



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 987 156 805
Organisasjonsform: Kommandittselskap
Foretaksnavn: ISLAND OFFSHORE VIII KS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

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

Grunnlag for avgivelse

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

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 29.06.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		381 602 845	319 069 897
Annen driftsinntekt		2 800 737	99 342
Sum inntekter	2	384 403 582	319 169 239
Kostnader			
Varekostnad	4,9	70 951 768	71 876 092
Lønnskostnad	9	152 063 053	163 451 555
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	88 512 456	90 986 454
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5	-4 651 115	47 181 513
Annen driftskostnad	4,5,9	17 914 950	11 178 163
Sum kostnader		324 791 112	384 673 777
Driftsresultat		59 612 470	-65 504 538
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern		123 226	56 321
Annen finansinntekt	3,7	54 619 345	1 773 574
Sum finansinntekter		0	0
Annen finanskostnad	3	48 663 936	59 190 468
Sum finanskostnader		0	0
Netto finans		6 078 635	-57 360 573
Ordinært resultat før skattekostnad		65 691 105	-122 865 111
Ordinært resultat etter skattekostnad		0	0
Årsresultat		65 691 105	-122 865 111
Totalresultat		65 691 105	-122 865 111
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		65 691 105	-122 865 111
Sum overføringer og disponeringer	11	65 691 105	-122 865 111



Resultatregnskap

Beløp i: NOK	Note	2021	2020
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Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg	5,6	1 398 358 358	1 497 959 454
Sum varige driftsmidler		1 398 358 358	1 497 959 454
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		1 398 358 358	1 497 959 454
Omløpsmidler			
Varer			
Varer		2 693 384	3 361 954
Sum varer		0	0
Fordringer			
Kundefordringer	6	48 307 218	50 308 792
Andre fordringer	9	49 342 675	42 592 168
Sum fordringer		97 649 894	92 900 960
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	6	49 017 451	45 298 165
Sum bankinnskudd, kontanter og lignende		49 017 451	45 298 165
Sum omløpsmidler		149 360 729	141 561 079
SUM EIENDELER		1 547 719 087	1 639 520 533



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	12	391 341 505	391 341 505
Overkurs		149 807 850	149 807 850
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		541 149 355	541 149 355
Opptjent egenkapital			
Annen egenkapital		13 915 788	-51 775 317
Sum opptjent egenkapital		13 915 788	-51 775 317
Sum egenkapital	11	555 065 143	489 374 038
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7	964 856 343	
Øvrig langsiktig gjeld	7,9	14 004 485	4 339
Sum annen langsiktig gjeld		978 860 828	1 126 079 043
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7		1 126 074 704
Leverandørgjeld	9	2 603 000	220 270
Annen kortsiktig gjeld		11 190 116	23 847 182
Sum kortsiktig gjeld		13 793 116	1 150 146 495
Sum gjeld		992 653 944	1 150 146 495
SUM EGENKAPITAL OG GJELD		1 547 719 087	1 639 520 533



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 730994

Enheten

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Organisasjonsform: Kommandittselskap
Foretaksnavn: ISLAND OFFSHORE VIII KS
Forretningsadresse: Stålhaugen 9
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årsregnskapet til selskapet: Regnskapslovens alminnelige regler

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Bekreftet av representant for selskapet: Asbjørn Hasund
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Brønnøysundregistrene, 28.07.2022



Organisasjonsnr: 987 156 805
ISLAND OFFSHORE VIII KS

RESULTATREGNSKAP

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Organisasjonsnr: 987 156 805
ISLAND OFFSHORE VIII KS

BALANSE

Beløp i: NOK	Note	2021	2020
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Organisasjonsnr: 987 156 805
ISLAND OFFSHORE VIII KS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

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 VIII KS is included in the consolidated financial statement for Island Offshore Shipholding, L.P. , c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway. The significant principles are described below. Classification criteria Assets to be owned or utilized permanently, and receivables falling due later than one year from the end of the accounting year, are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first instalment on secured debt which is serviced by the cash flow from fixed assets. 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. Normal maintenance expenses are expensed as incurred. Financing expenses Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the expected term of the loan. Currency Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and current liabilities are recorded at the exchange rate at the balance sheet date. 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. 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

Konsern, tilknyttet selskap m.v. - fordringer og gjeld

Fordringer

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



4

Lån og sikkerhetsstillelse til medlemmer

Er det gitt lån eller sikkerhetsstillelse til ledende personer: Nei

Opplysninger om:

Medlemmer av:

Mer om lån og sikkerhetsstillelse



Skattedirektoratet

Saksbehandler
Geir Johannessen

Deres dato
11.10.2013

Vår dato
29.10.2013

Telefon
22 66 11 14

Deres referanse
Tommy Walaunet

Vår referanse
2013/779184

ISLAND OFFSHORE MANAGEMENT AS
Postboks 370
6067 ULSTEINVIK

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

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

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

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

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo
skatteetaten.no/sendepost

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318

Sentralbord
800 80 000
Telefaks
22 17 08 60

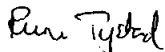


2013/779184 Side 3 av 3

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

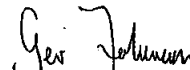


Rune Tystad

Seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet


Geir Johannessen



Island Offshore VIII KS

Annual report 2021

Board of directors' report

Annual accounts

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

Auditors' report



Annual Report 2021
Island Offshore VIII KS
Org. no 987 156 805

Business activities

The Company owns six Offshore Service Vessels and leases an additional two PSVs through BB agreements with an affiliated company. All vessels are operating in the North Sea. Two of the PSV vessels have been in the spot market during 2021 and the remaining 6 vessels were employed under term contracts in 2021. The fleet is managed by Island Offshore Management AS, and the Company is operated from Ulsteinvik, Norway.

Statement on results

Total revenue in 2021 is NOK 384.4 mill compared to NOK 319.2 mill in 2020. Achieved fleet utilization is 93% in 2021 compared with 90% in 2020. Average day rates achieved in 2021 are higher than in 2020 thus positively impacts earnings. The fleet has satisfactory backlog going into 2022.

The operating result for 2021 is a profit of NOK 59.6 mill compared to a loss of NOK -65.5 mill in 2020, which included write-down on vessel value of NOK 47.2 mill. Other operating expenses are higher compared to previous years mainly due to bareboat rent expenses.

Financial items include gain 52.9 mill related to buy back of loans. Thus, profit for the year of 2021 is NOK 65.7 mill compared with a loss of NOK -122.9 mill in 2020.

Total impairment of the fleet as per 31.12.21 amounts to NOK 295.0 mill based on value-in-use analysis and indication of sale value. Net equity is NOK 555.1 mill at 31.12.2021 compared to NOK 489.4 mill at 31.12.2020. The increase in equity is due to this year's profit. Considering the state of the market, the Board of Directors are satisfied with the overall financial development for the Company.

Cash flow from operational activities is positive with NOK 87.2 mill. The Company has paid loan installments and cash sweeps in a total amount of NOK 59.6 mill in 2021, in addition to an extraordinary down payment of NOK 64 mill following sale of two vessels. Investments in 2021 of NOK 34.3 mill include installation of one battery system in addition to main engine overhaul for two vessels. Net cash flow is positive with NOK 3.7 mill in 2021 resulting in a total cash reserve of NOK 49.0 mill at 31.12.2021.

The Company does not have ongoing research and development activities.

Going concern

In May 2020, the Group and the Company declared a one-sided stand-still towards the secured lenders. Negotiations with secured lenders were not concluded prior to maturity at 31.12.20.

The Company completed several information meetings and negotiations with secured lenders and was successful in June 2021 to agree on a refinancing agreement. The restructuring included buy back of loans and sale of Island Empress and Island Endeavour to an affiliated company.



The senior secured lenders agreed to extend their loans until the end of 2024 at amended terms. The Company has serviced its debt according to the revised amortization plan and cash sweep measurements agreed. In addition, the market is showing signs of improvement and the Company has a satisfactory backlog for its fleet. Island Offshore Group has the resources, organization, competence, assets and customer base to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement was agreed and made effective with secured lenders in June 2021.

Work environment and gender equality

The Company does not have employees. The crew is hired from Island Offshore Management AS and other related parties. The board comprises representatives from the largest participants in the partnership.

External environment

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

Financial risk

The Company has a satisfactory vessel employment status for the fleet going into 2022, considering the market state. The customers are large oil companies with low to moderate credit risk. The Company is exposed to market risk upon negotiation of extensions or new contracts.

The Company's liabilities total NOK 992.6 mill at 31.12.2021.

The Company's cash position / liquidity reserves are satisfactory compared to the size of the operation.

Financial instruments are employed to hedge the foreign currency exposure.

Future outlook

The PSV market is expected to continue to improve in 2022 however the extent of recovery is dependent on the market balance and overall activity level considering any negative implication of COVID-19 or geopolitical uncertainty.

The COVID-19 pandemic may still cause operational disruptions to vessel activity and increases the overall risk of activity deferrals and cancellations.

Several of the vessels have been awarded term contracts with satisfactory charter rates in 2022. Based on the order backlog and a new restructuring agreement agreed and effective with secured and unsecured lenders, the financial prospects for the Company remain positive.

On a general note, it is emphasized that there is uncertainty related to the estimates of future earnings.



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.

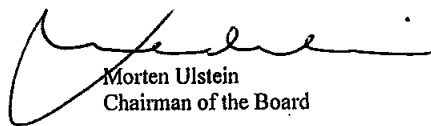
Beyond the above, the Board of Directors is not aware of any subsequent events that could be significant for the evaluation of the Company's financial position and results. Reference is made to the income statement, balance sheet, notes and cash flow analysis.

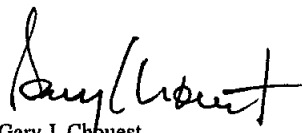
Allocation of results

The Board proposes the following allocation of the 2021 net profit of NOK 65.691.105


Transferred to other equity	NOK 65.691.105
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Ulsteinvik, 28.04.22


Morten Ulstein
Chairman of the Board


Gary J. Chouest
Board Member


Håvard Ulstein
Board Member


Arne Loen
Board Member



Island Offshore VIII KS

Income statement

	Note	2021	2020
Revenue			
Freight income		381 602 845	319 069 897
Other operating income		2 800 737	99 342
Total revenue	2	<u>384 403 582</u>	<u>319 169 239</u>
Operating expenses			
Vessel expenses	4,9	70 951 767	71 876 092
Crew expenses	9	152 063 053	163 451 556
Depreciation	5	88 512 456	90 986 454
Write-down on ships	5	-4 651 115	47 181 513
Other operating expenses	4,5,9	17 914 951	11 178 162
Total operating expenses		<u>324 791 112</u>	<u>384 673 777</u>
Operating result		<u>59 612 470</u>	<u>-65 504 538</u>
Financial income and expenses			
Interest income from group companies		123 226	56 321
Other financial income	3,7	54 619 345	1 773 574
Other financial expenses	3	48 663 936	59 190 468
Net financial items		<u>6 078 635</u>	<u>-57 360 573</u>
Ordinary result before tax		<u>65 691 105</u>	<u>-122 865 111</u>
Net profit or loss for the year		<u>65 691 105</u>	<u>-122 865 111</u>
Allocated as follows			
Transferred to other equity	11	<u>65 691 105</u>	<u>-122 865 111</u>



Island Offshore VIII KS

Balance sheet as of December 31

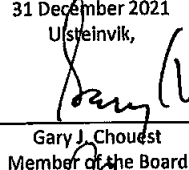
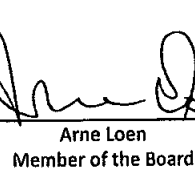

	Note	2021	2020
Fixed assets			
<i>Tangible assets</i>			
Ships	5,6	1 398 358 358	1 497 959 454
Total tangible assets		<u>1 398 358 358</u>	<u>1 497 959 454</u>
Total fixed assets		<u>1 398 358 358</u>	<u>1 497 959 454</u>
Current assets			
Inventories		<u>2 693 384</u>	<u>3 361 954</u>
<i>Receivables</i>			
Trade receivables	6	48 307 219	50 308 792
Other receivables	9	<u>49 342 675</u>	<u>42 592 168</u>
Total accounts receivable		<u>97 649 894</u>	<u>92 900 960</u>
Cash and cash equivalents	6	<u>49 017 451</u>	<u>45 298 165</u>
Total current assets		<u>149 360 729</u>	<u>141 561 079</u>
Total assets		<u>1 547 719 087</u>	<u>1 639 520 533</u>



Island Offshore VIII KS

Balance sheet as of December 31

	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Equity, undistributable	12	391 341 505	391 341 505
Other paid-in capital		<u>149 807 850</u>	<u>149 807 850</u>
Total paid-in capital		<u>541 149 355</u>	<u>541 149 355</u>
<i>Retained earnings</i>			
Other equity		<u>13 915 788</u>	<u>-51 775 317</u>
Total retained earnings		<u>13 915 788</u>	<u>-51 775 317</u>
Total equity	11	<u>555 065 143</u>	<u>489 374 038</u>
Liabilities			
<i>Long-term liabilities</i>			
Liabilities to financial institutions	6,7	964 856 343	0
Other long term liabilities	7,9	<u>14 004 485</u>	<u>0</u>
Total long-term liabilities		<u>978 860 828</u>	<u>0</u>
<i>Current liabilities</i>			
Liabilities to financial institutions	6,7	0	1 126 074 704
Trade creditors	9	2 603 000	220 270
Other current liabilities	9	<u>11 190 116</u>	<u>23 851 521</u>
Total current liabilities		<u>13 793 116</u>	<u>1 150 146 495</u>
Total liabilities		<u>992 653 944</u>	<u>1 150 146 495</u>
Total equity and liabilities		<u>1 547 719 087</u>	<u>1 639 520 533</u>

31 December 2021
Ulsteinvik,
Morten Ulstein
Chairman of the Board
Gary J. Chouët
Member of the Board
Arne Loen
Member of the Board
Harald Ulstein
Member of the Board

**Cash Flow Statement**

Island Offshore VIII KS

	2021	2020
<i>Cash flow from operating activities</i>		
Profit before tax	65 691 105	-122 865 111
- Gain by purchase loan at discount	-52 865 879	0
+ Ordinary depreciation	88 512 456	90 986 454
+ Impairment provision on vessel value	-4 651 115	47 181 513
-/+ Change in inventory	668 570	5 814 203
-/+ Change in accounts receivable	2 001 573	11 740 339
+/- Change in accounts payable	2 382 730	178 042
+/- Change in other accruals	-14 540 590	10 261 777
= Net cash flow from operating activities	<u>87 198 850</u>	<u>43 297 217</u>
<i>Cash flow from investment activities</i>		
- Investments in fixed assets	-34 260 245	-61 810 621
+ Payments by sale of fixed asset	<u>50 000 000</u>	<u>38 000 000</u>
= Net cash flow from investment activities	<u>15 739 755</u>	<u>-23 810 621</u>
<i>Cash flow from financing activities</i>		
+ Drawdown of new debt incl wrap around loan	24 004 485	75 633 333
- Repayment/Refinancing of long term liabilities	<u>-123 223 805</u>	<u>-93 345 906</u>
= Net cash flow from financing activities	<u>-99 219 320</u>	<u>-17 712 573</u>
= Net change in cash and cash equivalents	<u>3 719 286</u>	<u>1 774 023</u>
+ Cash reserve 1.1	45 298 165	43 524 142
= Cash reserve 31.12	<u>49 017 451</u>	<u>45 298 165</u>



Notes to the financial statements 2021

Island Offshore VIII KS

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 VIII KS is included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway.

The significant principles are described below.

Classification criteria

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

Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first 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 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 note 5 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. 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.

Island Offshore VIII KS



Notes to the financial statements 2021

Island Offshore VIII KS

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 REVENUE BY GEOGRAHICAL REGION

In NOK mill	2021	2020
Norway	326,6	261,4
UK	-	0,3
The Netherlands	57,8	57,4
Total Revenue	384,4	319,1

Two of the PSV vessels have been in the spot market during 2021 and the remaining 6 PSV vessels had term contracts in 2021. Achieved utilization is 93% in 2021 compared with 90% in 2020 for the 8 vessels combined. In addition, charter hire rates are in general considerable higher than compared with 2020.

At year end, 4 vessel were in the spot market and the remaining 4 vessels had term contracts.

NOTE 3 SPECIFICATIONS

Other financial income:

	2021	2020
Interest income, bank	6	34 731
Gain related to buy back loan	52 865 879	-
Foreign exchange gain realized	1 753 460	1 738 843
Total other financial income	54 619 345	1 773 574

In June 2021, the Company agreed with secured lenders to refinance the vessel mortgage loan and buy back the loan from one lender. Gain of NOK 52.9 mill deriving from the refinancing is presented as other financial income in 2021.



Notes to the financial statements 2021

Island Offshore VIII KS

Other financial expenses:

	2021	2020
Foreign exchange loss hedging	-	3 529 459
Foreign exchange loss realized	1 643 916	1 494 852
Depreciation on capitalized financial costs	4 871 322	1 544 485
Guarantee commission	4 083 288	8 914 318
Interest expenses financial loans	37 909 102	43 670 148
Other financial expenses	156 307	37 206
Total other financial expenses	48 663 936	59 190 468

NOTE 4 PAYROLL, EMPLOYEES

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

Auditor

Expenses audit fee totals NOK 268 125 in 2021. The fee includes work done for the general partner Island Offshore VIII AS. The fee is exclusive of VAT and can be specified as follows:

Audit	187 500
Audit confirmation work	18 500
Advisory and Tax Filing	55 000
Other	7 125
Total	268.125

NOTE 5 FIXED ASSETS

	Ships	Projects in progress	Periodic maintenance	Total
Total acquisition costs 1.1	2 642 733 330	36 999 345	159 897 495	2 839 630 170
Additions	51 008 009	(35 260 842)	18 513 078	34 260 245
Disposals at costs	(326 190 443)	-	(43 878 172)	(370 068 615)
Acc. depreciation 31.12	(704 019 243)	-	(106 440 585)	(810 459 828)
Acc impairment provisions	(295 003 615)	-	-	(295 003 615)
Book value 31.12	1 368 528 038	1 738 503	28 091 816	1 398 358 358
Annual depreciation charge	76 719 259		11 793 197	88 512 456
Impairment provision	(4 651 115)	-	-	(4 651 115)
Economic life	20 years		3 years	
Depreciation plan	Linear		Linear	18 513 059

Additions are mainly related to ESS battery system installation and overhaul on main engine for two vessels. Enova grant is received in 2021 with a total of NOK 9.1 mill for the ESS battery investments and the funds received are recorded as credit on vessel value.



Notes to the financial statements 2021

Island Offshore VIII KS

The Company sold the Island Endeavour and Island Empress in June 2021. Reversal of previous impairment provision on the Island Endeavour and Island Empress is recorded with a credit of NOK 4.7 mill as per 31.12.21. The two vessels are leased back on bareboat terms from affiliated company. Bareboat hire expenses are recorded as other operating expenses with NOK 7.7 mill as per 31.12.21.

Due to the present difficult market for the sale and buy of equivalent vessels, the vessel value are also tested on an impairment analysis employing estimates of future cash flow for each vessel.

The analysis takes into account the present market conditions with a gradual improvement on charter hire rate and utilization the rest of estimated vessel usage time. Key assumption in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 8 %. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis does not indicate any need to write down the book value of the vessels in 2021. Total impairment on vessel value recorded in balance sheet as per 31.12.21 was NOK 295 mill.

In order to illustrate the implications of changes in key assumptions, a sensitivity analysis has been undertaken. A summary of the implications is presented below for the fleet as per 31.12.21:

IN NOK MILL

Impairment provision on vessel value	Sensitivity		
	-1%	basis	+1%
Change in WACC			
Island Offshore VIII KS	-	-	-40

Impairment provision on vessel value	Sensitivity		
	-5%	basis	+5%
Change in utilization			
Island Offshore VIII KS	-88	-	-

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore VIII KS	-207	-	-

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 previous impairment provision is assumed not to be reversed and the fact that value of vessel can only be adjusted back to original net book value.

NOTE 6 PLEDGE OF ASSETS

	2021	2020
Book value of secured debt	964 856 343	1 126 074 704
Book value of pledged assets:		
Ships	1 398 358 358	1 497 959 454
Factoring	48 307 219	50 308 792
Bank deposits	49 017 451	45 298 165
TOTAL	1 495 683 028	1 593 566 411

In addition any insurance claims are pledged.

Island Offshore VIII KS



Notes to the financial statements 2021

Island Offshore VIII KS

The long term liabilities includes NOK 100 mill to one financial institution as a residual debt arising from a buy-back of loans. As part of the refinancing agreement signed in June 2021, it is agreed that NOK 50 mill of the the remaining debt will be forgiven if the Company pays NOK 50 mill as a bullet payment within four years after the closing date. This includes PIK interests at 2% which will be written down without further consideration. It is considered very likely that the bullet payment will be paid as planned, thus no PIK interests have been accrued for in the Balance Sheet. Refers to note 7.

NOTE 7 LONG TERM LIABILITIES

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

The Company completed several information meetings and negotiations with secured lenders and was in June 2021 successful in agreeing a refinancing agreement. The restructuring included partial buy back of loans and sale of Island Empress and Island Endeavour to an affiliated company. A partner loan of NOK 14 mill was also granted and is presented as other long-term liabilities. As part of the refinancing agreement, drawdown of an additional loan in the amount of NOK 10.0 mill related to ESS battery investment for Island Chieftain was made.

Gain related to the buy-back of loan is recorded in the Income Statement with NOK 52.9 mill under financial items.

The fleet facility agreement totals NOK 864.8 mill as per 31.12.2021 and is financed by one financial institution. The loan balance will be repaid with an annual installment of NOK 37 mill. Maturity date for the fleet loan is 12 years after the closing date i.e. from June 2021.

The remaining debt related to the buy-back of loan of NOK 100 mill will be repaid within four years as a bullet payment of NOK 50 mill and the remaining NOK 50 mill including PIK interests of 2% will be forgiven.

In accordance with Norwegian Accounting Principles, the loans from financial institution is classified as long term loan as per 31.12.21.

NOTE 8 FINANCIAL INSTRUMENTS

Currency forward and option contracts are used to hedge contracted revenue in foreign currencies. Outstanding contracts at 31.12.2021 expire in April 2022 depending on the underlying contract cash flow. The estimated net unrealized gain is NOK 1.025.357 at 31.12.2021 for sale of future EURO hedging.

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 unrealized gain of total NOK 1.025.357 is not recorded in the financial statements as per 31.12.21 in accordance with the Norwegian Accounting Act and NGAAP.

**Notes to the financial statements 2021**

Island Offshore VIII KS

NOTE 9 RELATED PARTIES

Transactions with related parties:

	<u>2021</u>	<u>2020</u>
Other receivables	40 935 342	36 869 786
Trade creditors	2 448 500	0
Other long term liabilities	14 004 485	0
Other short term liabilities	0	14 766 305

Other receivables are mainly prepayments to Manager Island Offshore Management AS. Other long term liabilities are partner loan from Borgstein Skipsinvest AS and Island Investment LLC. Trade creditors are bareboat hire invoice from an affiliated company regarding Island Endeavour and Island Empress. Other short term liabilities in 2020 was related to unpaid operating expenses towards Manager.

	<u>2021</u>	<u>2020</u>
Crew hire	152 063 053	163 451 555
Management services	17 593 102	17 851 349
Bareboat hire rent	7 718 667	0

The company has entered into management agreements with Island Offshore Management AS and Borgstein AS to carry out technical and commercial services for the vessel and business services for the company.

The services include crewing, purchase, administration, sales, accounting and technical operations. According to the management agreement, the ship owning company will refund all direct costs related to the vessel, to the management company. An annual fee is paid based on arm's length principle.

The company leases two PSVs on bareboat hire terms from an affiliated company from 29.06.21.

NOTE 10 TAXES

Deferred tax/tax asset is calculated based upon the temporary differences between accounting and tax values at the end of the accounting year.

Deferred tax/tax asset has been calculated as follows:

	<u>2021</u>	<u>2020</u>
Fixed assets	934 286 367	933 110 193
Gains/losses on fixed assets	44 432 256	55 408 216
Total temporary differences	<u>978 718 623</u>	<u>988 518 409</u>
Deferred tax	<u>215 318 097</u>	<u>217 474 050</u>
Tax rate	<u>22 %</u>	<u>22 %</u>

**Notes to the financial statements 2021**

Island Offshore VIII KS

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

Specification of difference between accounting result before tax and tax basis:

	<u>2021</u>	<u>2020</u>
Profit before tax	65 691 105	-122 865 111
Change in temporary differences	9 799 786	55 154 233
<i>Permanent differences</i>		
Reversed denied tax deduction on internal interest expenses	-5 970 241	-
Non-deductible expenses	<u>3 056</u>	<u>5 630</u>
Tax basis	<u><u>69 523 706</u></u>	<u><u>-67 705 248</u></u>

NOTE 11 EQUITY

	2021	2020
Total equity, undistributable 31.12	391 341 505	391 341 505
Uncalled capital	-	-
Total capital committed 31.12	391 341 505	391 341 505
<i>of this tied up capital</i>	<i>156 536 602</i>	<i>156 536 602</i>
<i>of this free capital</i>	<i>234 804 903</i>	<i>234 804 903</i>
Committed capital	391 341 505	391 341 505
Contributed by merger previous years	149 807 850	149 807 850
Other paid in capital	149 807 850	149 807 850
Total paid in capital	541 149 355	541 149 355
Retained earnings 1.1.	-51 775 317	71 089 794
This year's profit+/-loss-	65 691 105	-122 865 111
Retained earnings 31.12.	13 915 788	-51 775 317
Total equity 31.12	555 065 143	489 374 038



Notes to the financial statements 2021

Island Offshore VIII KS

NOTE 12 OWNERSHIP

Participants at 31.12.21:

Island Offshore VIII KS	Committed capital	Ownership share
Island Offshore VIII AS	39 134 151	10,0000 %
IOSH c/o Amnor	258 045 409	65,9387 %
Sneingen AS	27 863 419	7,1200 %
Island Offshore Invest AS	19 598 049	5,0079 %
EMAR Invest AS	5 373 167	1,3730 %
Inger M. Kristensen AS	5 373 167	1,3730 %
DUK Invest AS	5 373 167	1,3730 %
Garstein AS	5 295 402	1,3531 %
Island Investment LLC	10 590 839	2,7063 %
Martin AS	2 717 017	0,6943 %
Villamar AS	2 717 015	0,6943 %
Aasheim Invest AS	2 717 015	0,6943 %
Ingus AS	3 271 844	0,8361 %
Beeline AS	3 271 844	0,8361 %
	-	
	391 341 505	100,0000 %

NOTE 13 GOING CONCERN

In May 2020, the Group and the Company declared a one-sided stand-still towards the secured lenders. Negotiations with secured lenders were not concluded prior to maturity at 31.12.20.

The Company completed several information meetings and negotiations with secured lenders and was successful in June 2021 to agree on a refinancing agreement. The restructuring included buy back of loans and sale of Island Empress and Island Endeavour to an affiliated company.

The senior secured lenders agreed to extend their loans until the end of 2024 at amended terms. The Company has serviced its debt according to the revised amortization plan and cash sweep measurements agreed. In addition, the market is showing signs of improvement and the Company has a satisfactory backlog for its fleet. Island Offshore Group has the resources, organization, competence, assets and customer base to continue being a going concern.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2021, and the condition that a new restructuring agreement was agreed and made effective with secured lenders in June 2021.

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.



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Partnership Meeting of Island Offshore VIII KS

Opinion

We have audited the financial statements of Island Offshore VIII KS (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 Offshore VIII KS 2021

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Jørn Knutsen

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