



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 920 421 091
Organisasjonsform: Aksjeselskap
Foretaksnavn: ISLAND DILIGENCE 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: Ja
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	72 780 243	96 026 099
Sum inntekter		72 780 243	96 026 099
Kostnader			
Varekostnad	6	14 693 712	23 016 981
Lønnskostnad	5,6	28 641 958	26 743 118
Avskrivning på varige driftsmidler og immaterielle eiendeler	4	12 630 025	12 155 424
Annen driftskostnad	5	1 716 047	1 589 015
Sum kostnader		57 681 742	63 504 538
Driftsresultat		15 098 501	32 521 560
Finansinntekter og finanskostnader			
Annen renteinntekt			3 702
Annen finansinntekt	3	1 385 273	
Sum finansinntekter		0	0
Annen rentekostnad		10 950 457	13 760 270
Annen finanskostnad	3	2 070 056	3 748 784
Sum finanskostnader		0	0
Netto finans		-11 635 240	-17 505 352
Ordinært resultat før skattekostnad		3 463 261	15 016 209
Skattekostnad på ordinært resultat	8	772 409	3 316 970
Ordinært resultat etter skattekostnad		0	0
Årsresultat		2 690 852	11 699 239
Totalresultat		2 690 852	11 699 239
Overføringer og disponeringer			
Udekket tap		2 690 852	11 699 239
Sum overføringer og disponeringer	9	2 690 852	11 699 239



Resultatregnskap

Beløp i: NOK	Note	2021	2020
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Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	8	3 222 915	3 995 324
Sum immaterielle eiendeler		3 222 915	3 995 324
Varige driftsmidler			
Maskiner og anlegg	4	398 840 537	409 795 961
Skip, rigger, fly og lignende	4	4 814 025	500 000
Sum varige driftsmidler		403 654 562	410 295 961
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		406 877 477	414 291 285
Omløpsmidler			
Varer			
Varer		2 721 035	393 221
Sum varer		0	0
Fordringer			
Kundefordringer		23 617 028	28 457 270
Andre fordringer	6	6 786 858	6 802 957
Sum fordringer		30 403 887	35 260 227
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		14 010 839	10 931 702
Sum bankinnskudd, kontanter og lignende		14 010 839	10 931 702
Sum omløpsmidler		47 135 760	46 585 150
SUM EIENDELER		454 013 237	460 876 436



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		17 012 500	17 012 500
Overkurs		153 124 430	153 124 430
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		170 136 930	170 136 930
Opptjent egenkapital			
Annen egenkapital		-11 559 235	-14 250 086
Sum opptjent egenkapital		-11 559 235	-14 250 086
Sum egenkapital	9	158 577 695	155 886 844
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	7	149 199 581	173 634 577
Øvrig langsiktig gjeld	6	120 461 925	118 824 461
Sum annen langsiktig gjeld		269 661 506	292 459 038
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		129 175	180 649
Annen kortsiktig gjeld	6	25 644 861	12 349 905
Sum kortsiktig gjeld		25 774 036	12 530 554
Sum gjeld		295 435 541	304 989 592
SUM EGENKAPITAL OG GJELD		454 013 237	460 876 436



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 735948

Enheten

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Organisasjonsform: Aksjeselskap
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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

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Brønnøysundregistrene, 30.07.2022



Organisasjonsnr: 920 421 091
ISLAND DILIGENCE AS

RESULTATREGNSKAP

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Organisasjonsnr: 920 421 091
ISLAND DILIGENCE AS

BALANSE

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Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		406 877 477	414 291 285
Omløpsmidler			
Varer			
Varer		2 721 035	393 221
Sum varer		0	0
Fordringer			
Kundefordringer		23 617 028	28 457 270
Andre fordringer	6	6 786 858	6 802 957
Sum fordringer		30 403 887	35 260 227
Investeringer			
Sum investeringer		0	0
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SUM EIENDELER		454 013 237	460 876 436
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital		17 012 500	17 012 500
Selskapskapital			



Overkurs		153 124 430	153 124 430
Annen innskutt egenkapital		0	0
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Gjeld			
Langsiktig gjeld			
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Gjeld til			
kredittinstitusjoner	7	149 199 581	173 634 577
Øvrig langsiktig gjeld	6	120 461 925	118 824 461
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Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
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SUM EGENKAPITAL OG GJELD		454 013 237	460 876 436



Organisasjonsnr: 920 421 091
ISLAND DILIGENCE AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

Island Diligence was established 12.02.18 with the name Athomstart Invest 251 AS. The company was purchased by Island Offshore Shipping for the purpose that the Company should take delivery of the newbuilding 837 MV Island Diligence in June 2018. The Company changed name to Island Diligence AS and Vard Group AS and Island Diligence Holding L.L.C joined as co-owners of Island Diligence as along with Island Offshore Shipping AS in 2018. Thus, there are no majority owners with decisive influence and the Company is not consolidated within a Holding structure. The Business Manager is Borgstein AS, Stålhaugen 9, 6065 Ulsteinvik, Norway and vessel manager is Island Offshore Management AS, Stålhaugen 12, 6065 Ulsteinvik. 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. Commissions are recognized as revenue when earned. 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. 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. 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. 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. 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 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

Note

5

Spesifisering av resultatregnskapet

Lønnskostnader

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

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Pantstillelse</u>	<u>Beløp</u>
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Note

10

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.

Erverv

Endringer i beholdning av aksjer i løpet av regnskapsåret

Avhendelse

Endringer i beholdning av aksjer i løpet av regnskapsåret

Samvirkeforetak

Vedtektsbestemmelser/årsmøtevedtak/forslag til vedtak om medlemskapskonti

Mer om aksjer



Island Diligence AS

Annual report 2021

Board of directors' report

Annual accounts

- Income statement
- Balance sheet
- Cash Flow
- Notes

Auditor's report



Annual Report 2021

Island Diligence AS

Org. no 920 421 091

Business activities

Island Diligence AS was established 12.02.18. The Company owns the MPSV Island Diligence, which was delivered from Vard Brevik in June 2018. The vessel has operated in the North Sea, Germany, France and Morocco in 2021 and is managed by Island Offshore Management AS. The Company is operated from Ulsteinvik, Norway.

Statement on results

The vessel operates in the Walk-to-Work market providing services to the Oil & Gas as well as the Offshore Wind markets. The vessel had 252 operating days in 2021 compared with 295 days in 2020. Revenue in 2021 totals NOK 72.8 mill compared with NOK 96.0 mill in 2020. Accordingly, the Company reports an operating profit of NOK 15.1 mill in 2021 compared with NOK 32.5 mill in 2020.

Cash flow from operational activities is positive with NOK 31.9 mill. Repair- and maintenance expenses on the vessel amounted to NOK 6.0 mill in 2021. The Company has paid NOK 24.4 mill of installments on secured debt in 2021. Net cash reserve is NOK 14.0 mill as per 31.12.2021.

Net equity is NOK 158.6 mill as at 31.12.21 increased from NOK 155.9 mill as per 31.12.20 by this year's profit of NOK 2.7 mill.

The Company does not have ongoing research and development activities.

Going concern

In May 2019 the Company was granted a deferral of the instalment payments due in Q2 & Q3 / 2019 and Q1/2020, as well as a continued waiver of the minimum cash and positive working capital requirements. The Company is in compliance with loan requirements and has serviced debt obligations in accordance with the provision in the current loan agreement.

Market volatility caused by the COVID-19 pandemic in conjunction with the collapse of the oil price, increased the overall risk regarding the going concern assumption. However, the Company has a satisfactory backlog and the assessment is that the Company has the resources, organization, competence, assets and customer base to continue being a going concern.

The Board of Directors continues to monitor the financial situation of the Company and will assess the need for additional capital contributions. 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.

Island Diligence AS
Org. no 920 421 091



Work environment and gender equality

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

External environment

The Company's operations do not pollute the external environment beyond what is normal for this type of business. Annual environmental and emission reduction plans are prepared for the 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 liquidity position as at 31.12.2021 is satisfactory following the payment of trade debtors in 2022. The Company's customers are mainly large industrial companies with a moderate credit risk. Financial instruments are employed to hedge foreign currency exposure.

The Company's liabilities totals NOK 295.4 mill as of 31.12.2021, of which NOK 100.5 mill are loans from owners.

The Company's cash balance / liquidity reserves is satisfactory.

Future outlook

The vessel has a satisfactory contract backlog for 2022 following current work in Morocco and award of two term contracts at sustainable terms. The market for W2W services has continued to improve in 2022, however services are still seasonal thus exposing the vessel to idle periods. The Board of Directors is confident that long-term profitability will gradually improve as market activity further improves.

The COVID-19 pandemic may still cause operational disruptions to vessel activity thus increases the overall risk of activity deferrals and cancellations. This could therefore impact the long-term market outlook and future assessments of recoverable amounts of Island Offshore Group's assets.

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.



Island Diligence AS

Income statement

	Note	2021	2020
Revenue			
Freight income	2	<u>72 780 242</u>	<u>96 026 099</u>
Operating expenses			
Vessel expenses	6	14 693 712	23 016 981
Crew expenses	5,6	28 641 957	26 743 118
Depreciation of tangible and intangible fixed assets	4	12 630 025	12 155 424
Other operating expenses	5	<u>1 716 046</u>	<u>1 589 015</u>
Total operating expenses		<u>57 681 740</u>	<u>63 504 538</u>
Operating result		<u>15 098 502</u>	<u>32 521 561</u>
Financial income and expenses			
Other financial income	3	1 385 273	3 702
Other interest expenses	6	10 950 457	13 760 270
Other financial expenses	3	<u>2 070 056</u>	<u>3 748 784</u>
Net financial items		<u>-11 635 240</u>	<u>-17 505 352</u>
Ordinary result before tax		<u>3 463 262</u>	<u>15 016 209</u>
Tax on ordinary result	8	<u>772 409</u>	<u>3 316 970</u>
Net profit or loss for the year		<u>2 690 853</u>	<u>11 699 239</u>
Allocated as follows			
Uncovered losses	9	<u>2 690 853</u>	<u>11 699 239</u>



Island Diligence AS

Balance sheet as of December 31

	Note	2021	2020
Fixed assets			
<i>Intangible assets</i>			
Deferred tax asset	8	<u>3 222 915</u>	<u>3 995 324</u>
Total intangible assets		<u>3 222 915</u>	<u>3 995 324</u>
<i>Tangible assets</i>			
Ships	4,7	<u>403 654 562</u>	<u>410 295 961</u>
Total tangible assets		<u>403 654 562</u>	<u>410 295 961</u>
Total fixed assets		<u>406 877 477</u>	<u>414 291 285</u>
Current assets			
Inventories		<u>2 721 035</u>	<u>393 221</u>
<i>Receivables</i>			
Trade receivables	7	<u>23 617 028</u>	<u>28 457 270</u>
Other receivables	6	<u>6 786 858</u>	<u>6 802 957</u>
Total accounts receivables		<u>30 403 886</u>	<u>35 260 227</u>
Cash and cash equivalents	7	<u>14 010 839</u>	<u>10 931 703</u>
Total current assets		<u>47 135 760</u>	<u>46 585 151</u>
Total assets		<u>454 013 237</u>	<u>460 876 436</u>




Island Diligence AS

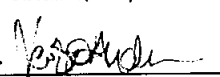
Balance sheet as of December 31

	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Share capital	10	17 012 500	17 012 500
Share premium reserve		153 124 430	153 124 430
Total paid-in capital		<u>170 136 930</u>	<u>170 136 930</u>
<i>Retained earnings</i>			
Other equity		-11 559 234	-14 250 086
Total retained earnings		<u>-11 559 234</u>	<u>-14 250 086</u>
Total equity	9	<u>158 577 696</u>	<u>155 886 844</u>
Liabilities			
<i>Other long-term liabilities</i>			
Liabilities to financial institutions	7	149 199 581	173 634 577
Other long-term liabilities	6	120 461 925	118 824 461
Total other long term liabilities		<u>269 661 506</u>	<u>292 459 038</u>
<i>Current liabilities</i>			
Trade creditors		129 175	180 649
Other short-term liabilities	6	25 644 860	12 349 905
Total current liabilities		<u>25 774 035</u>	<u>12 530 554</u>
Total liabilities		<u>295 435 541</u>	<u>304 989 592</u>
Total equity and liabilities		<u>454 013 237</u>	<u>460 876 436</u>


31 December 2021
Ulsteinvik, 28 April 2022



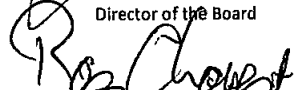
Morten Ulstein
Director of the Board



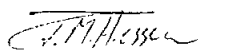
Tor Erik Andersen
Member of the Board



Damon Christopher Chouest
Member of the Board



Ross Michael Chouest
Member of the Board



Fredrik Mordal Hessen
Member of the Board



Cash Flow Statement

Island Diligence AS

	2021	2020
<i>Cash flow from operating activities</i>		
Profit before tax	3 463 262	15 016 209
+ Depreciation on vessel value	12 630 025	12 155 424
-/+ Change in stocks	-2 327 814	954 541
-/+ Change in accounts receivable	4 840 242	-28 457 270
+/- Change in accounts payable	-51 474	47 289
+/- Change in other accruals	13 311 054	6 852 379
= Net cash flow from operating activities	<u>31 865 295</u>	<u>6 568 572</u>
<i>Cash flow from investment activities</i>		
- Payment related to purchase of fixed assets	<u>-5 988 626</u>	<u>0</u>
= Net cash flow from investment activities	<u>-5 988 626</u>	<u>0</u>
<i>Cash flow from financing activities</i>		
+ Loan issued from owners	1 637 464	1 093 288
- Repayment of long term debt	-24 434 996	-11 935 003
= Net cash flow from financing activities	<u>-22 797 532</u>	<u>-10 841 715</u>
= Net change in cash and cash equivalents	<u>3 079 137</u>	<u>-4 273 143</u>
+ Cash reserve 1.1	<u>10 931 702</u>	<u>15 204 845</u>
= Cash reserve 31.12	<u>14 010 839</u>	<u>10 931 702</u>



Notes to the financial statements 2021

Island Diligence AS

NOTE 1 ACCOUNTING PRINCIPLES

Island Diligence AS was established 12.02.18 with the name Athomstart Invest 251 AS. The company was purchased by Island Offshore Shipping AS for the purpose that the Company should take delivery of the newbuilding 837 M.V. Island Diligence in June 2018. The Company changed name to Island Diligence AS and Vard Group AS and Island Diligence Holdings, L.L.C. joined as co-owners of Island Diligence AS along with Island Offshore Shipping AS in May 2018. Thus, there are no majority owners with decisive influence and the Company is not consolidated within a Holding structure. The Business Manager is Borgstein AS, Stålhaugen 9, 6065 Ulsteinvik, Norway and vessel manager is Island Offshore Management AS, Stålhaugen 12, 6065 Ulsteinvik.

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

The significant principles are described below.

Classification criteria

Assets to be owned or utilized permanently and receivables falling due later than one year from the end of the accounting period 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 expenses are accrued as stock in the balance sheet classified at cost based on consumption.

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 the vessel. Please refer to notes to the financial statements for details.

Shipbuilding contracts

Yard installments for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are also 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.

Financing expenses

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



Notes to the financial statements 2021

Island Diligence AS

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.

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 period. Commissions are recognized as revenue when earned.

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.

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 THE COMPANY BUSINESS AND GEOGRAPHICAL SPLIT OF REVENUE

The main activity throughout the year has been Walk-to-Work services to the renewables industry.

In NOK	2021	2020
Germany	38 652 030	45 971 321
France	16 507 930	-
the Netherlands	-	6 444 578
Morocco	4 863 257	-
International Waters	12 757 027	43 610 200
Total Revenue	72 780 243	96 026 099

The vessel achieved 69% utilization in 2021 and was idle for three months in 2021. As comparison, the vessel achieved 80% utilization in 2020 and was in lay-up from September 2019 to February 2020.



Notes to the financial statements 2021

Island Diligence AS

NOTE 3 SPECIFICATIONS

	2021	2020
Other financial income comprise of:		
Interests on bank deposits		3 702
Realized foreign currency gain	1 385 273	-
Total	1 385 273	3 702
Other financial expenses comprise	2021	2020
Depreciation on capitalized financial ex	565 000	565 000
Realized foreign currency losses	1 504 608	3 133 785
Other financial expenses	448	50 000
Total	2 070 056	3 748 784

NOTE 4 FIXED ASSETS

IN NOK	Vessel	Capitalized Maintenance	Total
Acquisition cost 01.01	438 083 467	3 600 000	441 683 467
Additions	-	5 988 626	5 988 626
Accumulated Depreciation 31.12 -	39 242 931 -	4 774 600 -	44 017 531
Book Value 31.12	398 840 536	4 814 026	403 654 562
This year's depreciation	10 955 424	1 674 601	12 630 025
Economic life	20 years	3 years	
Depreciation plan	linear	linear	

The estimated market value of Island Diligence obtained from independent ship brokers, is lower than the net book value of the vessel. Due to the present market state for the sale of equivalent vessels, the vessel value is also tested by impairment analysis using estimates of future cash flows and residual values for the vessel to determine the value. The analysis takes into account the current market state with overall reduced utilization and day rates, but incorporates gradual improvement of charter terms through estimated usage time for the vessel.

**Notes to the financial statements 2021**

Island Diligence AS

Key assumptions in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 8%. The economic life of the vessel is assumed to be 30 years after delivery. The impairment analysis does not indicate that the vessel value should be written down.

In order to illustrate the implications of changes in key assumptions, a sensitivity analysis has been undertaken.

A summary of the implications is presented below:

IN NOK mill

Sensitivity			
Change in Day rate	-10%	Basis	+10%
Island Diligence	-92	404	-
Change in utilization	-5 %	Basis	+5%
Island Diligence	-57	404	-
Change in WACC	+1%	Basis	-1%
Island Diligence	-35	404	-

Note that when amending key assumption with negative effect on impairment provision estimate, the corresponding improvement of key assumption will not have the equivalent positive effect, since value of vessel cannot be higher than original net book value.

NOTE 5 PAYROLL, EMPLOYEES, AUDIT

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

Auditor

Audit fees has been expensed with NOK 85.099 excluding VAT in the profit and loss accounts as per 31.12.21. Audit fee charged comprise of:

In NOK	2021
Audit fee	46 500
Assessment going concern, impairment etc	36 450
other services	2 149
Total	85 099

**Notes to the financial statements 2021**

Island Diligence AS

NOTE 6 RELATED PARTIES

Items in Balance Sheet:

Transactions with related parties:	2021	2020
Prepaid monthly OPEX to Island Offshore Management AS	6 000 000	6 000 000
Short term loan due to Island Offshore Management AS	-20 268 657	-7 802 207
Long term loan due to owners	-100 461 925	-98 424 461

Items in profit and loss accounts:

Transactions with related parties	2021	2020
Purchase of management services	3 191 143	3 107 036
Hired Crew	28 641 958	26 743 118
Interest expenses	195 415	80 947

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

NOTE 7 MORTGAGE AND GUARANTEE LIABILITIES

	2021	2020
Liabilities secured by mortgage	149 999 997	174 999 994
Book value of pledged assets:		
Ships	403 654 562	410 295 961
Cash deposits	14 010 839	10 931 702
Factoring	23 617 028	28 457 270
Total	441 282 429	449 684 933

The Company has been granted a long term loan from Sparebank1 SMN which is repayable in May 2023 in its entirety to partly finance the acquisition of the vessel. Annual installments are NOK 16,4 mill, however installments June-19, September-19, December -19 and March -20 in total 16,7 mill was agreed with the bank to be deferred with 50% to be paid during 2021 and rest payment deferred until maturity date 31.05.23. The Company is in compliance with financial covenants and is paying installments on vessel loans to secured lenders as agreed.



Notes to the financial statements 2021

Island Diligence AS

NOTE 8 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
Temporary differences fixed assets	157 190 118	128 807 102
Tax losses carried forward	- 171 839 733	- 146 967 669
Basis for deferred taxes	- 14 649 615	- 18 160 567
Deferred tax asset in the balance sheet	- 3 222 915	- 3 995 325
Deferred Tax rate	22 %	22 %
Calculation of this year's tax expense:	2021	2020
Profit before taxes	3 463 262	15 016 208
Change in temporary differences	- 28 383 016	- 33 086 947
Permanent differences	47 690	60 928
Annual tax basis	- 24 872 064	- 18 009 811
Payable tax rate	22 %	22 %
Changes in deferred taxes	772 409	3 316 970
Taxes in the Profit and Loss Accounts	772 409	3 316 970

NOTE 9 EQUITY

	Paid in Capital	Share premium reserve	Other equity	Total
Equity as per 01.01	17 012 500	153 124 430	- 14 250 086	155 886 844
This year's change in equity :				-
Profit + / Loss for the year			2 690 853	2 690 853
Equity as per 31.12	17 012 500	153 124 430	- 11 559 234	158 577 696



Notes to the financial statements 2021

Island Diligence AS

NOTE 10 OWNERSHIP

The share capital of NOK 17.012.500 consist of 170.125 shares a NOK 100,-.

Owners at 31.12:

Shareholders	Number of shares	Ownershare
Island Offshore Shipping AS	48 125	28,3 %
Vard Group AS	67 000	39,4 %
Island Diligence Holdings, L.L.C.	55 000	32,3 %
Total number of shares	170 125	100 %

NOTE 11 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 12 GOING CONCERN

In May 2019 the Company was granted a deferral of the instalment payments due in Q2 & Q3 / 2019 and Q1/2020, as well as a continued waiver of the minimum cash and positive working capital requirements. The Company is in compliance with loan requirements and has serviced debt obligations in accordance with the provision in the current loan agreement.

Market volatility caused by the COVID-19 pandemic in conjunction with the collapse of the oil price, increased the overall risk regarding the going concern assumption. However, the Company has a satisfactory backlog and the assessment is that the Company has the resources, organization, competence, assets and customer base to continue being a going concern.

The Board of Directors continues to monitor the financial situation of the Company and will assess the need for additional capital contributions. 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.



Notes to the financial statements 2021

Island Diligence AS

NOTE 13 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.



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Diligence AS

Opinion

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

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Jørn Knutsen

Statsautorisert revisor

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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:

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

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 majoritetseid 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 majoritetseid av det amerikanske selskapet Rig Invest, L.L.C. Island Drilling Company AS har tillatelse til å benytte engelsk språk. 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. 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.

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