



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 920 718 590  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: ISLAND VICTORY 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: Silje Molvær  
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, 27.06.2023



## Resultatregnskap

Beløp i: NOK	Note	2021	2020
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	2,8	190 384 534	151 260 730
<b>Sum inntekter</b>		<b>190 384 534</b>	<b>151 260 730</b>
<b>Kostnader</b>			
Varekostnad	2,8	47 540 031	59 336 862
Lønnskostnad	4,8	7 151 017	21 805 773
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	33 567 224	30 866 068
Annen driftskostnad	4	1 622 129	3 181 015
<b>Sum kostnader</b>		<b>89 880 401</b>	<b>115 189 718</b>
<b>Driftsresultat</b>		<b>100 504 134</b>	<b>36 071 012</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	3	4 959 347	11 775
<b>Sum finansinntekter</b>		<b>4 959 347</b>	<b>11 775</b>
Rentekostnad til foretak i samme konsern		33 694	170 089
Annen finanskostnad	3	60 513 100	42 945 671
<b>Sum finanskostnader</b>		<b>60 546 794</b>	<b>43 115 759</b>
<b>Netto finans</b>		<b>-55 587 447</b>	<b>-43 103 984</b>
<b>Ordinært resultat før skattekostnad</b>		<b>44 916 687</b>	<b>-7 032 972</b>
Skattekostnad på ordinært resultat	9	9 881 670	-1 551 653
<b>Ordinært resultat etter skattekostnad</b>		<b>35 035 017</b>	<b>-5 481 319</b>
<b>Årsresultat</b>		<b>35 035 017</b>	<b>-5 481 319</b>
<b>Totalresultat</b>		<b>35 035 017</b>	<b>-5 481 319</b>
<b>Overføringer og disponeringer</b>			
Udekket tap	10	35 035 017	-5 481 319
<b>Sum overføringer og disponeringer</b>		<b>35 035 017</b>	<b>-5 481 319</b>



## Balanse

Beløp i: NOK	Note	2021	2020
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	9		1 840 869
<b>Sum immaterielle eiendeler</b>		<b>0</b>	<b>1 840 869</b>
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	5,6	1 173 457 977	1 206 413 219
<b>Sum varige driftsmidler</b>		<b>1 173 457 977</b>	<b>1 206 413 219</b>
<b>Finansielle anleggsmidler</b>			
<b>Sum finansielle anleggsmidler</b>		<b>0</b>	<b>0</b>
<b>Sum anleggsmidler</b>		<b>1 173 457 977</b>	<b>1 208 254 088</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer		920 718	2 097 949
<b>Sum varer</b>		<b>0</b>	<b>0</b>
<b>Fordringer</b>			
Kundefordringer	6,8	73 632 420	4 627 515
Andre fordringer	8	16 317 327	21 623 261
<b>Sum fordringer</b>		<b>89 949 747</b>	<b>26 250 776</b>
<b>Investeringer</b>			
<b>Sum investeringer</b>		<b>0</b>	<b>0</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	6	87 257 754	30 932 561
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>87 257 754</b>	<b>30 932 561</b>
<b>Sum omløpsmidler</b>		<b>178 128 219</b>	<b>59 281 286</b>
<b>SUM EIENDELER</b>		<b>1 351 586 196</b>	<b>1 267 535 374</b>



## Balanse

Beløp i: NOK	Note	2021	2020
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	11	120 000 000	120 000 000
Overkurs		394 629 191	394 629 191
Annen innskutt egenkapital		0	0
<b>Sum innskutt egenkapital</b>		<b>514 629 191</b>	<b>514 629 191</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		28 508 298	-6 526 719
<b>Sum opptjent egenkapital</b>		<b>28 508 298</b>	<b>-6 526 719</b>
<b>Sum egenkapital</b>	10	<b>543 137 488</b>	<b>508 102 471</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	9	8 040 801	
<b>Sum avsetninger for forpliktelser</b>		<b>8 040 801</b>	<b>0</b>
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	7	706 325 410	
Øvrig langsiktig gjeld	7	38 126 820	
<b>Sum annen langsiktig gjeld</b>		<b>744 452 230</b>	<b>0</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	7		700 625 788
Leverandørgjeld		18 104 531	
Annen kortsiktig gjeld	8	37 851 146	58 807 115
<b>Sum kortsiktig gjeld</b>		<b>55 955 677</b>	<b>759 432 903</b>
<b>Sum gjeld</b>		<b>808 447 708</b>	<b>759 432 903</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 351 586 196</b>	<b>1 267 535 676</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 736100

#### Enheten

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årsregnskapet til selskapet: Regnskapslovens alminnelige regler

#### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Silje Molvær  
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.

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Brønnøysundregistrene, 30.07.2022



Organisasjonsnr: 920 718 590  
ISLAND VICTORY AS

## RESULTATREGNSKAP

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
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ISLAND VICTORY AS

## BALANSE

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<b>Sum innskutt egenkapital</b>		<b>514 629 191</b>	<b>514 629 191</b>
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Organisasjonsnr: 920 718 590  
ISLAND VICTORY AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

## Note

1

### Regnskapsprinsipper

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Island Offshore XII Ship AS (organization number 994 289 764) is the parent company of Island Victory AS, however consolidated account are prepared by ultimate parent company Island Offshore Shipholding LP, c/o Borgstein AS, 6065 Ulsteinvi, Norway. The significant principles are described below. Classification criteria Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first instalment on secured debt which is serviced by the cash flow from fixed assets. Valuation of current assets Receivables are recorded net of expected future losses. Bunkers and lube oil balances are accrued in the balance sheet based upon consumption and purchase price. Fixed assets and depreciation Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and estimated residual value after end of economic life. Adjusted for residual value, the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for the vessel. Please refer to notes for details. Shipbuilding contracts Instalments to the yard for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are capitalized. Capitalized periodical maintenance (dry docking) The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking, normally every 30 months. Upon delivery of new vessels, a portion of acquisition cost is decomposed and recorded as periodic maintenance. Normal maintenance expenses are expensed as incurred. Financing expenses Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan. Currency Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. Currency gains/losses on revenue contracts are not offset towards gains/losses on long-term liabilities. Contract revenue in foreign currency is hedged by use of forward FX contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred. Revenue and expense recognition Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year. Contract revenue is accrued and recognized linearly over the term of the contract irrespective of invoicing terms. Taxes Deferred tax/tax asset is calculated on the basis of all differences between accounting and tax values for assets and liabilities. Deferred tax is estimated with 22% rate based on the temporary differences between tax and accounting values, as well as deferred tax loss carried forward at the end of the accounting year. In accordance with NGAAP, deferred tax/tax asset is not recorded for participation taxed companies. Cash flow statement The cash flow statement is presented using the indirect



method. Cash and cash equivalents include cash, bank deposits and other short term cash equivalents.

**Note**

1

Er det usikkerhet om fortsatt drift?: Nei

**Note**

**Antall årsverk i regnskapsåret**

0.00

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

**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.



Skatteetaten

Vår dato 30.04.2019	Din/Deres dato 12.03.2019	Saksbehandler Torstein Kinden Helleland
800 80 000 Skatteetaten.no	Din/Deres referanse Mai-Britt Myklebust	Telefon 22078139
Org.nr 974761076	Vår referanse 2019/5531837	Postadresse Postboks 9200 Grønland 0134 OSLO

BORGSTEIN AS  
Postboks 370  
6067 ULSTEINVIK

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

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

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

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

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

### Bakgrunn

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

### Skattedirektoratets vurdering

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



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

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

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

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

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

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Henning Stokke  
seniorrådgiver  
Juridisk avdeling  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*

Side 2 / 2



Island Victory AS

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## **Annual report 2021**

**Board of directors' report**

**Annual accounts**

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

**Auditors' report**



## Annual Report 2021

### Island Victory AS

Org. no 920 718 590

#### Business activities

The Company took delivery of the Island Victory on 03.02.20 from Vard Langsten. The vessel is a Deep Water Installation/AHTS vessel which operated in the North Sea and in the Gulf of Mexico in 2021. The vessel is managed by Island Offshore Management AS and the Company is operated from Ulsteinvik, Norway.

#### Statement on results

The Company entered into a bareboat contract with Island Offshore Shipping AS when the vessel was operating in the US hence low operating costs from transit in March and the rest of the year. Revenue in 2021 totals NOK 190.4 mill and the vessel achieved in average 88% utilization in 2021 compared to 80% utilization after the delivery in 2020. EBITDA in 2021 amounts to a profit with NOK 134.1 mill compared with NOK 66.9 mill in 2020. Net financial expenses of NOK 55.6 mill are higher than last year of NOK 43.1 mill, mainly due to payment of guaranteed interest margin to secured lenders with NOK 22 mill. Net result is a profit of NOK 35.0 mill compared with a loss of NOK -5.5 in 2020.

Cash flow from operational activities is positive with NOK 56.9 mill. Capital expenditure totals NOK 0.6 mill in 2021. No fixed installments on the vessel's mortgage loans were paid in 2021, however a NOK 62.5 cash sweep was paid to secured lenders in January 2022. Thus, net cash flow in 2021 is positive with NOK 56.3 mill resulting in a net cash reserve of NOK 87.3 mill at 31.12.2021.

Net equity is NOK 543.1 mill as at 31.12.21 compared to NOK 508.1 mill at 31.12.2020. Change in equity is due to this year's profit of NOK 35.0 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 for both the Company and the parent company Island Offshore XII Ship AS. The senior secured lenders agreed to extend their loans to the Company until 3 August 2023 at amended terms. The parent company has a short runway on maturity of the loan at 30 June 2022 including a cross-default provision, thus if the loans to the parent company is not extended, also the loan for Island Victory will fall due on the same date.

Despite the short runway for the maturity date for the loan to the parent company, the Board is confident that there will be an agreement in place with the financial institutions regarding a sustainable solution for the Company and the parent 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 agreement with cash sweep payments in January 2022. In addition, the market is showing signs of improvement and the Company has a satisfactory backlog for 2022. The assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base to continue being a going concern.

Island Victory AS  
Org. no 920 718 590



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.

## **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 solid and the Company has satisfactory working capital. However, the market for AHTS vessels and mooring services is still expected to be volatile going forward.

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

The Company's liabilities totals NOK 808.5 mill as of 31.12.2021. As mention under section going concern, the Company is dependent on that the restructuring agreement is extended for the parent company after maturity date in June 2022.

The Company's cash position / liquidity reserves are satisfactory.

## **Future outlook**

The vessel will operate in the project and spot market in 2022 and the markets are expected to improve but remain volatile. The COVID-19 implications may impair market recovery as activity is deferred. Overall, the vessel has secured a satisfactory contract backlog for 2022.

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

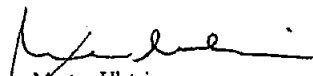



**Allocation of results**

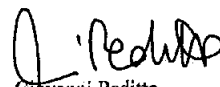
The Board proposes the following transfer of the 2021 net profit of NOK 35 035 017

Transferred to other equity NOK 35 035 017

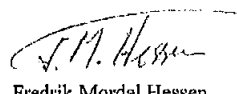
Ulsteinvik, 28.04.22

  
Morten Ulstein  
Chairman of the Board

  
Håvard Ulstein  
Board Member

  
Giovanni Peditto  
Board Member

  
Dino D. Chouest  
Board Member

  
Fredrik Mordal Hessen  
Board Member

Island Victory AS  
Org. no 920 718 590



## Island Victory AS

### Income statement

	Note	2021	2020
<b>Revenue</b>			
Freight Income	2, 8	<u>190 384 534</u>	<u>151 260 730</u>
<b>Vessel expenses</b>			
Vessel expenses	2, 8	47 540 031	59 336 862
Crew expenses	4, 8	7 151 017	21 805 773
Depreciation	5	33 567 224	30 866 068
Other operating expenses	4	<u>1 622 128</u>	<u>3 181 014</u>
Total operating expenses		<u>89 880 400</u>	<u>115 189 717</u>
Operating result		<u>100 504 134</u>	<u>36 071 013</u>
<b>Financial income and expenses</b>			
Other financial income	3	4 959 347	11 775
Interest paid to group companies		33 694	170 089
Other financial expenses	3	<u>60 513 100</u>	<u>42 945 671</u>
Net financial items		<u>-55 587 447</u>	<u>-43 103 985</u>
Ordinary result before tax		<u>44 916 687</u>	<u>-7 032 972</u>
Tax on ordinary result	9	<u>9 881 670</u>	<u>-1 551 654</u>
<b>Net profit or loss for the year</b>		<u>35 035 017</u>	<u>-5 481 318</u>
<b>Allocated as follows</b>			
Transferred to other equity	10	<u>35 035 017</u>	<u>-5 481 318</u>



## Island Victory AS

### Balance sheet as of December 31

	Note	2021	2020
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Deferred tax asset	9	<u>0</u>	<u>1 840 870</u>
Total intangible assets		<u>0</u>	<u>1 840 870</u>
<i>Tangible assets</i>			
Ships	5,6	<u>1 173 457 977</u>	<u>1 206 413 219</u>
Total tangible assets		<u>1 173 457 977</u>	<u>1 206 413 219</u>
Total fixed assets		<u>1 173 457 977</u>	<u>1 208 254 089</u>
<b>Current assets</b>			
Inventories		<u>920 718</u>	<u>2 097 949</u>
<i>Receivables</i>			
Trade receivables	6,8	<u>73 632 420</u>	<u>4 627 515</u>
Other receivables	8	<u>16 317 327</u>	<u>21 623 261</u>
Total accounts receivable		<u>89 949 747</u>	<u>26 250 776</u>
Cash and cash equivalents	6	<u>87 257 754</u>	<u>30 932 562</u>
Total current assets		<u>178 128 219</u>	<u>59 281 287</u>
Total assets		<u>1 351 586 196</u>	<u>1 267 535 376</u>

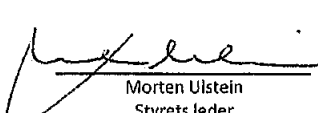


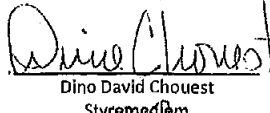
## Island Victory AS

### Balance sheet as of December 31

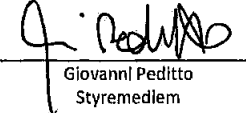
	Note	2021	2020
<b>Equity</b>			
<i>Paid-in capital</i>			
Share capital	11	120 000 000	120 000 000
Share premium reserve		394 629 191	394 629 191
Total paid-in capital		<u>514 629 191</u>	<u>514 629 191</u>
<i>Retained earnings</i>			
Other equity		28 508 297	-6 526 718
Total retained earnings		<u>28 508 297</u>	<u>-6 526 718</u>
Total equity	10	<u>543 137 488</u>	<u>508 102 473</u>
<b>Liabilities</b>			
<i>Provisions</i>			
Deferred tax liability	9	8 040 801	0
Total provisions		<u>8 040 801</u>	<u>0</u>
<i>Other long-term liabilities</i>			
Liabilities to financial institutions	7	706 325 410	0
Seller credits	7	38 126 820	0
Total other long term liabilities		<u>744 452 230</u>	<u>0</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	7	0	700 625 788
Seller credits	7	0	37 500 000
Trade creditors		18 104 532	0
Other short-term liabilities	8	37 851 145	21 307 115
Total current liabilities		<u>55 955 677</u>	<u>759 432 903</u>
Total liabilities		<u>808 448 708</u>	<u>759 432 903</u>
Total equity and liabilities		<u>1 351 586 196</u>	<u>1 267 535 376</u>


31 December 2021  
Ulsteinvik, 28 April 2022

  
Morten Ulstein  
Styrets leder

  
Dino David Chouest  
Styremedlem

  
Fredrik Mordal Hessen  
Styremedlem

  
Giovanni Peditto  
Styremedlem

  
Harald Ulstein  
Styremedlem

**Cash Flow Statement**

## Island Victory AS

	2021	2020
<i>Cash flow from operational activities:</i>		
Profit before tax	44 916 687	-7 032 972
- Taxes paid	0	0
+ Depreciation	33 567 224	30 866 068
-/+ Change in inventory	1 177 231	-2 097 949
-/+ Change in accounts receivable	-69 004 905	-1 611 402
+/- Change in accounts payable	18 104 532	0
+/- Change in accruals	28 176 406	-25 643 803
= <b>Cash flow from operational activities</b>	<b>56 937 175</b>	<b>-5 520 058</b>
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-611 982	-984 679 474
= <b>Cash flow from investment activities</b>	<b>-611 982</b>	<b>-984 679 474</b>
<i>Cash flow from financing activities</i>		
+ Draw down loan from financial institutions	0	710 527 708
- Loan from owner	0	37 500 000
+ Issue of Share Capital	0	272 520 000
= <b>Net cash flow from financing activities</b>	<b>0</b>	<b>1 020 547 708</b>
= <i>Net change in cash and cash equivalents</i>	56 325 193	30 348 176
+ <i>Cash reserve 1.1</i>	30 932 561	584 385
= <i>Cash reserve 31.12</i>	87 257 754	30 932 561



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 1 ACCOUNTING PRINCIPLES

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

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

The significant principles are described below.

##### Classification criteria

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

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

##### Valuation of current assets

Receivables are recorded net of expected future losses.

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

##### Fixed assets and depreciation

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

##### Shipbuilding contracts

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

##### Capitalized periodical maintenance (dry docking)

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



## Notes to the financial statements 2021

### Island Victory AS

#### Financing expenses

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

#### Currency

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

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

#### Revenue and expense recognition

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

#### Taxes

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

#### Cash flow statement

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

### NOTE 2 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2021	2020
Norway	21,7	105,0
USA	168,7	46,2
<b>Total Revenue</b>	<b>190,4</b>	<b>151,3</b>

The vessel was delivered on 3<sup>rd</sup> February 2020 and had 80% utilization in 2020. In 2021 the vessel had in total an utilization of 88%. The Company entered into bareboat contract with Island Offshore Shipping AS when the vessel was operating in the US hence low operating costs from transit in March and rest of the year.

Revenue include recharged subcontractor expenses with NOK 35.3 mill in 2021 and NOK 18.4 mill in 2020 presented gross in revenue and vessel operating expenses.



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 3 SPECIFICATIONS

Other financial income comprises:

	2021	2020
Realized foreign exchange gain+ / loss-	4 959 347	5 433
Interest income, bank	-	6 343
<b>Total other interest income</b>	<b>4 959 347</b>	<b>11 775</b>

Other financial expenses comprise:

	2021	2020
Interest expense term loans	32 443 541	35 595 104
Guaranteed interest margin	21 985 833	-
Foreign exchange loss	383 999	2 199 928
Depreciation capitalized financial expenses	5 699 622	5 150 639
Other financial costs	105	-
<b>Sum other financial costs</b>	<b>60 513 100</b>	<b>42 945 671</b>

#### 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 134.886 in 2021. The fee is exclusive of VAT and can be specified as follows:

Audit	105.000
Advisory	26.450
Other	3.436
<b>Total</b>	<b>134.886</b>



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 5 FIXED ASSETS

	Ships	Capitalized maintenance	Total
Acquisition costs 1.1	1 228 282 084	8 997 203	1 237 279 287
Additions	178 809	433 173	611 982
Accumulated depreciation 31.12	-59 197 870	-5 235 422	-64 433 292
Book Value 31.12	1 169 263 023	4 194 954	1 173 457 977

This years' depreciation	30 711 522	2 855 702	33 567 224
Economic life	20 yrs	3 yrs	

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

The analysis takes into account the present market conditions with a gradual improvement on charter hire 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 or the new build.

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

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Victory AS	-	-	-31

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Victory AS	-58	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Victory AS	-119	-	-

Island Victory AS



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 6 PLEDGE OF ASSETS

	<u>2021</u>	<u>2020</u>
<b>Book value of debt secured by pledge</b>	<b>712 500 000</b>	<b>712 500 000</b>
<b>Book value of secured assets</b>		
Vessel	1 173 457 977	1 206 413 219
Receivables	73 632 420	4 627 515
Bank deposits	87 257 754	30 932 561
<b>TOTAL</b>	<b><u>1 334 348 151</u></b>	<b><u>1 241 973 295</u></b>

The senior secured lenders for the Company have 1<sup>st</sup> priority ship mortgage on the vessel Island Defender and a 2<sup>nd</sup> priority ship mortgage on the vessels Island Valiant and Island Vanguard as security for deferral of payment of installment in 2021 and 2022. The vessel Island Defender is owned by Island Defender AS, a sister company of Island Victory AS and Island Valiant and Island Vanguard is owned by the parent company Island Offshore XII Ship AS.

In addition any insurance claims are pledged.

#### NOTE 7 LONG TERM LIABILITIES

##### Debt due more than 5 years after end of the accounting period:

At 31.03.2020 one ship owning entity in the Group did not comply with the minimum cash requirement and due to cross default provisions, the Company did not comply with covenants as of 31.03.2020. Subsequently, in May 2020 the Group and the Company declared an one-sided stand-still towards the lenders. Negotiations with secured lenders were not concluded prior to maturity at 31.12.20. In accordance with Norwegian Accounting Principles, the loans from financial institutions were classified as short term loans as per 31.12.20.

The Company and the parent company Island Offshore XII Ship AS completed several information meetings and negotiations with secured lenders and the Company was in 2021 successful in agreeing a refinancing agreement which included extended runway to August 2023, amended amortizations and cash sweep measurements and payments. Thus, in accordance with Norwegian Accounting Principles, the loans from financial institutions were classified as long term liabilities as per 31.12.21.

The parent company has a short runway on maturity of the loan at 30 June 2022, thus if the loan is not extended, also the loan for Island Victory will fall due on the same date.

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



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 8 RELATED PARTIES

Transactions with related parties:	2021	2020
Trade debtors	73 632 420	3 277 422
Other short term receivables	16 326 244	15 000 000
Other short term liabilities	0	-5 274 689

Trade debtors are bareboat hire due from Island Offshore Shipping.

Other short term receivables are prepayment of operating vessel expense towards Island Offshore Management AS (Manager).

Transactions with related parties	2021	2020
Bareboat hire revenue	132 459 957	43 955 064
Recharged subcontractor expenses	35 254 358	0
Purchase of management services	-1 389 357	-2 984 228
Crew hire	-7 151 017	-21 805 773

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

The Company has entered into Bareboat Charter Agreement with Island Offshore Shipping AS when the vessel was operating in the US. The bareboat rent is based on arms-length principles and based on BIMCO standard Bareboat Charter Agreement. In addition to the bareboat hire revenue, the Company has recharged NOK 35.3 mill of subcontractor expenses recorded gross under vessel expenses.



## Notes to the financial statements 2021

### Island Victory AS

#### NOTE 9 TAXES

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

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

Deferred tax / tax asset has been calculated as follows:

	2021	2020
Fixed Assets	<u>258 212 440</u>	<u>142 353 032</u>
Total temporary differences	<b>258 212 440</b>	<b>142 353 032</b>
Denied interest expenses	-203 783	-170 089
Tax loss carried forward	<u>-221 459 560</u>	<u>-150 550 532</u>
Basis for deferred tax	<u>36 549 097</u>	<u>-8 367 589</u>
Deferred tax in Balance Sheet	<b>8 040 801</b>	<b>-1 840 870</b>
Tax rate	22 %	22 %

Calculation of this year's tax expense:

	2021	2020
Profit before tax	<u>44 916 687</u>	<u>- 7 032 972</u>
Permanent differences	<u>-</u>	<u>- 20 000</u>
Annual tax basis	<b>44 916 687</b>	<b>- 7 052 972</b>
Change in temporary differences	<u>- 115 825 714</u>	<u>- 142 182 943</u>
Tax basis	<b>- 70 909 027</b>	<b>- 149 235 915</b>
Tax percentage	22 %	22 %
Changes deferred tax asset	<u>9 881 670</u>	<u>- 1 551 654</u>
Tax expenses Income Statement	<b>9 881 670</b>	<b>- 1 551 654</b>

**Notes to the financial statements 2021**

## Island Victory AS

**NOTE 10 EQUITY**

	Share capital	Share premium account	Other equity	Total
Equity 1.1	120 000 000	394 629 191	-6 526 718	508 102 473
This year's result	-	-	35 035 017	35 035 017
<b>Equity 31.12</b>	<b>120 000 000</b>	<b>394 629 191</b>	<b>28 508 297</b>	<b>543 137 488</b>

**NOTE 11 OWNERSHIP**

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

Summary of owner interests as per 31.12.21:

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

**NOTE 12 INFORMATION ABOUT FINANCIAL INSTRUMENTS**

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

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

**NOTE 13 GOING CONCERN**

The current Restructuring Agreement with secured lenders was made effective in June 2021 for both the Company and the parent company Island Offshore XII Ship AS. The senior secured lenders agreed to extend their loans to the Company until 3 August 2023 at amended terms. The parent company has a short runway on maturity of the loan at 30 June 2022 including a cross-default provision, thus if the loans to the parent company is not extended, also the loan for Island Victory will fall due on the same date.

Despite the short runway for the maturity date for the loan to the parent company, the Board is confident that there will be an agreement in place with the financial institutions regarding a sustainable solution for the Company and the parent 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 agreement with cash sweep payments in January 2022. In addition, the market is showing signs of improvement and the Company has a satisfactory backlog for 2022. The assessment is that the Island Offshore Group has the resources, organization, competence, assets and customer base to continue being a going concern.



## Notes to the financial statements 2021

Island Victory AS

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.

### NOTE 14 COVID-19

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

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



Building a better  
working world

Statsautoriserte revisorer  
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen  
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www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Victory AS

### Opinion

We have audited the financial statements of Island Victory 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 Victory AS 2021

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**Jørn Knutsen**

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