	2 931 664
Equity 31.12.	895 548 243	-566 631 693	328 916 550

NOTE 13 OWNERSHIP

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

NOTE 14 GOING CONCERN

Island Offshore Shipholding Group, concluded a restructuring agreement with secured and unsecured lenders effective April 12th 2018. The senior secured lenders agreed to extend their loans until the end of 2020 at amended terms, whilst the unsecured lenders agreed to extend until 30.06.2021. Due to the immediate worsening of the market conditions and limited visibility in terms of recovery at the time, the Group announced a unilateral standstill to halt scheduled instalment payments to secured lenders in May 2020. Island Offshore serviced its debt according to the restructuring agreement until May 2020.

Since May 2020, agreement has been reached with the senior secured lenders financing the majority of the ship-owning companies' vessels, whilst negotiations for an extension was still ongoing, and progressing, with the senior lenders to the Company. It is expected that the Company and the subsidiary Island Offshore X KS, within a short period of time, will reach an agreement with the lenders based on a runway until 31.12.23 and agreed level of fixed amortization. Since formal agreement is not in place at the time of approval of the financial statements, there is uncertainty with regards to the going concern assumption.

There are signs of improvement in the offshore market in 2022 and the assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base for the Company to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement will be agreed and made effective with secured and unsecured lenders short after June 2022.



Notes to the financial statements 2021

Island Offshore Shipholding LP

NOTE 15 COVID-19

The COVID-19 pandemic is causing operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations.

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



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Partnership Meeting of Island Offshore Shipholding Lp

Opinion

We have audited the financial statements of Island Offshore Shipholding Lp (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with the the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to 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 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.

Other information

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report - Island Offshore Shipholding Lp 2021

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Building a better
working world

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

Bergen, 4 July 2022
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

Independent auditor's report - Island Offshore Shipholding Lp 2021

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Island Offshore XII Ship AS

Annual report 2021

Board of directors' report

Annual accounts

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

Auditors' report



Annual Report 2021
Island Offshore XII Ship AS
Org. no 994 289 764

Business activities

The Company owns two AHTS vessels which operate in the North Sea. The Company is the parent company of Island Victory AS, a 100% owned subsidiary owning the vessel Island Victory, a Deep Water Installation / AHTS vessel delivered 03.02.20 from Vard Langsten. On 28.05.20 the Company purchased 100% of the shares in Island Defender AS, a subsidiary owning the PSV vessel Island Defender.

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

Statement on results

Revenue in 2021 totals NOK 193.1 mill, a significant increase compared with 2020 which amounted to NOK 131.8 mill. The vessels operates in the spot market and achieved 72% utilization in 2021 compared with 58% in 2020. The spot market was especially weak for AHTS vessels in 2020 due to market implications of COVID-19. The operating result in 2021 is a profit of NOK 42.4 mill compared with a loss of NOK -7.3 mill in 2020.

Cash flow from operational activities is positive with NOK 22.9 mill. Capital expenditure totals NOK 4.3 mill in 2021. The Company has paid NOK 30.0 mill as installment on secured debt. Net cash flow is negative with NOK 11.4 mill in 2021 resulting in a net cash reserve of NOK 19.8 mill at 31.12.2021.

Net equity is NOK 996.6 mill as at 31.12.21 compared to NOK 972.0 mill at 31.12.2020. Change in equity is due to this year's profit of NOK 24.6 mill.

The Company does not have ongoing research and development activities.

Going concern

The current Restructuring Agreement with secured lenders was made effective in June 2021. The senior secured lenders agreed to extend their loans until 30 June 2022 at amended terms. Despite the short runway for the maturity date for the loan, the Board is confident that there will be an agreement in place with the financial institutions regarding a sustainable solution for the Company to continue its business also after 30 June 2022. However, no assurances can be given as to when a conclusion is attainable involving all companies and stakeholders.

The Company has serviced its debt according to the revised amortization plan and agreed terms. In addition, the market is showing signs of improvement. 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 31.12.2021, and the condition that a new restructuring agreement is agreed and made effective with secured lenders involving going concern after the loan maturity date on 30 June 2022.



Work environment and gender equality

The Company does not have employees. The crew is hired from Island Offshore Management AS. The Board comprises representatives from the largest participants in the partnership.

External environment

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

Financial risk

The Company's financial position as at 31.12.2021 is satisfactory and the Company has satisfactory working capital.

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 cash position / liquidity reserves are satisfactory.

The Company's liabilities totals NOK 450.5 mill as of 31.12.2021.

Future outlook

The vessels will operate in the project and spot market also in 2022 and the markets are expected to improve but remain volatile. Further, the COVID-19 implications may impair market recovery as economic activity is deferred and operations are disrupted.

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

The CEO and the board members are covered by a director and officers liability insurance purchased and maintained by the company. The insurance policy is issued by a reputable insurer with an appropriate rating.

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.

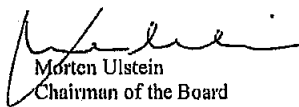


Allocation of results

The Board proposes the following transfer of the 2021 profit of NOK 24.602.848

Transferred to other equity NOK 24 602 848

Ulsteinvik, 28.04.22



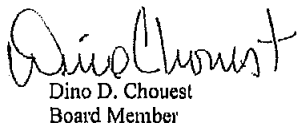
Morten Ulstein
Chairman of the Board



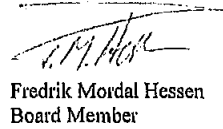
Håvard Ulstein
Board Member



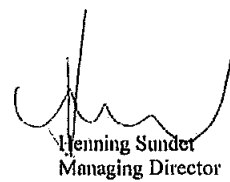
Giovanni Peditto
Board Member



Dino D. Chouest
Board Member



Fredrik Mordal Hessen
Board Member



Henning Sundet
Managing Director



Island Offshore XII Ship AS

Income statement

	Note	2021	2020
Revenue			
Freight income	2	<u>193 129 498</u>	<u>131 756 253</u>
Operating expenses			
Vessel expenses	9	65 302 015	53 875 031
Crew expenses	9	51 051 030	53 218 439
Depreciation of tangible and intangible fixed assets	5	30 844 738	28 900 189
Other operating expenses	4	<u>3 553 816</u>	<u>3 084 129</u>
Total operating expenses		<u>150 751 599</u>	<u>139 077 788</u>
Operating result		<u>42 377 899</u>	<u>-7 321 535</u>
Financial income and expenses			
Other financial income	3	405 618	1 216 286
Interest paid to group companies	9	185 004	223 471
Other financial expenses	3	<u>11 003 641</u>	<u>14 181 454</u>
Net financial items		<u>-10 783 027</u>	<u>-13 188 639</u>
Ordinary result before tax		<u>31 594 872</u>	<u>-20 510 174</u>
Tax on ordinary result	10	<u>6 992 024</u>	<u>-4 512 238</u>
Net profit or loss for the year		<u>24 602 848</u>	<u>-15 997 936</u>
Allocated as follows			
Transferred to other equity	11	<u>24 602 848</u>	<u>-15 997 936</u>



Island Offshore XII Ship AS

Balance sheet as of December 31

	Note	2021	2020
Fixed assets			
<i>Tangible assets</i>			
Ships	5,7	<u>608 528 789</u>	<u>635 060 022</u>
Total tangible assets		<u>608 528 789</u>	<u>635 060 022</u>
<i>Financial assets</i>			
Investments in subsidiaries	6	<u>726 941 746</u>	<u>726 991 746</u>
Total financial assets		<u>726 941 746</u>	<u>726 991 746</u>
Total fixed assets		<u>1 335 470 535</u>	<u>1 362 051 768</u>
Current assets			
Inventories		<u>1 141 172</u>	<u>6 016 867</u>
<i>Receivables</i>			
Trade receivables	7,9	<u>46 386 714</u>	<u>15 138 661</u>
Other receivables	9	<u>44 379 543</u>	<u>19 596 514</u>
Total accounts receivable		<u>90 766 257</u>	<u>34 735 175</u>
Cash and cash equivalents	7	<u>19 751 259</u>	<u>31 102 363</u>
Total current assets		<u>111 658 688</u>	<u>71 854 405</u>
Total assets		<u>1 447 129 223</u>	<u>1 433 906 173</u>

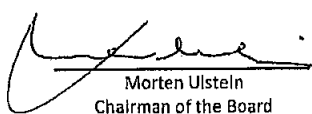
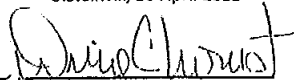
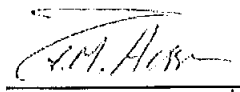
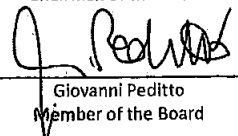
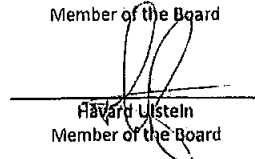
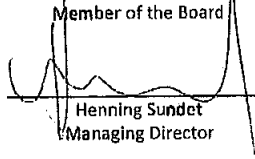


Island Offshore XII Ship AS

Balance sheet as of December 31

	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Share capital	12	404 097 000	404 097 000
Share premium reserve		328 188 318	328 188 318
Total paid-in capital		<u>732 285 318</u>	<u>732 285 318</u>
<i>Retained earnings</i>			
Other equity		264 310 928	239 708 080
Total retained earnings		<u>264 310 928</u>	<u>239 708 080</u>
Total equity	11	<u>996 596 246</u>	<u>971 993 398</u>
Liabilities			
<i>Provisions</i>			
Deferred tax liability	10	100 477 688	93 485 664
Total provisions		<u>100 477 688</u>	<u>93 485 664</u>
<i>Other long-term liabilities</i>			
Other long-term liabilities	8	135 876 288	0
Total other long term liabilities		<u>135 876 288</u>	<u>0</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	7,8	180 000 000	210 000 000
Seller credits	8	0	132 834 688
Trade creditors	9	77 250	664 034
Other short-term liabilities	9	34 101 751	24 928 389
Total current liabilities		<u>214 179 001</u>	<u>368 427 111</u>
Total liabilities		<u>450 532 977</u>	<u>461 912 775</u>
Total equity and liabilities		<u>1 447 129 223</u>	<u>1 433 906 173</u>

31 December 2021
Ulsteinvik, 28 April 2022

 Morten Ulstein Chairman of the Board	 Dino David Chouest Member of the Board	 Fredrik Mordal Hessen Member of the Board
 Giovanni Peditto Member of the Board	 Harald Ulstein Member of the Board	 Henning Sundet Managing Director

**Cash Flow Statement**

Island Offshore XII Ship AS

	2021	2020
<i>Cash flow from operational activities:</i>		
Profit before tax	31 594 872	-20 510 174
- Taxes paid	0	0
+ Depreciation	30 844 738	28 900 189
-/+ Change in inventory	4 875 695	1 898 808
-/+ Change in accounts receivable	-31 248 053	-2 797 667
+/- Change in accounts payable	-586 784	-18 706 719
+/- Change in accruals	-12 568 067	27 495 653
= Cash flow from operational activities	22 912 401	16 280 090
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-4 313 505	-9 795 081
+ Payments sale of shares and other investments	50 000	0
- Payments purchase of shares	0	-484 882 554
+ Repayment inter-company loans	0	66 491 237
= Cash flow from investment activities	-4 263 505	-428 186 398
<i>Cash flow from financing activities</i>		
+ Opptak av ny langsiktig gjeld	0	132 834 688
- Repayment of debt to financial institutions	-30 000 000	-9 553 354
- Dividend	0	-66 491 237
+ Issue of Share Capital	0	352 312 555
= Net cash flow from financing activities	-30 000 000	409 102 652
= Net change in cash and cash equivalents	-11 351 104	-2 803 656
+ Cash reserve 1.1	31 102 363	33 906 019
= Cash reserve 31.12	19 751 259	31 102 363



Notes to the financial statements 2021

Island Offshore XII Ship AS

NOTE 1 ACCOUNTING PRINCIPLES

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

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

The significant principles are described below.

Classification criteria

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

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

Valuation of current assets

Receivables are recorded net of expected future losses.

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

Fixed assets and depreciation

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

Shipbuilding contracts

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

Capitalized periodical maintenance (dry docking)

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

Presentation of subsidiaries and associated companies

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



Notes to the financial statements 2021

Island Offshore XII Ship AS

Financing expenses

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

Currency

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

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

Revenue and expense recognition

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

Taxes

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

Cash flow statement

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

NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2021	2020
Norway	147,9	116,5
UK	41,5	15,3
Denmark	3,8	-
Total Revenue	193,1	131,8

Both vessels operate in the spot market and have on average achieved 72% utilization in 2021. Comparable average utilization in 2020 was 58%.

**Notes to the financial statements 2021**

Island Offshore XII Ship AS

NOTE 3 SPECIFICATIONS

Other financial income comprises:

	<u>2021</u>	<u>2020</u>
Realized foreign exchange gain+ / loss-	404 638	1 170 015
Interest income, bank	980	46 262
Other financial income	-	8
Total other interest income	<u>405 618</u>	<u>1 216 286</u>

Other financial expenses comprise:

	<u>2021</u>	<u>2020</u>
Interest expense term loans	5 208 156	7 464 792
Foreign exchange loss	246 806	1 035 317
Hedging gain -/loss +	-5 350	2 777
Depreciation financial expenses	-	446 646
Interest expenses shareholder loans	5 553 888	5 231 044
Other financial costs	141	878
Sum other financial costs	<u>11 003 641</u>	<u>14 181 454</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

Expenses audit fee totals NOK 197.100 in 2021. The fee is exclusive of VAT and can be specified as follows:

Audit	82.500
Advisory, going concern evaluation and tax filing	69.500
Capitalization and reorganization	40.000
Other	5.100
Total	197.100



Notes to the financial statements 2021

Island Offshore XII Ship AS

NOTE 5 FIXED ASSETS

	Ships	Projects in progress	Capitalized maintenance	Total
Acquisition costs 1.1	984 642 602	3 583 965	81 263 850	1 069 490 417
Additions		-3 518 663	7 832 168	4 313 505
Accumulated depreciation 31.12	-390 473 587		-74 801 546	-465 275 133
Book Value 31.12	594 169 015	65 302	14 294 472	608 528 789
This years' depreciation	24 773 351		6 071 387	30 844 738
Economic life	20 yrs		3 yrs	

The market value of the two AHTS vessels obtained by independent brokers, is lower than the net book value of the vessels. 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 rate and utilization the rest of estimated vessel usage time. Key assumption in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 8%. The usage period of the vessel is assumed to be 30 years after delivery.

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

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

IN NOK MILL

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

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore XII Ship AS	-19	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore XII Ship AS	-58	-	-

**Notes to the financial statements 2021**

Island Offshore XII Ship AS

NOTE 6 INVESTMENT IN SUBSIDIARIES

The Company incorporated the subsidiary Island Victory AS on 22 March 2018, Island Discoverer AS on 09.03.20, Island Defender on 28.05.20.

During 2021 the subsidiaries were purchased and capitalized as follows:

	Org.no. 920 718 590	Org.no. 924 922 494	Org.no. 922 593 116	
	Island Victory AS	Island Discoverer AS	Island Defender AS	Total
Balance as per 31.12.20	514 629 191	50 000	212 312 555	726 991 746
Sale shares	-	-50 000	-	-50 000
Balance as per 31.12.21	514 629 191	-	212 312 555	726 941 746
This year's profit+/loss- (100%)	35 035 017	-3 517 161	-7 730 009	
Equity as per 31.12.21 (100%)	543 137 488	205 011 438	191 928 425	
Owner share	100 %	0 %	100 %	
Address	Stålhaugen, Ulsteinvik, Norway	Stålhaugen, Ulsteinvik, Norway	Stålhaugen, Ulsteinvik, Norway	

Share issue in Island Victory was completed in order to finance the take out of the vessel Island Victory in February 2020.

The Company purchased the shares in Island Defender AS 28.05.20 by inviting Vard Group AS to increase their owner share in the Company by way of a contribution in kind with assignment of 100% of the shares in the vessel owning entity Island Defender AS.

The company Island Discoverer AS was sold to Vard Group AS in May 2021 in accordance with an investment-, sale- and shareholders agreement. As sole shareholder, Vard Group AS took delivery of the vessel Island Discoverer by way of contribution in kind in Island Discoverer AS. Simultaneously, Vard Group AS sold shares in Island Discoverer AS to Island Offshore XII AS with settlement purchase of shares in Island Offshore XII Ship AS. Thus, Island Discoverer AS is a sister company of Island Offshore XII Ship AS from 31.05.21.

Further reference note 12.

**Notes to the financial statements 2021**

Island Offshore XII Ship AS

NOTE 7 PLEDGE OF ASSETS

	<u>2021</u>	<u>2020</u>
Book value of debt secured by pledge	180 000 000	210 000 000
Book value of secured assets		
Vessel	608 528 789	635 060 022
Receivables	46 386 714	15 138 661
Bank deposits	19 751 259	31 102 363
TOTAL	<u>674 666 762</u>	<u>681 301 047</u>

In addition any insurance claims are pledged.

Island Offshore XII Ship AS has guaranteed for Island Victory AS' secured debt. As per 31.12.21 interest bearing loans were recorded at NOK 706.325.410 in Island Victory AS.

Island Victory is in compliance with loan covenants as per 31.12.21 and service its debt according to agreed terms.

NOTE 8 LONG TERM LIABILITIES

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 a one-sided stand-still towards the lenders. Negotiations with secured lenders were not concluded prior to maturity at 31.12.2020. In accordance with Norwegian Accounting Principles, the loans from financial institutions were classified as short-term loans as per 31.12.2020.

The Company completed several information meetings and negotiations with secured lenders and was in 2021 successful in agreeing a refinancing agreement which included extended runway, amended amortizations and cash sweep measurements and payments. Due to the short runway period with maturity date on 30.06.2022, the loan is in accordance with Norwegian Accounting Principles classified as short-term loan as per 31.12.21.

Other long-term liabilities include a shareholder loan from Vard Group AS.

NOTE 9 RELATED PARTIES

Transactions with related parties:	<u>2021</u>	<u>2020</u>
Other short term receivables	37 577 061	17 732 115
Trade creditors	0	-538
Other short term liabilities	-25 700 269	-17 844 466

Other short term receivables are mainly prepayment of operating vessel expense towards Island Offshore Management AS (Manager), charged at market rates. In addition, outstanding debtors towards Island Offshore Subsea UK Limited due to agent contract for the rent of Island Valiant with a total of NOK 20.0 mill. Other short term liabilities are monthly vessel operating invoices from Island Offshore Management AS.

**Notes to the financial statements 2021**

Island Offshore XII Ship AS

Transactions with related parties	2021	2020
Purchase of management services	-6 387 259	-6 214 072
Crew hire	-51 051 030	-53 218 439
Interest expenses related party	-185 004	-223 471

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.

NOTE 10 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:

	2021	2020
Fixed Assets	501 039 510	506 322 612
Gains+/ losses - accounts on fixed assets	2 984 588	3 730 735
Deferred deduction internal interests	-223 471	-223 471
Total temporary differences	503 800 627	509 829 876
Tax loss carried forward	-47 083 861	-84 895 038
Basis for deferred tax	456 716 766	424 934 838
Deferred tax in Balance Sheet	100 477 688	93 485 664
Tax rate	22 %	22 %

**Notes to the financial statements 2021**

Island Offshore XII Ship AS

Calculation of this year's tax expense:

	2021	2020
Profit before tax	31 594 872	-20 510 174
Use of deferred tax losses	-37 811 177	0
Disallowed deduction internal interests expenses	187 056	223 471
Change in temporary differences	6 029 249	3 041 957
Basis for tax payable	0	-17 244 746
Tax expenses in Profit and Loss Accounts:	2021	2020
Tax payable	0	0
Change in deferred taxes	6 992 024	-4 512 238
Tax expenses	6 992 024	-4 512 238

NOTE 11 EQUITY

	Share capital	Share premium account	Other equity	Total
Equity 1.1	404 097 000	328 188 318	239 708 080	971 993 398
This year's result	-	-	24 602 848	24 602 848
Equity 31.12	404 097 000	328 188 318	264 310 928	996 596 246

NOTE 12 OWNERSHIP

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

Summary of owner interests as per 31.12.21:

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

As part of the investment-, sale- and shareholders agreement between Island Offshore XII AS, Island Offshore XII Ship AS and Vard Group AS, Vard Group AS invited Island Offshore XII AS as shareholder in Island Discoverer AS after the delivery of the vessel Island Discoverer in May 2021. Settlement for the shares was purchase of additional 45.459 shares in Island Offshore XII Ship AS of which Vard Group AS increased its ownership from 35.65% to 46.91%. Further reference note 6.



Notes to the financial statements 2021

Island Offshore XII Ship AS

NOTE 13 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 31.12.21.

NOTE 14 GOING CONCERN

The current Restructuring Agreement with secured lenders was made effective in June 2021. The senior secured lenders agreed to extend their loans until 30 June 2022 at amended terms. Despite the short runway for the maturity date for the loan, the Board is confident that there will be an agreement in place with the financial institutions regarding a sustainable solution for the Company to continue its business also after 30 June 2022. However, no assurances can be given as to when a conclusion is attainable involving all companies and stakeholders.

The Company has serviced its debt according to the revised amortization plan and agreed terms. In addition, the market is showing signs of improvement. 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 31.12.2021, and the condition that a new restructuring agreement is agreed and made effective with secured lenders involving going concern after the loan maturity date on 30 June 2022.

NOTE 15 COVID-19

The COVID-19 pandemic is causing operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations.

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



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 Offshore XII Ship AS

Opinion

We have audited the financial statements of Island Offshore XII Ship AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Other information

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

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation 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 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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Bergen, 5 May 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

Independent auditor's report - Island Offshore XII Ship AS 2021

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Jørn Knutsen

Statsautorisert revisor

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Skattedirektoratet

Saksbehandler
Geir Johannessen

Deres dato
11.10.2013

Vår dato
29.10.2013

Telefon
22 66 11 14

Deres referanse
Tommy Walaunet

Vår referanse
2013/779184

ISLAND OFFSHORE MANAGEMENT AS
Postboks 370
6067 ULSTEINVIK

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

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

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

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

Seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Geir Johannessen