

Company registration number SC733421 (Scotland)

Island Drilling Ltd

financial statements

for the period ended 31 December 2023

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Island Drilling Ltd

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Island Drilling Ltd

Director's responsibilities statement

for the period ended 31 December 2023

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Island Drilling Ltd

Balance sheet

as at 31 December 2023

	Notes	2023 £	£	2023 £	£
Current assets					
Debtors	4	139,855		78,563	
Cash at bank and in hand		36,869		39,056	
		<u>176,724</u>		<u>117,619</u>	
Creditors: amounts falling due within one year	5	<u>(190,695)</u>		<u>(136,699)</u>	
Net current liabilities			<u>(13,971)</u>		<u>(19,080)</u>
Capital and reserves					
Called up share capital			100		100
Profit and loss reserves			<u>(14,071)</u>		<u>(19,180)</u>
Total equity			<u>(13,971)</u>		<u>(19,080)</u>

The director of the company has elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and signed by the director and authorised for issue on 27 December 2024

DocuSigned by:

Roger Simmenes

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R Simmenes

Director

Company Registration No. SC733421

Island Drilling Ltd

Notes to the financial statements

for the period ended 31 December 2023

1 Accounting policies

Company information

Island Drilling Ltd is a private company limited by shares incorporated in Scotland. The registered office is C/O Henderson Loggie, 1 Marischal Square, Broad Street, Aberdeen, AB10 1BL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

1.2 Going concern

The activity level of the company is dependent on the activity levels of Island Innovator, which is owned by its parent company Island Drilling Company AS (IDC). The company delivered personnel directly to its parent company IDC.

The Rig owned by the Group operates in the global offshore drilling market, which suffered a significant downturn from 2015 due to the low oil price, reduced investments and activity and high market volatility caused by COVID-19. The market has since recovered with an ongoing upcycle in 2023 with higher day rates and fleet utilisation due to rising demand and tightening supply. The upcycle has continued in 2024 and the Group had satisfactory backlog with almost full utilisation firmed in 2024.

Following the balance sheet date a charterer terminated the current contract for the Rig, and the Group has subsequently taken legal action to set aside an arbitral award for wrongful termination. The proceedings will likely take place in 2025.

The Rig sailed to LPA to perform an expedited Special Periodic Survey, testing and improvements before commencement and mobilisation for the next contract in July 2024. The Group has been successful in aligning the contracts back-to-back to the end of the year.

The situation strained the liquidity for the Group and postponed the ongoing refinancing of the Senior Facility Agreement. The owners have since made available a significant working capital facility for the Company, covering the operational and capital expenditures and improving the working capital solution. The contribution from the owners also secured an amended and restated Facility Agreement with the lenders, extending the runway to May 2025 and with amended amortisation.

The Group is optimistic about securing more contracts and increasing the backlog going forward given the status of ongoing tenders with sustainable rates and the market for semi-submersible vessels is still on the rise. The Board will follow the liquidity and contract situation closely.

The company has net liabilities of £13,971 at the year end. The parent company together with the ultimate shareholders have confirmed its continuing support for the company to facilitate its ability to continue as a going concern for the foreseeable future. The director therefore has made the informed judgement, at the time of approving the financial statements that there is a reasonable expectation that the company has the resources to continue in operational existence for the foreseeable future. As a result, the director has confirmed that the financial statements should be prepared on a going concern basis.

Island Drilling Ltd

Notes to the financial statements (continued)

for the period ended 31 December 2023

1 Accounting policies (continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Island Drilling Ltd

Notes to the financial statements (continued)

for the period ended 31 December 2023

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.8 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.9 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Island Drilling Ltd

Notes to the financial statements (continued)

for the period ended 31 December 2023

3 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2023 Number	2023 Number
Total	24	8

4 Debtors

	2023 £	2023 £
Amounts falling due within one year:		
Amounts owed by group undertakings	139,855	58,277
Prepayments and accrued income	-	20,286
	139,855	78,563

5 Creditors: amounts falling due within one year

	2023 £	2023 £
Trade creditors	4,048	3,147
Taxation and social security	121,849	103,483
Other creditors	14,709	3,180
Accruals and deferred income	50,089	26,889
	190,695	136,699

6 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified and signed on 20 December 2024.

The auditor was Derek Mair (Senior Statutory Auditor) for and on behalf of Anderson Anderson & Brown Audit LLP.

7 Related party transactions

The company has taken advantage of the exemption given by section 1AC.35 of Financial Reporting Standard 102 which allows exemption from disclosure of related party transactions within the group on the basis that the company is a wholly owned subsidiary.

Island Drilling Ltd

Notes to the financial statements (continued)

for the period ended 31 December 2023

8 Parent company

The ultimate parent undertaking is Island Drilling Company AS, incorporated in Norway. The largest and smallest group in which the results of the company are consolidated is Island Drilling Company AS. Consolidated accounts of this company are available to the public and may be obtained from 61 Sandslimarka, Bergen, Norway, 5254.