



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 922 593 116
Organisasjonsform: Aksjeselskap
Foretaksnavn: ISLAND DEFENDER AS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 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, 25.06.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	19 666 611	22 954 142
Sum inntekter		19 666 611	22 954 142
Kostnader			
Varekostnad	6	9 200 836	9 247 323
Lønnskostnad	6	9 752 938	19 044 061
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	7 567 165	6 462 122
Annen driftskostnad	4	378 164	138 474
Sum kostnader		26 899 102	34 891 980
Driftsresultat		-7 232 491	-11 937 837
Finansinntekter og finanskostnader			
Annen finansinntekt	3	749 600	85 647
Sum finansinntekter		0	0
Rentekostnad til foretak i samme konsern		157 637	3 539 945
Annen finanskostnad	3	1 089 481	430 538
Sum finanskostnader		0	0
Netto finans		-497 518	-3 884 836
Ordinært resultat før skattekostnad		-7 730 009	-15 822 673
Ordinært resultat etter skattekostnad		0	0
Årsresultat		-7 730 009	-15 822 673
Totalresultat		-7 730 009	-15 822 673



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg		192 932 074	200 499 239
Sum varige driftsmidler	5	192 932 074	200 499 239
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		192 932 074	200 499 239
Omløpsmidler			
Varer			
Varer		673 819	1 403 283
Sum varer		0	0
Fordringer			
Kundefordringer		3 857 717	
Andre fordringer	6	5 098 405	6 443 776
Sum fordringer		8 956 122	6 443 776
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		1 753 242	564 687
Sum bankinnskudd, kontanter og lignende		1 753 242	564 687
Sum omløpsmidler		11 383 183	8 411 745
SUM EIENDELER		204 315 257	208 910 985



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		90 000	90 000
Overkurs		230 270 528	230 270 528
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital	9	230 360 528	230 360 528
Opptjent egenkapital			
Annen egenkapital		-38 432 103	-30 702 094
Sum opptjent egenkapital		-38 432 103	-30 702 094
Sum egenkapital	8	191 928 425	199 658 434
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Sum annen langsiktig gjeld		0	0
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		685 020	956 935
Annen kortsiktig gjeld	6	11 701 811	8 295 615
Sum kortsiktig gjeld		12 386 831	9 252 550
Sum gjeld		12 386 831	9 252 550
SUM EGENKAPITAL OG GJELD		204 315 257	208 910 984



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 735872

Enheten

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Organisasjonsform: Aksjeselskap
Foretaksnavn: ISLAND DEFENDER AS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

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Konsern

Morselskap i konsern: Nei

Regnskapsregler

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Benyttet ved utarbeidelsen av
årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

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

År 2021: Årsregnskap 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, 30.07.2022



Organisasjonsnr: 922 593 116
ISLAND DEFENDER AS

RESULTATREGNSKAP

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Organisasjonsnr: 922 593 116
ISLAND DEFENDER AS

BALANSE

Beløp i: NOK	Note	2021	2020
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Omløpsmidler			
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Fordringer			
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SUM EGENKAPITAL OG GJELD		204 315 257	208 910 984



Organisasjonsnr: 922 593 116
ISLAND DEFENDER AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

Island Defender ASS was founded 13.03.19 and owns one PSV, the Island Defender, which was delivered 23.08.2019 to the Company. I 2019 and up to 31.08.20, the vessel was operated by the Manger Viking Supply and operating costs including payroll costs are reported net in the Income Statement in 2019. Manager Island Offshore Management took over the management from 01.08.20 and operating expenses are reported gross on payroll and vessel operating costs in the Income Statement in 2020. From 28.05.20 Island Offshore XII Ship as (organization number 994 289 764) is the parent company of Island Victory, however consolidated accounts are prepared by ultimate parent company Island Offshore Shipholding LP, c/o Borgstein AS, 6065 Ulsteinvik, Norway,. The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. The significant principles are described below. 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. 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. Same principles are assumed for liabilities. Valuation of current assets Current assets are recorded net of expected future losses and at the lowest value of cost price and market value. 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 current liabilities are recorded at the exchange rate at the balance sheet date. The company has long term charter hire contracts in foreign currency. 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. 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, deffered tax/tax asset is not recorded for participation taxed companies. Cash flow statement The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term cash equivalents.

Note

1

Er det usikkerhet om fortsatt drift?: Nei

Note

Antall årsverk i regnskapsåret

0.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



Island Defender AS

Annual report 2021

Board of directors' report

Annual accounts

- Income statement
- Balance sheet
- Cash flow
- Notes

Auditors' report



Annual Report 2021

Island Defender AS

Org. no 922 593 116

Business activities

Island Defender AS was founded 13.03.19 and owns one PSV, the Island Defender, which was delivered on 23.08.19. The vessel has been operating in the North Sea and in Morocco in 2021. Vessel manager Island Offshore Management AS assumed management from 01.08.20. The Company is operated from Ulsteinvik, Norway.

Statement on results

Revenue in 2021 totals NOK 19.7 mill compared with NOK 22.9 mill in 2020. The vessel was in lay-up from 26.11.20 to 20.04.21 with average utilization 71% since re-activation date. In comparison, utilization in 2020 was 85%. Operating profit is a loss with NOK -7.2 mill compared to a loss NOK -11.9 mill in 2020. The 2020 financial statement included expenses related to change of vessel management.

Cash flow from operational activities is positive with NOK 1.2 mill resulting in a net cash reserve of NOK 1.8 mill at 31.12.2021.

Net equity is NOK 191.9 mill as at 31.12.21 compared to NOK 199.7 mill at 31.12.2020. Change in equity is due to this year's loss of NOK -7.7 mill.

The Company does not have ongoing research and development activities.

Going concern

The Company has no long term liabilities. However, due to the continued state of the market and the implications for earnings and cash flow, the Island Offshore Group, including the parent company Island Offshore XII Ship AS and sister company Island Victory AS, declared a one-sided standstill towards the secured lenders in May 2020. Negotiations with all secured lenders were not concluded prior to maturity at 31.12.2020, but a new financing agreement was concluded in 2021. The senior secured lenders for the sister 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. The senior secured lenders agreed to extend loans at amended terms including modified amortization schedules for each vessel owned by the parent and the sister company, in addition to amending certain financial covenants.

The parent company and sister company have serviced its debt according to the agreed amortization plan. In addition, the market continues to improve and the companies have been awarded work that improves visibility of earnings. 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 for the parent company and sister company was agreed and made effective with secured lenders in 2021.

Island Defender AS
Org. no 922 593 116



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 considering that the Company is debt free. The successful award of a term contract for one year with 3 years options significantly improves earnings visibility.

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

The Company's liabilities totals NOK 12.4 mill as of 31.12.2021.

The Company's cash balance / liquidity reserve is limited – but sufficient for the operation of the vessel.

Future outlook

The vessel will operate on a term contract in 2022 securing predictable earnings. The COVID-19 implications as well as global geopolitical uncertainty may impair market recovery. Any future operational disruptions increase the overall risk of activity deferrals and cancellations thus also the risk of negative future financial implications for the Company.

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

Other matters

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.

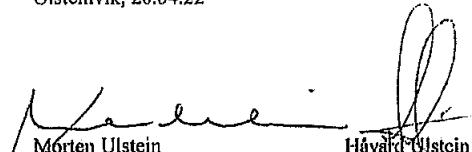


Allocation of results

The Board proposes the following transfer of the 2021 net loss of NOK -7 730 009

Transferred to other equity NOK -7 730 009

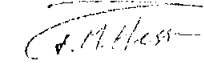
Ulsteinvik, 28.04.22


Morten Ulstein
Chairman of the Board


Håvard Ulstein
Board Member


Giovanni Peditto
Board Member


Dino D. Chouet
Board Member


Fredrik Mordal Hessen
Board Member

Island Defender AS
Org. no 922 593 116



Island Defender AS

Income statement

	Note	2021	2020
Revenue			
Freight income	2	<u>19 666 611</u>	<u>22 954 142</u>
Operating expenses			
Vessel expenses	6	9 200 837	9 247 323
Crew expenses	6	9 752 937	19 044 062
Depreciation	5	7 567 165	6 462 122
Other operating expenses	4	<u>378 163</u>	<u>138 473</u>
Total operating expenses		<u>26 899 102</u>	<u>34 891 980</u>
Operating result		<u>-7 232 491</u>	<u>-11 937 838</u>
Financial income and expenses			
Other financial income	3	749 600	85 647
Interest paid to group companies		157 637	3 539 945
Other financial expenses	3	<u>1 089 481</u>	<u>430 538</u>
Net financial items		<u>-497 518</u>	<u>-3 884 836</u>
Ordinary result before tax		<u>-7 730 009</u>	<u>-15 822 674</u>
Net profit or loss for the year		<u>-7 730 009</u>	<u>-15 822 674</u>
Allocated as follows			
Uncovered losses	8	<u>-7 730 009</u>	<u>-15 822 674</u>



Island Defender AS

Balance sheet as of December 31

	Note	2021	2020
Fixed assets			
<i>Tangible assets</i>			
Ships	5	192 932 074	200 499 239
Total tangible assets		192 932 074	200 499 239
Total fixed assets		192 932 074	200 499 239
Current assets			
Inventories		673 819	1 403 283
<i>Receivables</i>			
Trade receivables		3 857 717	0
Other receivables	6	5 098 405	6 443 776
Total accounts receivable		8 956 122	6 443 776
Cash and cash equivalents		1 753 242	564 687
Total current assets		11 383 183	8 411 746
Total assets		204 315 257	208 910 985


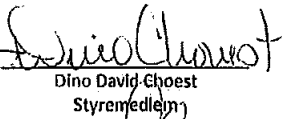
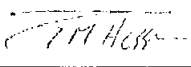
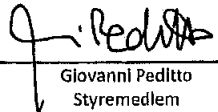
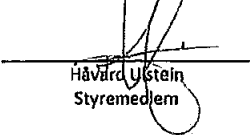


Island Defender AS

Balance sheet as of December 31

	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Share capital		90 000	90 000
Share premium reserve		230 270 528	230 270 528
Total paid-in capital	9	<u>230 360 528</u>	<u>230 360 528</u>
<i>Retained earnings</i>			
Other equity		-38 432 103	-30 702 094
Total retained earnings		<u>-38 432 103</u>	<u>-30 702 094</u>
Total equity	8	<u>191 928 425</u>	<u>199 658 434</u>
Liabilities			
<i>Current liabilities</i>			
Trade creditors		685 020	956 935
Other short-term liabilities	6	<u>11 701 812</u>	<u>8 295 615</u>
Total current liabilities		<u>12 386 832</u>	<u>9 252 550</u>
Total liabilities		<u>12 386 832</u>	<u>9 252 550</u>
Total equity and liabilities		<u>204 315 257</u>	<u>208 910 984</u>

Ulsteinvik, 31 December 2021 / 28 April 2022

 Morten Ulstein Styrets leder	 Dino David Choest Styremedlem	 Fredrik Mordal Hessen Styremedlem
 Giovanni Peditto Styremedlem	 Håvard Ulstein Styremedlem	



Cash Flow Statement

Island Defender AS

	2021	2020
<i>Cash flow from operational activities:</i>		
Profit before tax	-7 730 009	-15 822 673
- Taxes paid	0	0
+ Depreciation	7 567 165	6 462 122
-/+ Change in inventory	729 464	-991 071
-/+ Change in accounts receivable	-3 857 717	0
+/- Change in accounts payable	-271 915	956 390
+/- Change in accruals	4 751 567	-12 968 696
= Cash flow from operational activities	1 188 555	-22 363 928
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	0	-427 147
= Cash flow from investment activities	0	-427 147
<i>Cash flow from financing activities</i>		
- Conversion intercompany loans	0	-207 000 000
+ Share issue and premium reserve	0	230 330 528
= Net cash flow from financing activities	0	23 330 528
= <i>Net change in cash and cash equivalents</i>	1 188 555	539 453
+ <i>Cash reserve 1.1</i>	564 687	25 234
= <i>Cash reserve 31.12</i>	1 753 242	564 687



Notes to the financial statements 2021

Island Defender AS

NOTE 1 ACCOUNTING PRINCIPLES

Island Defender AS was founded 13.03.19 and owns one PSV, the Island Defender, which was delivered 23.08.19 to the Company. In 2019 and up 31.08.20, the vessel was operated by the Manager Viking Supply. Manager Island Offshore Management AS took over the management from 01.08.20.

From 28.05.20 Island Offshore XII Ship AS (organization number 994 289 764) is the parent company of Island Defender AS, however consolidated accounts are prepared by ultimate parent company Island Offshore Shipholding LP, c/o Borgstein AS, 6065 Ulsteinvik, Norway.

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

Classification criteria

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

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

Valuation of current assets

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

Fixed assets and depreciation

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

Shipbuilding contracts

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

Capitalized periodical maintenance (dry docking)

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



Notes to the financial statements 2021

Island Defender AS

Financing expenses

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

Currency

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

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

Revenue and expense recognition

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

Taxes

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

Cash flow statement

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

NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2021	2020
Norway	-	18,1
UK	14,9	-
Netherlands	0,9	4,9
Morocco	3,8	-
Total Revenue	19,7	23,0

The vessel was in lay-up from 26.11.20 to 20.04.21 with average utilization 71% since reactivation date. As comparison, utilization in 2020 was 85%. The vessel has been operating in the North Sea and on Morocco sector with cargo transportation and pipe supplies.



Notes to the financial statements 2021

Island Defender AS

NOTE 3 SPECIFICATIONS

Other financial income comprises:

	<u>2021</u>	<u>2020</u>
Other interest receivables	672	13 785
Realized foreign currency gain	117 554	8 101
Unrealized foreign currency gain	<u>631 374</u>	<u>63 761</u>
Total other financial income	<u>749 600</u>	<u>85 647</u>

Other financial expenses comprise:

	<u>2021</u>	<u>2020</u>
Foreign currency exchange loss	-	87 594
Unrealized foreign currency exchange loss	1 087 036	176 980
Other financial costs	<u>2 445</u>	<u>165 964</u>
Sum other financial costs	<u>1 089 481</u>	<u>430 538</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 for audit fee totals NOK 74.313 in 2021. The fee is exclusive of VAT and can be specified as follows:

Audit	57.500
Advisory, work with Annual Statement, Tax filing	16.813
Total	74.313



Notes to the financial statements 2021

Island Defender AS

NOTE 5 FIXED ASSETS

	Ships	Capitalized maintenance	Total
Acquisition costs 1.1	207 000 000	2 125 724	209 125 724
Additions			0
Sale			0
Accumulated depreciation 31.12	-12 372 814	-3 820 836	-16 193 650
Book Value 31.12	194 627 186	- 1 695 112	192 932 074
This years' depreciation	5 175 000	2 392 165	7 567 165
Economic life	20 yrs	3 yrs	

The market value of Island Defender obtained by independent brokers, is lower than the net book value of the vessel. Due to the present market situation for the sale and purchase of equivalent vessels, the vessels and the new build values are also subject to impairment test analysis employing estimates of future cash flow for each vessel.

The analysis takes into account the present market conditions with a gradual improvement on charter hire 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 vessel value is presented below:

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
		basis	
Change in WACC	-1%		+1%
Island Defender AS	-	-	-11

Impairment provision on vessel value	Sensitivity		
		basis	
Change in utilization	-5%		+5%
Island Defender AS	-17	-	-

Impairment provision on vessel value	Sensitivity		
		basis	
Change in day rate	-10%		+10%
Island Defender AS	-41	-	-



Notes to the financial statements 2021

Island Defender AS

NOTE 6 RELATED PARTIES

Transactions with related parties:	2021	2020
Other short term receivables	4 400 000	4 400 000
Other short term liabilities	-11 560 004	-8 576 202

Other short term receivables are prepayment of operating vessel expense towards Island Offshore Management AS (Manager). Other short term liabilities are unpaid vessel operating invoices from Island Offshore Management AS. The short term loan is charged with interests at arm's length terms.

Transactions with related parties	2021	2020
Purchase of management services	-2 073 993	-2 286 868
Crew hire	-9 752 938	-19 044 061
Intercompany interests expenses	-157 637	-3 539 945

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 7 TAXES

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

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



Notes to the financial statements 2021

Island Defender AS

Deferred tax / tax asset has been calculated as follows:

	2021	2020
Fixed Assets	<u>59 962 811</u>	<u>45 784 133</u>
Total temporary differences	59 962 811	45 784 133
Tax loss carried forward	<u>-92 006 855</u>	<u>-70 098 168</u>
Basis for deferred tax	-32 044 044	-24 314 035
Denied internal interests expenses	<u>-6 388 060</u>	<u>-6 388 060</u>
Basis for deferred tax	-38 432 104	-30 702 095
Deferred tax in Balance Sheet	-8 455 063	-6 754 461
Tax rate	22 %	22 %

Calculation of this year's tax expense:

	2021	2020
Profit before tax	- 7 730 009	- 15 822 673
Permanent differences	-	-
Annual tax basis	- 7 730 009	- 15 822 673
Denied interests expenses	-	3 526 160
Change in temporary differences	- 14 178 678	- 18 848 664
Tax basis	- 21 908 687	- 31 145 177
Tax percentage	22 %	22 %
Changes deferred tax asset	-	-

As it will take the Company some time to utilized deferred tax losses, it has been decided not to record deferred tax assets in the Balance Sheet as per 31.12.21 and 31.12.20.

NOTE 8 EQUITY

	Share capital	Share premium account	Other equity	Total
Equity 1.1	90 000	230 270 528	-30 702 094	199 658 434
This year's result	-	-	-7 730 009	-7 730 009
Equity 31.12	90 000	230 270 528	-38 432 103	191 928 425



Notes to the financial statements 2021

Island Defender AS

NOTE 9 OWNERSHIP

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

Summary of owner interests as per 31.12.20:

Shareholder	Registration		
	No.	No. of shares	in %
Island Offshore XII Ship AS	994 289 764	30 000	100 %

NOTE 10 INFORMATION ABOUT FINANCIAL INSTRUMENTS

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

There are no forward contracts used to hedge future freight revenue as per 31.12.21.

NOTE 11 GOING CONCERN

The Company has no long term liabilities. However, due to the continued state of the market and the implications for earnings and cash flow, the Island Offshore Group, including the parent company Island Offshore XII Ship AS and sister company Island Victory AS, declared a one-sided standstill towards the secured lenders in May 2020. Negotiations with all secured lenders were not concluded prior to maturity at 31.12.2020, but a new financing agreement was concluded in 2021. The senior secured lenders for the sister 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. The senior secured lenders agreed to extend loans at amended terms including modified amortization schedules for each vessel owned by the parent and the sister company, in addition to amending certain financial covenants.

The parent company and sister company have serviced its debt according to the agreed amortization plan. In addition, the market continues to improve and the companies have been awarded work that improves visibility of earnings. 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 for the parent company and sister company was agreed and made effective with secured lenders in 2021.



Notes to the financial statements 2021

Island Defender AS

NOTE 12 COVID-19

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



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Defender AS

Opinion

We have audited the financial statements of Island Defender 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) 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 Defender AS 2021
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Jørn Knutsen

Statsautorisert revisor

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Skatteetaten

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

ISLAND DEFENDER AS
Postboks 370
6067 ULSTEINVIK

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

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

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

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

Bakgrunn

Fra søknaden siteres:

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

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

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

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



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

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

Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

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

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

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

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

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



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

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Gro Stangeland
underdirektør
Innsats, storbedrift
Skatteetaten

Kjell Knutsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.