Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	918 375 651
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	ISLAND DRILLING COMPANY AS
Forretningsadresse:	Stålhaugen 9 6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Henning Sundet
Dato for fastsettelse av årsregnskapet:	05.08.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 31.08.2022

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5	17 275 000	19 824 000
Sum inntekter		**17 275 000**	**19 824 000**
Kostnader			
Lønnskostnad	6	15 811 000	17 566 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	11	23 796 000	21 841 000
Annen driftskostnad	6,7	15 188 000	20 802 000
Sum kostnader		**54 795 000**	**60 209 000**
Driftsresultat		**-37 520 000**	**-40 385 000**
Finansinntekter og finanskostnader			
Annen finansinntekt	7,16	109 675 000	542 000
Sum finansinntekter		**109 675 000**	**542 000**
Annen finanskostnad		15 237 000	15 494 000
Sum finanskostnader		**15 237 000**	**15 494 000**
Netto finans		**94 438 000**	**-14 952 000**
Ordinært resultat før skattekostnad		**56 918 000**	**-55 337 000**
Skattekostnad på ordinært resultat	10	0	0
Ordinært resultat etter skattekostnad		**56 918 000**	**-55 337 000**
Årsresultat		**56 918 000**	**-55 337 000**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende		201 013 000	223 496 000
Land and buildings (Right-of-use-asset)		840 000	0
Sum varige driftsmidler		**201 853 000**	**223 496 000**
Finansielle anleggsmidler			
Investering i datterselskap	19	1 607 000	1 607 000
Sum finansielle anleggsmidler		**1 607 000**	**1 607 000**
Sum anleggsmidler		**203 460 000**	**225 103 000**
Omløpsmidler			
Varer			
Varer		291 000	557 000
Sum varer		**291 000**	**557 000**
Fordringer			
Kundefordringer		456 000	370 000
Andre fordringer		228 000	4 217 000
Sum fordringer		**684 000**	**4 587 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	13,18	122 000	7 023 000
Sum bankinnskudd, kontanter og lignende		**122 000**	**7 023 000**
Sum omløpsmidler		**1 097 000**	**12 167 000**
SUM EIENDELER		**204 557 000**	**237 270 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: USD	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Selskapskapital		1 538 000	997 000
Overkurs		31 705 000	21 146 000
Sum innskutt egenkapital		**33 243 000**	**22 143 000**
Opptjent egenkapital			
Udekket tap		71 887 000	124 051 000
Sum opptjent egenkapital		**-71 887 000**	**-124 051 000**
Sum egenkapital		**-38 644 000**	**-101 908 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	12,18	166 270 000	17 098 000
Sum annen langsiktig gjeld		**166 270 000**	**17 098 000**
Sum langsiktig gjeld		**166 270 000**	**17 098 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		73 418 000	245 196 000
Leverandørgjeld		2 762 000	13 871 000
Annen kortsiktig gjeld		750 000	63 013 000
Sum kortsiktig gjeld		**76 930 000**	**322 080 000**
Sum gjeld		**243 200 000**	**339 178 000**
SUM EGENKAPITAL OG GJELD		**204 556 000**	**237 270 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5	18 510 000	19 824 000
Sum inntekter		**18 510 000**	**19 824 000**
Kostnader			
Lønnskostnad	6	14 869 000	16 657 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	11	23 796 000	21 841 000
Annen driftskostnad	6,7	16 060 000	21 662 000
Sum kostnader		**54 725 000**	**60 160 000**
Driftsresultat		**-36 215 000**	**-40 336 000**
Finansinntekter og finanskostnader			
Annen finansinntekt	7,6	109 674 000	545 000
Sum finansinntekter		**109 674 000**	**545 000**
Annen finanskostnad	7	15 246 000	15 499 000
Sum finanskostnader		**15 246 000**	**15 499 000**
Netto finans		**94 428 000**	**-14 954 000**
Ordinært resultat før skattekostnad		**58 213 000**	**-55 290 000**
Skattekostnad på ordinært resultat	10	0	0
Ordinært resultat etter skattekostnad		**58 213 000**	**-55 290 000**
Årsresultat		**58 213 000**	**-55 290 000**
Andre resultatkomponenter for IFRS-foretak		132 000	
Sum resultatkomponenter for IFRS-foretak		132 000	
Totalresultat		**58 345 000**	

Konsernets balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Goodwill	20	1 603 000	1 603 000
Sum immaterielle eiendeler		**1 603 000**	**1 603 000**
Varige driftsmidler			
Land and buildings (right of use asset)		840 000	
Skip, rigger, fly og lignende		201 013 000	223 496 000
Sum varige driftsmidler		**201 853 000**	**223 496 000**
Sum anleggsmidler		**203 456 000**	**225 099 000**
Omløpsmidler			
Varer			
Varer		291 000	557 000
Sum varer		**291 000**	**557 000**
Fordringer			
Kundefordringer	8,18	326 000	1 509 000
Andre fordringer	8,18	445 000	4 296 000
Sum fordringer		**771 000**	**5 805 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	13,19	1 344 000	7 824 000
Sum bankinnskudd, kontanter og lignende		**1 344 000**	**7 824 000**
Sum omløpsmidler		**2 406 000**	**14 186 000**
SUM EIENDELER		**205 862 000**	**239 285 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			

Konsernets balanse

Beløp i: USD	Note	2020	2019
Aksjekapital	14	1 538 000	997 000
Overkurs		31 705 000	21 146 000
Sum innskutt egenkapital		**33 243 000**	**22 143 000**
Opptjent egenkapital			
Udekket tap		70 404 000	123 997 000
Sum opptjent egenkapital		**-70 404 000**	**-123 997 000**
Sum egenkapital		**-37 161 000**	**-101 854 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Andre langsiktige lån	12,18	166 270 000	17 098 000
Sum annen langsiktig gjeld		**166 270 000**	**17 098 000**
Sum langsiktig gjeld		**166 270 000**	**17 098 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	12,16,18	73 418 000	245 196 000
Leverandørgjeld	18	1 718 000	14 064 000
Annen kortsiktig gjeld	9,12,18	1 617 000	64 780 000
Sum kortsiktig gjeld		**76 753 000**	**324 040 000**
Sum gjeld		**243 023 000**	**341 138 000**
SUM EGENKAPITAL OG GJELD		**205 862 000**	**239 284 000**

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Island Drilling Company AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Island Drilling Company AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2020, the statements of other comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are 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 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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 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.

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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 law, regulations and generally accepted auditing principles in Norway, including 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 26 August 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

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

Jørn Knutsen
Statsautorisert revisor
Serienummer: 9578-5992-4-3012515
IP: 145.62.xxx.xxx
2021-08-26 07:28:03Z

bank ID

Penneo Dokumentnøkkel: OU5LN-DJUA4-ONX8N-X1DE0-T0NEY-A30EV

Island Drilling Company AS

The Board of Director's annual report 2020

1. The nature of the business

Island Drilling Company AS (hereinafter referred to as "IDC" or "the Company") is a continuation of IDC Holding AS, which was the former owner and operator of IDC's semi-submersible drilling rig, Island Innovator. IDC is a result of a demerger process followed by restructuring/ refinancing of Island Drilling Company ASA ("The Former Owner") that took place in May 2017.

The Company's registered office is in Ulsteinvik, Norway.

2. Going concern – operational update

Island Innovator has previously operated for Lundin, AkerBP, Spirit Energy, DEA, CNOOC, DNO and OMV. The work has been performed on the Norwegian Continental Shelf (NCS), as well as on the UK Continental Shelf. Performance has been according to expectations/ plans during the contract periods.

Since the establishment, Odfjell Drilling managed Island Innovator under a management agreement between the parties. Odfjell Drilling was manager for Island Innovator throughout the contract with DEA and the management agreement expired 31 October 2018.

Following the termination of the management contract with Odfjell Drilling management has been based on governing systems from NSDG (North Sea Drilling Group). Two subsidiaries were established, Island Drilling Management AS and Island Drilling Crewing AS, both 100% owned by IDC. A management agreement is in place between Island Drilling Management AS and IDC and an agreement between Island Drilling Crewing AS and IDC is entered into in relation to hiring of offshore personnel.

As a consequence of the establishing of the two daughter-companies, IDC is now a group of companies (the "IDC Group").

2020 has been yet a challenging year for IDC. During 2019 IDC entered a contract with DNO. The initial plan was for Innovator to start operating for DNO October 2019, and with additional scopes, take the rig in continuation with a contract with Sval during February 2020. The contract with Sval was then planned to go back-to-back with another contract with OMV, which would keep Innovator in operation throughout the year.

Unfortunately, the DNO well turned out to be dry. The well was completed December 22nd 2019 and Innovator returned to lay-up at Hanøytangen. As there was a relatively narrow time window until commencement on the contract with Sval, IDC decided to keep the whole crew intact and start preparations for Sval.

However, due to the severe global covid-19 pandemic, Sval decided to terminate the contract. IDC received the termination letter 14th of March 2020. Due to the termination IDC was forced to temporarily lay-off a substantial number of employees in Island Drilling Crewing, only keeping a minimum manning on board the rig. The pandemic also resulted in uncertainties regarding start-up on the contract with OMV.

At the end of May IDC finally received the go-ahead regarding start-up for OMV. IDC mobilized temporary laid-off crew personnel immediately in order to undergo preparations for the contract with OMV. The contract with OMV consisted of 1 firm well and 3 additional optional wells. The firm well had an estimated duration of 120 days. However, the work was completed only 60 days in. Due to the fact that the well was dry and inaccuracy related to the location input, OMV decided to postpone the initial program, forcing Innovator to again return to lay-up.

The market situation is challenging, especially due to covid-19, and IDC's main priority is to secure available wells for 2021 and onwards with regards to ongoing tender processes, including the optional wells in the contract with OMV.

On the positive note, Island Drilling Management entered a collaboration with Noble Drilling during 2020. Noble Drilling is the owner of the jack-up rig, Noble Lloyd Noble. Noble Lloyd Noble (NLN) has previously operated for Equinor on the Mariner field on the UKCS and now entered a contract with Equinor on the Valemon field on the NCS. NLN is currently located at Hanøytangen where it is undergoing preparations for the contract with Equinor with planned commencement during Q3 2020. Island Drilling Management is currently assisting Noble in the AOC process (Acknowledgement of Compliance) for NLN, supporting Noble with approximately 1/3 of the offshore crew, as well as the key personnel onshore, who are located in Stavanger.

The high market volatility caused by the COVID-19 pandemic increases the risk regarding the going concern assumption for most companies, and this is the case for the Company. The assessment is that the Island Drilling Group has the resources, organization, competence, assets and customer base to continue being a going concern.

Thus, the going concern assumption is based on the current market situation and potential prospects for securing work going forward, the continued support of its major owners and the fact that an acceptable and sustainable solution regarding buy-back of a major part of, and extension of the Companies remaining long term loans, including amendments to the covenant structure, was reached with the lenders in December 2020. The Company was in breach of the Working Capital financial covenant by year end 2020. However, the covenant breach has been waived by the senior secured lenders post the balance sheet date.

Consequently, some uncertainty regarding the going concern assumption may still be perceived as present, but significantly decreased compared to the situation a year ago.

3. Working environment and personnel

The IDC Group had 78 permanent employees as of 31 December 2020 (1 employee in IDC, 13 employees in Island Drilling Management AS and 64 employees in Island Drilling Crewing AS). In addition, there were also external consultants in Island Drilling Management.

The Company's competence and resource requirements that previously was met through the management agreement with Odfjell Drilling, is now fulfilled through the established Island Drilling Management AS and Island Drilling Crewing AS.

IDC has made continuous endeavors to improve working environment on board Island Innovator and has also contributed in improving general welfare of the offshore crew.

The mindset of continuous improvement of working environment is incorporated Island Drilling Group's company structure.

4. Social Responsibility

The Company ensures that it has high ethical standard when carrying out the Company's business activities, whether this is towards customers, suppliers, employees, authorities, capital markets, owners or society in general.

The company follows the International Labor Organization's (ILO) convention for working and living conditions of seafarers which ensures that employees have comprehensive rights and protection at work. The Company's drilling rig is certified in accordance with the working and living conditions in the MLC ("Maritime Labor Convention"). For office staff, the working conditions are in accordance with the Norwegian Working Environment Act.

The Company require that employees, agents and representatives comply with applicable laws when it comes to gifts and possible other benefits and such matters must be reported to an immediate superior. The Company require that all its' trading meets all applicable ethical standards. The company respects the traditions and cultures in the countries in which the drilling rig will operate and pledges to comply with the laws in the areas where the business activities are carried out.

5. Equal opportunities

The Company aims to be a workplace where everyone has equal opportunities irrespective of gender, ethnicity or religious orientation.

The Board of Directors consist of three members, all men.

6. Environmental reporting

The Company's business as of 31 December 2020 is not regulated by license or subject to public orders. The Company's activities do not pollute the external environment over and above what customary for operations of this kind.

The Company has guidelines, principles, policies and standards for how to integrate considerations relating to human rights labor rights and social issue, the environment and anti- corruption in its business strategies and in day-to-day operations, as well as in relation to stakeholders.

7. Future developments

The Company is well established in the drilling market and is continuing the operation of Island Innovator. The main focus is still operation on the NCS as well as UKCS. However, the IDC is also open for attractive opportunities globally.

8. Market update

The global covid-19 pandemic has resulted in substantial reductions/ postponement in investment activities and work scopes that were initially planned for 2020. There are limited available work scopes in 2021. The majority of demand for rigs seems to take place in 2022 and onwards. The situation has also put an immense pressure on future rig rates.

IDC's top priority is to secure an order back-log in for Q4 2021 and onwards, and at the same time reduce operational cost to a minimum, without compromising QHSE.

9. Performance, cash flow, investments, financing and liquidity

The Board of Directors is of the opinion that the annual accounts give a true and fair picture of IDC's assets, and liabilities, financial position and result.

The Company had a turnover of TUSD 17 275 in 2020 (TUSD 19 824 in 2019. Depreciation amounted to TUSD 23 796. The operating profit was negative in the amount of minus TUSD 37 518 (minus 40 386 in 2019).

In Q4 2020, the owners concluded a buy-back of a senior secured loan (Facility A) of approximately MUSD 176,5 at a significant discount. In connection with this transaction, Rig Invest, Borgstein, Meteva and Alden provided a "Net Facility A Commitment" of MUSD 75, which is an interest-free unsecured and subordinated loan to the company. The difference between the outstanding amount and the MUSD 75 was forgiven by the previous creditor.

The refinancing lead to Net financial items amounting to TUSD 94 436 (minus TUSD 14 951 in 2019), resulting in a gain for the year before tax of TUSD 56 918 (minus TUSD 55 337 in 2019). Profi for the year has been allocated to other equity.

The Company had no expenditures related to Research and Development.

The total cash flow from operational activities in the Company was minus TUSD 26 788 in 2020 (including the refinancing of Facility A, mentioned above). The total cash flow from investments in 2020 was minus TUSD 1 312. During 2020, the Company received a capex and wc- loan from its owners of TUSD 21 201, resulting in a net change in cash and cash equivalents (Net cash flow in the period) of minus TUSD 6 901. Cash and cash equivalents at end of year was TUSD 122.

However, the Company was in breach of the Working Capital Covenant as at 31.12.2020 – as the Working Capital was negative (Requirement is Working Capital to be positive). Thus, the Company's senior secured bank debt is classified as short term at year-end. The Company has received a waiver of the covenant breach from the senior secured lenders post the balance sheet date.

10. Financial risk

10.1 Market risk

The Company is generally exposed to market risk. As no long-term contracts has been secured for Island Innovator, the risk is still considered significant.

10.2 Currency risk

The Company is to some extent exposed to changes in the foreign exchange markets. The drilling contracts are in USD and all long-term debt is in USD. However, the largest portion of operating expenses are payable in NOK.

10.3 Interest risk

The Company's senior bank loan has a floating interest rate (LIBOR based) and thus the Company is exposed to changes in the interest rate level.

10.4 Credit risk

The Company is to a certain extent exposed to credit risk. However, the Company's charterers are medium sized international companies. Consequently, the credit risk is considered low/ acceptable.

10.5 Liquidity risk

The Company was in breach of its financial covenants as at year end 2018. The Company's cash reserves amounted to USD 2,6 mill. whilst the minimum cash requirement agreed with the banks was USD 10 mill. The Breach was continuing in 2019.

However, the major owners continued to support the Company. Further support from the major owners has been received in 2020 – and as described under 9. above an agreement was reached with the largest senior secured lender to the Company (Facility A) according to which the loan was bought by the major owners at a significant discount. Simultaneously agreement was reached with the senior secured lenders providing Facility B to extend the maturity and agree on a revised repayment plan – and the major owners agreed to provide further working capital through establishing a subordinated working capital facility.

Since year-end 2018 to end 2020, the major owners have made cash contributions by way of equity and liquidity loans in a total amount of close to USD 200 mill.

The Company has a negative Equity, but due to the financial restructuring carried through in December 2020 the situation is significantly improved. However, as described under clause 9 above the company was in breach of its financial covenants at year end 2020. However, the covenant breach has been waived by the senior secured lenders post the balance sheet date.

The liquidity risk is still an issue, but under control given the continued support from the Company's major owners and its lenders.

Ulsteinvik, 5 August 2021

Morten Ulstein Chairman of the Board	Trond Mohn Board Member	Gary J. Chouest Board Member
Roger Simmenes Chief Executive Officer		

Island Drilling Company AS

Statement of comprehensive income

01.01-31.12

USD thousands

Island Drilling Company AS 2019	Island Drilling Company AS 2020		Note	Island Drilling Company Group 2019	Island Drilling Company Group 2020
		Revenue			
19 824	17 275	Revenue	5	19 824	18 510
19 824	**17 275**	**Total revenue**		**19 824**	**18 510**
		Operating expenses			
17 566	15 811	Salaries	6	16 657	14 869
21 841	23 796	Depreciation and impairment	11	21 841	23 796
20 802	15 188	Other operating expenses	6, 7	21 662	16 060
-	-	Impairment of fixed assets	11	-	-
60 210	**54 794**	**Total operating expenses**		**60 160**	**54 724**
-40 386	**-37 518**	**Operating profit (-loss)**		**-40 336**	**-36 215**
		Finance income and expenses			
544	109 673	Finance income	7, 16	545	109 674
15 494	15 237	Finance expenses	7	15 499	15 246
-14 951	**94 436**	**Net financial items**		**-14 954**	**94 428**
-55 337	**56 918**	**Profit (-loss) before tax**		**-55 290**	**58 214**
0	-	Tax expense	10	-	-
-55 337	**56 918**	**Profit (-loss) for the year**		**-55 290**	**58 214**
		Other comprehensive income			
-	0	Other comprehensive income for the year		0	132
-55 337	**56 918**	**Total comprehensive income for the year**		**-55 290**	**58 346**
		Earnings per share (USD)			
-61,70	44,47	Ordinary	17	-61,65	45,48
-61,70	44,47	Diluted	17	-61,65	45,48

ISLAND DRILLING

Island Drilling Company AS

Statement of Financial Position 31.12

USD thousands

Island Drilling Company AS 31.12.2019	Island Drilling Company AS 31.12.2020		Note	Island Drilling Company Group 31.12.2019	Island Drilling Company Group 31.12.2020
		NON-CURRENT ASSETS			
		Intangible assets			
-	-	Deferred tax asset	10	-	-
-	-	Goodwill	20	1 603	1 603
-	**-**	**Total intangible assets**		**1 602,89**	**1 602,89**
		Property, plant and equipment			
223 496	201 013	Rig		223 496	201 013
-	840	Land and buildings (right-of-use assets)		-	840
223 496	**201 853**	**Total tangible assets**		**223 496**	**201 853**
		Financial assets			
1 607	1 607	Investments in subsidiaries	19	-	-
1 607	**1 607**	**Total financial assets**		**-**	**-**
225 103	**203 460**	**Total non-current assets**		**225 099**	**203 456**
		CURRENT ASSETS			
557	291	Inventories		557	291
		Receivables			
370	456	Account receivables	8, 18	1 509	326
3 603	-	Contract assets (accrued revenue)		3 603	-
615	228	Other short term receivables	8, 18	693	445
4 587	**684**	**Total receivables**		**5 804**	**771**
7 023	122	Cash and cash equivalents	13, 18	7 824	1 344
12 167	**1 097**	**Total current assets**		**14 185**	**2 406**
237 270	**204 556**	**TOTAL ASSETS**		**239 284**	**205 862**

ISLAND DRILLING

Island Drilling Company AS
Statement of Financial Position 31.12

USD thousands

Island Drilling Company AS 31.12.2019	Island Drilling Company AS 31.12.2020		Note	Island Drilling Company Group 31.12.2019	Island Drilling Company Group 31.12.2020
		EQUITY			
		Paid in equity			
997	1 538	Share capital	14	997	1 538
21 146	31 705	Share premium		21 146	31 705
22 143	**33 243**	**Total paid in equity**		**22 143**	**33 243**
		Other equity			
-124 051	-71 887	Other equity		-123 997	-70 404
-124 051	**-71 887**	**Total other equity**		**-123 997**	**-70 404**
-	-	Minority interests		-	-
-101 907	**-38 643**	**Total equity**		**-101 854**	**-37 161**
		LIABILITIES			
		Non-current liabilities			
-	-	Loan to financial institutions	12, 18	-	-
17 098	166 270	Other non-current loans	12, 18	17 098	166 270
17 098	**166 270**	**Total non-current liabilities**		**17 098**	**166 270**
		Current liabilities			
245 196	73 418	Borrowings	12, 16, 1!	245 196	73 418
13 871	2 762	Account payables	18	14 064	1 718
63 011	750	Other short term liabilities	9, 12, 18	64 780	1 617
322 079	**76 930**	**Total current liabilities**		**324 040**	**76 753**
339 177	**243 200**	**Total liabilities**		**341 138**	**243 023**
237 270	**204 556**	**TOTAL EQUITY AND LIABILITIES**		**239 284**	**205 862**

Ulsteinvik, 05 August 2021

Morten Ulstein
Chairman of the Board

Trond Mohn
Board Member

Gary J. Chouest
Board Member

Roger Simmenes
Chief Executive Officer

ISLAND DRILLING

Island Drilling Company AS

Statement of cash flow

01.01-31.12

USD thousands

Island Drilling Company AS 2019	Island Drilling Company AS 2020		Note	Island Drilling Company Group 2019	Island Drilling Company Group 2020
		Cash flow from operating activities			
-55 337	56 918	Profit (-loss) before tax		-55 290	58 214
-	-	Taxes paid in the period		-	-
0	-	Unrealized agio on long term loans		-	-
472	295	Amortization of loan costs		472	295
21 841	23 796	Depreciation and impairment		21 841	23 796
0	-107 175	Gain from debt forgiveness		0	-107 175
622	-7 327	Changes in inventory, trade receivables and payables		334	-7 295
6 457	-62 128	Change in other short term term receivables and other provisions		7 495	-63 040
-11 426	**-81 043**	**Cash used in operations before interest**		**-10 625**	**-80 623**
-14 518	-15 545	Interest paid		-14 521	-15 545
-25 944	**-96 588**	**Net cash flows used in operating activites**		**-25 145**	**-96 168**
		Cash flows from investing activities			
-22 469	-1 312	Cash paymens related to rig		-22 469	-1 312
-	0	Cash payments related to purchase of shares			-
-22 469	**-1 312**	**Net cash flows used in investing activities**		**-22 469**	**-1 312**
		Cash flows from financing activities			
0	-	Proceeds from capital increase		-	
52 800	159 517	Payments from new borrowings - including convertible loan		52 800	159 517
0	-138 316	Repayment of long term loans		-	-138 316
52 800	**21 201**	**Net cash flow from financing activities**		**52 800**	**21 201**
4 386	-76 701	Net change in cash and cash equivalents		5 187	-76 280
2 637	7 023	Cash and cash equivalents at beginning of year		2 637	7 824
-	-	Cash and cash equivalents acquisition			
7 023	**-69 678**	**Cash and cash equivalents at end of year**		**7 824**	**-68 456**

ISLAND DRILLING

Island Drilling Company AS
Statement of changes in equity

Island Drilling Company AS

USD thousands	Share capital	Share premium	Other equity	Total equity
Balance 1 January 2019	997	21 146	-68 711	-46 571
Cash contribution by foundation				
Capital reduction				
Contributed by merger/demerger				
Convertible loan				
Share capital increase				
Total contributions by and distributions to shareholders	**-**	**-**	**-**	**-**
Profit (-loss) for the year			-55 337	-55 337
Other comprehensive income for the year			-	-
Total comprehensive income for the year	-	-	-55 337	-55 337
Balance 31 December 2019	**997**	**21 146**	**-124 048**	**-101 908**

USD thousands	Share capital	Share premium	Other equity	Total equity
Balance 1 January 2020	997	21 146	-124 047	-101 908
Cash contribution by foundation				-
Capital reduction				-
Contributed by merger/demerger				-
Convertible loan	541	10 559	-4 754	6 346
Share capital increase				-
Total contributions by and distributions to shareholders	**541**	**10 559**	**-4 754**	**6 346**
Profit (-loss) for the year			56 918	56 918
Other comprehensive income for the year			-	-
Total comprehensive income for the year	-	-	56 918	56 918
Balance 31 December 2020	**1 538**	**31 705**	**-71 883**	**-38 645**

Island Drilling Company Group

USD thousands	Share capital	Share premium	Other equity	Total equity
Balance 1 January 2019	997	21 146	-68 707	-46 563
Cash contribution by foundation				-
Capital reduction				-
Contributed by merger/demerger				-
Contributed by demerger				-
Convertible loan				-
Share capital increase				-
Convertion of loan				-
Total contributions by and distributions to shareholders	**-**	**-**	**-**	**-**
Profit (-loss) for the year		-	-55 290	-55 290
Other comprehensive income for the year	-	-		-
Total comprehensive income for the year	-	-	-55 290	-55 290
Balance 31 December 2019	**997**	**21 146**	**-123 997**	**-101 854**

USD thousands	Share capital	Share premium	Other equity	Total equity
Balance 1 January 2020	997	21 146	-123 997	-101 853
Cash contribution by foundation				-
Capital reduction				-
Contributed by merger/demerger				-
Contributed by demerger				-
Convertible loan				-
Share capital increase				-
Convertion of loan	541	10 559	-4 754	6 346
Total contributions by and distributions to shareholders	**541**	**10 559**	**-4 754**	**6 346**
Profit (-loss) for the year		-	58 214	58 214
Other comprehensive income for the year	-	-	132	132
Total comprehensive income for the year	-	-	58 346	58 346
Balance 31 December 2020	**1 538**	**31 705**	**-70 404**	**-37 161**

ISLAND DRILLING

Island Drilling Company AS – Notes to the financial statements

Note 1 - General Information

The Group Island Drilling Company AS ("the Group") is a limited liability company incorporated and domiciled in Norway. The Group's headquarters is at Stålhaugen 9, 6065 Ulsteinvik. The Group was established 11th of September 2018, and the group financial statements is from this date.

These separate financial statements were approved by the Board of Directors on 17 August 2020.

The Group's operations are described in note 5.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of Preparation

The separate financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the EU as per 31 December 2020, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as per 31 December 2020.

The measurement basis used is historical cost, with the exception of financial derivatives at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 4.

1.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

No new standards have been applied in 2020.

(b) New and amended IFRS and IFRICs with future effective dates

Standards and interpretations that are issued up to the date of issuance of the separate financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the separate financial statements are issued.

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). USD is both the functional currency and the presentation currency for the Group and the Parent Company. The statement of financial position figures of entities with a different functional currency are translated at the exchange rate at the date of the transaction for profit and loss items. Yearly average exchange rates are used as an approximation of the transaction exchange rate. Translation differences are recognized in other comprehensive income ("OCI"). The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment.

Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

1.3 Rig

The Group has one rig and the rig was ready for its intended use on 25 September 2013 when it commenced operations. The rig is stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition.

The cost of the Rig includes its original purchase price and all costs necessary to bring the Rig to working condition for its intended use. Subsequent expenditure on repair and maintenance is recognised as an expense in the income statement, while expenses that are expected to generate future economic benefits are capitalised.

If an item of the Rig has different parts with different useful lives, the parts are depreciated separately if the cost is significant in relation to the total cost of the Rig. The cost of the Rig is depreciated to the residual value over the asset's useful life. Useful life for the components of the rig is estimated and presented in the notes. Depreciation is calculated on a straight-line basis.

The depreciation period and method are assessed annually. The same applies to residual value. When the carrying amount of the Rig exceeds the estimated recoverable amount, the value is written down to the recoverable amount.

1.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.5 Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset
The Group's financial assets are: derivatives, non-listed equity instruments, trade receivables and cash and cash equivalents.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classified its financial assets in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit and loss

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Groups financial assets at amortized cost includes trade receivables and other short-term deposits. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial assets at fair value through OCI
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held where the business model objective of both holding to collect contractual cash flows and selling, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments:
Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other finance
income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such

gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The category includes foreign exchange contracts and interest rate swaps not designated as hedging instruments.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
• The rights to receive cash flows from the asset have expired, or
• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
a) the Group has transferred substantially all the risks and rewards of the asset, or
b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives assets.

Loans, borrowings and payables
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
Payables are measured at their nominal amount when the effect of discounting is not material.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Cash flow hedges
The Group uses only derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The forward premium of currency contracts is excluded from the hedging relationship and is accounted for as cost of hedging.

Financial derivatives that are not recognized as hedging instruments are assessed at their fair value through profit and loss. Changes in the fair value are recognized in the income statement as they arise. The Group uses forward currency
contracts to reduce currency exposure, but do not use hedge accounting associated with the currency instruments.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure,
irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each
reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and
supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Island Drilling Company AS

Notes

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.6 Cash and cash equivalents

In the statement of cash flows and balance sheet, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.7 Share capital and equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The convertible working capital facility which contain both a liability and equity element are divided into two components when issued, and these are recognised separately as a liability or equity.

1.8 Accounts receivable

Accounts receivables are recognised at fair value less impairment losses. Nominal value does not normally fluctuate significantly from amortised cost.

1.9 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.11 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

ISLAND DRILLING

1.12 Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.13 Defined contribution plan
Pension premiums relating to the Company's defined contribution plan are recognised as an expense as it is incurred.

1.14 Provisions
Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

1.15 Revenue from contract with customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The products are mainly sold in relation to separately identifiable contracts with customers.

The Group's revenues are derived from day-rate based drilling contracts. Revenue is recognized over time when the drilling is performed and at the rates specified in the contracts.

Island Drilling Company AS

Notes

In connection with drilling contracts, the Company may receive lump sum fees for the mobilization of equipment and personnel or for capital additions and upgrades prior to commencement of drilling services. These up-front fees are recognized over the contract term.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivable

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

1.16 Mobilization and demobilization expenses

Mobilization costs incurred as part of a drilling contract are capitalized and expensed over the contract term.

1.17 Capitalized periodical maintenance

Costs related to periodic overhauls of drilling units are capitalized under drilling units and amortized over the anticipated period between overhauls, which is generally 5 years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation and amortization expense. Costs for other repair and maintenance activities are included in other operating expenses and are expensed as incurred.

1.18 Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between the related parties are based on the principle of arm's length.

1.19 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.20 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

1.21 Cash flow statement

The statement of cash flows has been prepared using the indirect method.

ISLAND DRILLING

1.22 Events after balance sheet date

The amounts recognised in the financial statements are adjusted to reflect new information received after the balance sheet date that provide evidence of conditions that existed at the balance sheet date ("adjusting events"). The amounts recognised in the financial statements are not adjusted to reflect new information that are indicative of conditions that arose after the reporting period ("non-adjusting events"), but non-adjusting events are disclosed if material.

1.23 Basis of consolidation

The consolidated financial statements comprise of the financial statements of Island Drilling Company AS and its subsidiaries as at 31st December each year. Any deviating accounting principles are adjusted for in this consolidation.

The Group accounts state the total profit & loss and financial position of Island Drilling Company AS and its controlling interests as a whole. The consolidated accounts include companies in which Island Drilling Company AS has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct control, according to IFRS 10. Share options, convertibles and other equity instruments are evaluated when assessing whether control exists.

Subsidiaries are consolidated 100% line by line in the group accounts. A subsidiary is an entity where the Group has controlling interest, direct or indirect, of more than 50% of the voting shares.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The purchase price is allocated to identifiable assets and liabilities from the subsidiary and is recognized at fair value in the consolidated accounts at the acquisition date. Any excess cost of acquisition over the fair value of the net identifiable assets of the subsidiary or joint venture acquired calculated at the date of handover, will be recognized as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary or joint venture acquired calculated at the date of handover, a day-one-gain will be recognized as income.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation, the profit and loss accounts of foreign subsidiaries, not using USD as functional currency, are translated using the exchange rate on the day of transaction. The balance sheet is translated using the balance sheet date exchange rate. Translation adjustments between local currency and functional currency are classified as financial items, while adjustments arising from translation from functional to presentation currency are booked in equity.

The non-controlling interest in equity as well as net income is reported separately in the consolidated financial statements.

1.24 - Leasing

IFRS 16 Lease replaces the previous IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The standard requires that the lessee recognizes the assets and liabilities of most leases. For the lessor IFRS 16 continues essentially all existing principles in IAS 17. In line with this, should a lessor continue to classify their leases as operating leases or finance leases, and accounting for these two types of leases differ. IFRS 16 is effective for financial years starting 1 January 2019 or later. The Group adopted IFRS 16 from 1 January 2019 using the modified retrospective method.

Note 3 - Financial risk management

3.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk
(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD/NOK. Foreign exchange risk arises from accounts payables, cash and cash equivalents and future commercial transactions.

Management seeks to minimize the effects of foreign exchange risk by balancing cash deposits held in different currencies and to some extent by using derivative financial instruments.

A change in the USD/NOK currency rate would not have any significant impact on the Company's financial statements as of 31.12 2020.

(ii) Cash flow interest rate risk
A change in variable interest rates will have impact on the profit and loss of the Group. An estimated increase in LIBOR interest rate of 1% in 2020 would increase the total interest cost by approximately 17 % in 2020.

(b) Credit risk
The Group's credit risk exposure is limited to bank deposits and account receivables. All bank deposits are held with DNB Bank ASA and the bank has credit rating A. The account receivables are towards large and sound customer with limited risk of loss.

(c) Liquidity risk
The Group's management is responsible for continuous monitoring and reporting of the group's liquidity position. The group's liquidity risk is mainly related to losses on expected revenues. See further information in note 23 and the Board of Director's annual report.

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3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors capital on the basis of the equity ratio, working capital and liquidity, since the debt among other covenants requires positive working capital and free liquidity cash, please see more details in note 12. The equity ratios at 31 December 2019 and 2020 were as follows:

	Parent Company		Group	
USD thousands	2019	2020	2019	2020
Total assets	237 270	204 557	239 284	205 862
Total equity	-101 907	-33 890	-101 854	-32 407
Equity ratio	-43,0 %	-16,6 %	-42,6 %	-15,7 %

3.3 Fair value estimation

The Group has entered into currency swap agreements with DNB Markets as counterparty. These are measured at fair value based on mid-rates as determined by DNB Markets based on available market rates at year end. See note 15 for more information.

Note 4 - Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of rig

There has previous been made an accumulated impairment at 643,8 MUSD at year end 2020. In 2020 no impairment has been made. The recoverable amount was determined based on a value in use calculation. See note 11 for further information.

(b) Deferred tax asset

The deferred tax asset has not been recognised in the balance sheet since the probability of future taxable profit in Norway is considered not to be probable.

(c) Provisions for claims

As of 31.12.20 there are no provisions for material claims.

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Note 5 - Revenues / Segment information

The Group has one business segment, which is operation of the rig Island Innovator. The Group's rig has been operating in the North Sea on contract for OMV in 2020. The other entities in the group mainly rent personell to the rig, and these transactions are eliminated. However, from 2020 Island Drilling Management AS has performed management services for an external customer. These services amounts to approximately 17,8 MNOK in 2020. As the group's segment is only hire of the rig, segment information is not considered relevant since all activities are within the same segment.

Note 6 - Employee benefits expense, number of employees, loans to employees and auditor's fee

Parent Company			Group	
2019	**2020**	**Payroll costs**	**2019**	**2020**
528	515	Salaries and wages	9 537	11 469
86	89	Employer's national insurance contributions	1 458	1 703
				-
24	19	Pension expenses	616	870
225	108	Other benefits	346	827
16 704	15 079	Hired personnel	4 701	-
17 566	15 811	Total personnel expenses	16 657	14 869
1	1	No. of employees (annual average)	153	160

The rig was operated by Odfjell Drilling AS and all offshore personnel were employed by the operator until 01.11.2018. After 01.11.18 onshore personnel are employed by Island Drilling Management AS and offshore personnel are employed by Island Drilling Crewing AS. The companies in the group are legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Norwegian pension arrangements satisfy the requirements of this act.

Management and Board of Directors remuneration

Roger Simmenes was employed as CEO in March 2013. He has a termination agreement equivalent to nine months' salary.

Compensation CEO	2019	2020
Salary	425	447
Bonus	57	53
Other remuneration	20	21
Total compenstation	**502**	**521**

Renumeration to the Board Of Directors

	2019	2020
Total	53	106

The board of directors consist of Morten Ulstein, Gary Chouest and Trond Mohn. No loans/securities have been granted to the CEO, chairman of the board or other related parties. The CEO and Boad of Directors have no post employment agreements.

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Auditor fee

Parent Company 2019	2020	Auditor fee	Group 2019	2020
24	28	Statutory Audit	31	38
8	8	Tax advisory fee	8	8
3	1	Other services	3	1
36	37	Total	42	47

VAT is not included in the fee specified above. The company's chosen auditor is Ernst & Young AS.

Note 7 - Combined items, income statement

Parent Company 2019	2020	Other operating expenses	Group 2019	2020
5 808	3 213	Hired services, subcontractors and stand-in employ	5 808	3 213
7 029	5 901	Repair and maintenance	7 029	5 901
1 830	860	Insurance, guarantee and service costs	1 830	860
317	341	Office rent and warehouses	328	355
2 059	1 056	Fees for financial and legal assistance	2 131	1 145
608	204	Inspection	608	204
155	44	Travel expenses	713	596
2 996	3 568	Other operating and administrative expenses	3 215	3 787
20 802	**15 188**	**Total other operating expenses**	**21 662**	**16 060**

Parent Company 2019	2020	Financial income/expenses	Group 2019	2020
29	9	Interest income	30	7
515	921	Currency gain	515	924
0	108 743	Other finance income	0	108743
544	**109 673**	**Total finance income**	**545**	**109 675**

2019	2020	Other financial items	2019	2020
-14 547	-12 726	Interest expense	-14 549	-12 731
-	-	Guarantee commission shareholders	-	-
-472	-1 863	Amortizated borrowing costs	-472	-1 863
-456	-604	Currency loss	-456	-607
-20	-45	Other financial expenses	-20	-43
-15 494	**-15 237**	**Total finance expence**	**-15 497**	**-15 246**

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Note 8 - Account receivables and other receivables

Parent Company 2019	2020		Group 2019	2020
		Account receivables		
370	456	Account receivables	1 509	326
		Earned, not yet invoiced operating revenues	-	-
0	-	Provision for impairment of account receivables		-
370	**456**	**Account receivables - net**	**1 509**	**326**
		Other current receivables		
98	112	Prepaid expenses	176	329
517	116	Outstanding VAT	517	116
615	**228**	**Total**	**693**	**445**
		The fair value of trade receivables and other receivables are as follows:		
370	456	Account receivables	1 509	326
615	228	Other receivables	693	445
984	**684**	**Total**	**2 202**	**772**
		Contract assets		
3 603	-	Contract assets (accrued revenue)	3 603	-
3 603	**-**	**Total**	**3 603**	**-**

As the account receivables are due in short term, the fair value is approximately equal to the carrying amount, and the future cash flows are not discounted. There were no contract liabilities as of 31.12.20.

The carrying amounts of the account receivables are denominated in the following currencies:

Parent Company 2019	2020		Group 2019	2020
370	0	USD	370	0
0	456	NOK	0	326
370	456	Total	370	326
		The ageing of the account receivables, not impaired:		
223	93	Not due	223	250
148	363	0 to 3 months	148	76
0	0	3 to 6 months	-	-
0	0	Over 6 months	-	-
371	456	Total	370	326

Note 9 - Other short term liabilities

Parent Company 2019	2020		Group 2019	2020
70	49	Accrued employee tax	1 355	629
1 294	34	Accrued interest	1 294	34
67	72	Holiday pay	445	362
58 800	-	Liquidity loan	58 800	-
2 770	421	Accrued expenses	2 875	405
-	-	Unrealized disagio currency swaps	-	-
10	175	Other short term debt	10	187
63 011	750	Total other short term liabilities	64 780	1 617

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Note 10 - Tax

Parent Company 2019	2020	Components of income tax expense	Group 2019	2020
-	-	Tax payable	-	-
-	-	Changes in deferred tax	-	-
-	-	Changes in deferred tax to equity	-	-
-	-	Total income tax expense	-	-

Explanation of why profit before tax differs from the amount that would arise using the 22 % tax rate (22 % for 2020, 22 % for 2020) :

Parent Company 2019	2020		Group 2019	2020
-55 337	56 918	Profit/loss before income tax	-55 290	58 214
-12 174	12 522	22 % / 22 % of profit before income tax	-12 164	12 807
2 423	-3 630	Permanent differences*	-164	-2 559
9 751	-8 892	Not recognised change in deferred tax asset	12 327	-10 248
-	-	Total income tax expense	-	-
0 %	0 %	Effective tax rate in %	0 %	0 %

*) Permanent differences mainly relates to currency translation effects since the tax return is prepared in NOK and gain from debt forgiveness in connection with the

The deferred tax asset has not been recognised in the balance sheet, since the probability of future taxable profit is considered to not be likely.

Parent Company

	Balance Sheet		Change in deferred tax during the period	
Deferred tax / (deferred tax asset)	**2019**	**2020**	**2019**	**2020**
Fixed assets	-2 532	-593	3 573	1 939
Borrowings	315		-92	-315
Financial instruments			-	-
Tax losses carried forward	-132 331	-125 063	-13 234	7 267
Deferred tax asset not recognised	134 548	125 656	9 751	-8 892
Deferred tax / (deferred tax asset)	-	-	-	-

Group

	Balance Sheet		Change in deferred tax during the period	
Deferred tax / (deferred tax asset)	**2019**	**2020**	**2019**	**2020**
Fixed assets	-2 534	-593	3 571	1 939
Borrowings	315	-	-92	-315
Financial instruments	-	-	-	-
Tax losses carried forward	-134 905	-126 283	-15 807	8 624
Deferred tax asset not recognised	137 124	126 876	12 327	-10 248
Deferred tax / (deferred tax asset)	-	-	-	0

ISLAND DRILLING

Note 11 - Rig
Parent company and group

2020	Rig	Top Side Equipment	Subsea Equipment	Periodic maintenance	Project in progress	Total tangible assets
Acquisition cost at 01.01..	765 549	155 906	53 829	44 888	3 352	1 023 524
Additions	330	-	-	4 335	-3 352	1 312
Disposals	-	-	-			-
Additions capitalized finance cost	-	-	-	-	-	-
Acquisition cost 31.12.20	**765 879**	**155 906**	**53 829**	**49 223**	**0**	**1 024 836**
Accumulated depreciation 31.12.20	-53 184	-74 184	-25 333	-27 282	0	-179 987
Accumulated impairment loss 31.12.20	-643 836					-643 836
Net carrying value at 31.12.20	**68 859**	**81 722**	**28 495**	**21 941**	**0**	**201 013**
Depreciation of the year	3 020	10 432	3 689	6 650	-	23 796
Impairment loss of the ye	-	-	-	-	-	-

2019	Rig	Top Side Equipment	Subsea Equipment	Periodic maintenance	Project in progress	Total tangible assets
Acquisition cost at 01.01.'	763 974	155 906	53 829	25 647	1 701	1 001 057
Additions	1 575	-	-	19 241	1 651	22 468
Disposals	-	-	-			-
Additions capitalized finance cost	-	-	-	-	-	-
Acquisition cost 31.12.19	**765 549**	**155 906**	**53 829**	**44 888**	**3 352**	**1 023 524**
Accumulated depreciatioı	-50 164	-63 752	-21 644	-20 632	-	-156 192
Accumulated impairment	-643 836					-643 836
Net carrying value at 31.:	71 549	92 154	32 184	24 256	3 352	223 496
Depreciation of the year	2 994	10 432	3 689	4 724	-	21 841
Impairment loss of the ye	-	-	-	-	-	-
Useful lifetime	30 years	15-30 years	15-30 years	5 years		
Depreciation schedule	Straight line	Straight line	Straight line	Straight line		

All expenses which are related to construction of the rig are capitalized. Administration expenses are not capitalized.

All interest on borrowings and bonds has been capitalized. Interest income on bank deposits reduce capitalized finance cost. The rig has been depreciated for 12 months in 2019 and 2020. Useful life for the rig is assessed for each type of component of the rig, specified above. The depreciation schedule is straight line.

As of year end 2014 the accumulated impairment of the rig was at a total of MUSD 273.7 as a consequence of cost overruns related to completion and mobilisation of the rig as well as difficult market conditions. At year end 2015 there was made an additional impairment at MUSD 370.1 due to worsening market conditions for rigs. No additional impairment has been made in 2020.

Due to the current market situation a value in use calculation has been performed. The value in use calculation did not result in any additional impairment as of year end 2020. Fair value has been calculated based on a value in use model where expected cash flows are discounted over the rig's estimated remaining useful life. Incorporated in the model, one has assumed that the rig market turns into a gradual recovery i 2021. It is assumed no activity for the rig in the 1st half of 2020, a dayrate of 160 tUSD in the 2nd half of 2021, and then gradually increasing per half year and reaching tUSD 300 in 2026. The day rate is assumed to remain at that level throughout the rest of the rig's useful life. Cost escalation is assumed at 0.75 % p.a.

The model assumes a WACC of 10%, remaining useful life of 15 years and a long-term utilization of 97 %.

Sensitivity:
The company has prepared a sensitivity analysis of the value in use model by varying two central assumptions, the discount rate (WACC) and the long-term dayrate.

WACC	Change in impairment
8 %	-45 000
9 %	-21 000
10 %	-
11 %	20 000
12 %	37 000

Percentage change in long-term dayrates	Change in impairment
-17 %	65 000
-8 %	33 000
0 %	-
8 %	-32 000
17 %	-64 000

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Note 12 - Borrowings
Parent company and group

Borrowings

	2019	2020
Non-current		
Bank/bond borrowings	-	-
Convertible loan	11 100	-
Capital Investment Loan	5 990	95 751
Lease Liability	-	719
Liquidity loan	-	69 800
Current		
Bank/bond borrowings incl accrued interests	246 491	73 418
Other short term liabilities	-	122

The carrying value of the bank/bond borrowings are specified below

	2019	2020
Nominal value of borrowings from GIEK - Facility A	176 471	-
Nominal value of borrowings from bank syndicate - Facility B	70 588	-
Payments included in calculation of amortised cost	-1 863	-
Accrued interests	1 294	-
Term loan Facility Agreement (Refinanced Facility B)	-	73 418
Total	**246 491**	**73 418**

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2019	2020
USD	246 491	73 418

Owner contribution as of 31.12.2020:

	Usecured WCF	Capex Loans and Sub WC Loans	Liquidity loans	Net Facility A Commitment	Total
Rig Invest LLC		11 397	34 900	41 687	87 984
Borgstein AS		3 868		13 441	17 309
Meteva AS		4 737	34 900	15 051	54 688
Alpha Marine					0
Borgstein AS					0
Meteva AS					0
Alden		750		4 821	5 571
Total	**0**	**20 752**	**69 800**	**75 000**	**165 552**

In connection with the refinancing of the Senior Facility Agreement, the owners have provided significant contributions through a so-called Waterfall and intercreditor agreement.

Rig Invest LLC and Meteva AS has provided a liquidity loan classified as current in the balance sheet amounting to 69,8 MUSD.
In 2020, Rig Invest LLC, Borgstein AS and Meteva AS have provided a capex loan in the aggregate amount of 10,6 MUSD. In addition, Rig Invest AS, Borgstein AS, Meteva and Alden has provided a subordinated WC loan of 10 MUSD.

Facility A in the Senior Facility Agreement was in December 2020 sold to Rig Invest AS, Borgstein AS, Meteva AS and Alden AS. After this transaction, the Company owes approximately 75 MUSD to the mentioned parties to an amount of 75 MUSD through a so-called "Net Facility A Commitment.

The working capital facility was convertible to a share price of USD 22,8572 per share. In 2020, the working capital facility was fully converted. As of March 2020, 485 624 shares were converted amounting to approximately 11,1 MUSD which was registered in the Company Register in March 2020.

The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The estimated equity instrument amounts to 4,8 MUSD and is presented as equity in the financial statements. The fair value of the liability portion of the convertible working capital facility is estimated using an equivalent market interest.

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Refinancing of Facility A and Facility B:
On May 5th 2017 the Company entered into a 247 MUSD term loan facility agreement ("Senior Facility Agreement") for the financing of Island Innovator. The Senior Facility Agreement consisted of two facilities regulated by a join agreement, "Facility A" and "Facility B". In the original agreement, Facility A constituted of 176 MUSD and Facility B 71 MUSD. The Company was in breach with the covenants of Facility A and Facility B as of 31.12.2019. As the Company did not receive a waiver before the reporting date, the loans were classified as current liabilities.

The Company entered into a refinancing agreement of both Facility A and Facility B on 22 December 2020. At the aforementioned date, the Facility A was sold to an aggregate amount of MUSD 75. In connection with this transaction, Rig Invest, Borgstein, Meteva and Alden provided a so-called "Net Facility A Commitment" to the company of MUSD 75. The difference between the outstanding amount of Facility A and the MUSD 75 amount was forgiven by the previous creditor. The Net Facility A Commitment is an interest-free, unsecured and subordinated loan to the debtors.

Both the book value and the outstanding amount of Facility A were significantly lower than 75 MUSD at 22. December 2020. The restructuring of Facility A is in accordance with IFRS 9 considered as substantial. Hence, the financial liability was derecognized and the difference between the carrying amount and the new agreement is recognized a profit in the financial statement. A detailed calculation of this profit is provided below.

Facility B was also restructured into a new loan ("Term Loan Facility Agreement") where the Company applied all amounts borrowed to refinance Facility B. The Term Loan Facility Agreement amounted to USD 73 367 440. The interest terms for the Term Loan Facility Agreement is LIBOR 3 months + 4,0% p.a. The loan is secured by a pledge in the rig. In addition, some of the owners have given guarantees for the loan.

A summary of the financial covenants of the Term Loan Facility Agreement is provided below:
- The working capital shall at all times be positive
- AMS shall at any time either have a minimum book equity MUSD 70 or a minimum free liquidity of MUSD 10.

In addition, there are several general undertakings in the Term Loan Facility Agreement.

As of 31.12.2020 the Company was in breach with the working capital covenant. Hence, the loan is classified as current. A waiver has been received in 2021.

Gain from refinancing of Facility A:

Outstanding amount per 22. December 2020	176 470 588
Net book value per 22. December 2020 (including accrued interests)	167 630 941
Outstanding amount "Net Facility A Commitment"	75 000 000
Gain in P&L from the refinancing	**92 630 941**

The table below shows the estimated nominal repayment profile including interest and guarantee provisions for the loans after the balance date (assuming 4 % interests p.a.).

	2 021	2022	2 023	2024	Sub	Total
Term Loan Facility Agreement		-			-	-
Repayment		-	2 500 000	70 867 440	-	73 367 440
Interests	2 934 698	2 934 698	2 934 698	2 834 698	-	11 638 790
Total instalments	**2 934 698**	**2 934 698**	**5 434 698**	**73 702 138**	**-**	**85 006 231**

	2019	2020
Debt secured by pledges:	246 491	73 418
Pledged assets:		
Rig	223 496	201 013
Sum	223 496	201 013

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Note 13 - Cash and cash equivalents

Parent Company 2019	2020		Group 2019	2020
7 023	122	Bank deposits	7 824	1 344
42	26	Restricted cash withholdings	776	284

Note 14 - Share capital and shareholder information

The share capital of the company is registered in Norwegian Kroner (NOK). The share capital in the financial statement is calculated in USD. There is only one class of shares, and all shares have the same rights.

The share capital consists of:

	Shares	Nominal value NOK	Registered in NOK	Book value in USD Share capital
Shares/share capital 31.12.2020	1 382 497	9,40	12 995 472	1 538 134

The Company's equity is lost. It is refered to statement of changes in equity for closer details.

The largest shareholders as of 31.12.20

	Shares	Ownership	Voting rights
RIG INVEST L.L.C.	578 023	41,8 %	41,8 %
MARITIME FINANCE HOLDINGS I LTD	138 250	10,0 %	10,0 %
IDC HOLDING AS	70 000	5,1 %	5,1 %
Borgstein AS	242 812	17,6 %	17,6 %
Meteva AS	353 412	25,6 %	25,6 %
Total	**1 382 497**	**100 %**	**100 %**

Shares owned by Members of the board and CEO	
Morten Ulstein	See below
Gary J Chouest	See below
Trond Mohn	See below

Morten Ulstein owns shares indirectly through his indirect ownership in Borgstein AS. Trond Mohn owns shares indirectly through his ownership in Meteva AS. Gary J Chouest owns shares indirectly through his indirect ownership in Rig Invest LLC

Note 15 - Exchange rates

	Exchange rate 01.01.20	Average exchange rate 2020	Exchange rate 31.12.20
USD	8,7803	9,4004	8,5326

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Note 16 - Related parties

The Group's related parties consist of main shareholders, members of the Board and management. All transactions were carried out as part of normal business and at arm's length prices.

The Company has hired management services from the company Borgstein AS. The Company pays a fixed mothly rate for management and construction supervision. In addition the Company pays for travel expenses and other out of pocket expenses. The following transactions were carried out with related parties:

Purchase of services:	2019	2020
Management from Borgstein AS	344	400
Sum	**344**	**400**

	2019		2020	
Guarantees given by previous shareholders	Guarantee amount	Guarantee commission accrued	Guarantee amount	Guarantee commission accrued
Alpha Marine Services LLC	55 500	0	14 538	0
Borgstein AS	18 500	0	4 747	0
Meteva AS	18 500	0	4 501	0
Alden AS	7 500	0	1 929	0
Sum	**100 000**	**0**	**25 714**	**0**

Parent Company
Year end balances arising from transactions with related parties:

	2019	2020
Other short-term payables from related parties	-	-
Trade payables	1 222	989

Group
Year end balances arising from transactions with related parties:

	2019	2020
Other short-term payables from related parties	-	-
Trade payables	1 222	989

Note 17 - Earnings per share

Earnings per share is calculated by dividing profit for the year by the weighted average number of shares outstanding.

Parent Company 2019	Parent Company 2020	Earnings per share	Group 2019	Group 2020
-55 337	56 918	Profit for the year attributable to shareholders	-55 290	58 214
896 873	1 280 050	Weighted average number of ordinary shares	896 873	1 280 050
896 873	1 280 050	Weighted average number of shares for calculation of dilluted earnings	896 873	1 280 050
-61,70	44,47	Earnings per share (USD)	-61,65	45,48
-61,70	44,47	Diluted earnings per share (USD)	-61,65	45,48

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Note 18 - Financial assets and liabilities by category

Parent company

This note gives an overview of the carrying and fair value of Island Drilling Company AS's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding financial risk.

The maturity of all current assets and liabilities are within 12 months, while borrowings are measured at amortised cost in accordance with IFRS 9.

Parent Company 2019	Parent Company 2020		Category:	Group 2019	Group 2020
		Financial assets:			
370	456	Receivables	1)	1 509	326
7 023	122	Bank deposits	1)	7 824	1 344
7 393	**578**			**9 333**	**1 670**
		Financial liabilities:	**Category:**		
76 882	3 512	Accounts payables and other payables*	3)	78 844	3 335
262 295	239 687	Borrowings, incl accrued interest	3)	262 295	239 687
0	0	Financial instruments at fair value	2)	-	-
339 177	**243 200**			**341 138**	**243 023**

1): Loans and receivables
2): Fair value through profit and loss
3): Other financial liabilities, amortised cost

* Statutory liabilities are excluded from accounts payables and other payables as this analysis is only required for financial instruments

Group

31.12.2020

	Financial instruments at fair value through profit and loss	Financial instruments at fair value comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	**Total**	Fair value
Assets						
Account receivables	-	-	-	326	326	326
Other current receivables	-	-	-	445	445	445
Cash and cash equivalent:	-	-	-	1 344	1 344	1 344
Total financial assets	-	-	-	**2 115**	**2 115**	**2 115**
Liabilities						
Borrowings including curr	-	-	239 687	-	239 687	239 687
Other short term liabilitie	-	-	-	-	-	-
Accounts payable and other current liabilities	-	-	-	3 335	3 335	3 335
Unrealized disagio currency swaps	-	-	-	-	-	-
Total financial liabilities	-	-	**239 687**	**3 335**	**243 023**	**243 023**
Total financial instrumen	-	-	**(239 687)**	**(1 220)**	**(240 907)**	**(240 907)**

ISLAND DRILLING

Island Drilling Company AS
Notes

31.12.2019

	Financial instruments at fair value through profit and loss	Financial instruments at fair value comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Fair value
Assets						
Account receivables	-	-	-	1 509	1 509	1 509
Other current receivables	-	-	-	693	693	693
Cash and cash equivalent:	-	-	-	7 824	7 824	7 824
Total financial assets	-	-	-	**10 026**	**10 026**	**10 026**
Liabilities						
Borrowings including curr	-	-	262 295	-	262 295	262 295 *
Other short term liabilitie	-	-	-	-	-	-
Accounts payable and oth	-	-	-	78 844	78 844	78 844
Unrealized disagio curren	-	-	-	-	-	-
Total financial liabilities	-	-	**262 295**	**78 844**	**341 139**	**341 138**
Total financial instrumen	-	-	**(262 295)**	**(68 818)**	**(331 113)**	**(331 112)**

*
Borrowings do not have quoted prices and fair value is estimated as nominal value.

Parent company
31.12.2020

	Financial instruments at fair value through profit and loss	Financial instruments at fair value comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Fair value
Assets						
Account receivables	-		-	456	456	456
Other current receivables	-	-	-	228	228	228
Cash and cash equivalent:	-	-	-	122	122	122
Total financial assets	-	-	-	**806**	**806**	**806**
Liabilities						
Borrowings including curr	-	-	239 687		239 687	239 687 *
Other short term liabilitie	-	-	-	-	-	-
Accounts payable and other current liabilities	-	-	-	3 512	3 512	3 512
Unrealized disagio currency swaps	-	-			-	-
Total financial liabilities	-	-	**239 687**	**3 512**	**243 200**	**243 200**
Total financial instrumen	-	-	**(239 687)**	**(2 706)**	**(242 394)**	**(242 394)**

*
Borrowings do not have quoted prices and fair value is estimated as nominal value.

ISLAND DRILLING

Island Drilling Company AS
Notes

31.12.2019

	Financial instruments at fair value through profit and loss	Financial instruments at fair value comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Fair value
Assets						
Account receivables	-		-	370	370	370
Other current receivables	-	-	-	615	615	615
Cash and cash equivalent:	-	-	-	7 023	7 023	7 023
Total financial assets	-	-	-	**8 008**	**8 008**	**8 008**
Liabilities						
Borrowings including curr	-	-	262 295	-	262 295	262 295 *
Other long term liabilities	-	-	-	-	-	-
Accounts payable and oth	-	-	-	76 882	76 882	76 882
Unrealized disagio curren	-	-			-	-
Total financial liabilities	-	-	262 295	76 882	339 177	339 177
Total financial instrument	-	-	**(262 295)**	**(68 875)**	**(331 169)**	**(331 169)**

*

Borrowings do not have quoted prices and fair value is estimated as nominal value.

Note 19 - Shares in subsidiaries

Parent company

	Acquisition year	Office	Ownership share	Voting share	Book value
Island Drilling Management AS	2018	Ålesund	100%	100%	1 603
Island Drilling Crewing AS	2018	Ålesund	100%	100%	4

Group

Subsidiaries that are included in the consolidated financial statements:

	Acquisition year	Office	Ownership share	Voting share
Island Drilling Management AS	2018	Ålesund	100%	100%
Island Drilling Crewing AS	2018	Ålesund	100%	100%

ISLAND DRILLING

Island Drilling Company AS
Notes

Note 20 - Goodwill

Group

Cost Price	**Goodwill**
Opening balance 01.01.20	1 603
Additions from purchase of companies	
Cost of acquisition 31.12.20	1 603
Accumulated impairment	
Opening balance 01.01.20	-
Impairment	-
Accumulated impairment 31.12.20	-
Net carrying amound 31.12.20	**1 603**
Amortization rate	None
Useful life	Indefinite
Depreciation method	None

Additions from purchase of companies in 2018 relate to the acquisition of Island Drilling Management AS. Purchase effect from 1 November 2018. The company provides management services, including hire of onshore personnel to parent company. In the Group's profit for 2018, Island Drilling Management AS was included from the acquisition date. Final PPA allocates all value to goodwill.

Goodwill is not depreciated but is subject to impairment testing in the fourth quarter each year. The acqusition was completed in fourth quarter in 2018 and no impairment was deemed necessary in 2018. There is no indication of loss of value of the subsidiary in 2020. They have a positive operating result in 2020 of 12 183 722 NOK, a positive Equity and significant carryable deficit. In addition, there is no impairment of the fixed assets for the group.

Note 21 - Leases

Specification of right-of-use asset 2020	**Land and buildings**	**Total**
Opening balance	-	-
New contracts	-	-
Exentsion and other adjustments of existing conctracts	840	840
Termination of agreements	-	-
Foreign currency adjustments	-	-
Total aquisition cost as of 31.12	**840**	**840**
Accumulated depreciation and impairment losses as of 01.01	-	-
Depreciation in the year	-	-
Accumulated depreciation on terminated contracts	-	-
Total accumulated depreciation as of 31.12	-	-
Total carrying amount as of 31.12	**840**	**840**
Depreciation method	Linear	

Reconciliation of lease liability 2020	**Land and buildings**	**Total**
Opening balance	-	-
New contracts	-	-
Exentsion and other adjustments of existing conctracts	840	840
Termination of agreements	-	-
Foreign currency adjustments	-	-
Closing balance 31.12	**840**	**840**
Of which non-current liabilities	719	719
Of which current liabilities	122	122

The Company and Group implemented IFRS 16 with effect from January 1th 2019 using the modified retrospective method. However, the impact of the implementation was considered immaterial as the Group only had minor rental contracts for office premises for adminstrative personell and no significant leasing agreement which exceeded one year. Subsequently, there have been adjustment to the office premises rental contract. Because of these adjustments, the Company and Group recognized per 31.12.20 a lease liability and a right-of-use asset amounting to approximately TUSD 840.

ISLAND DRILLING

Island Drilling Company AS

Notes

Note 22 - Going concern

The high market volatility caused by the COVID-19 pandemic increases the risk regarding the going concern assumption for most companies. This is also the case for the Company. The global covid-19 pandemic has resulted in substantial reductions/postponement in investment activities and work scopes that were initially planned for 2020. There are limited available work scopes in 2021. The majority of demand for rigs seems to take place in 2022 and onwards. The situation has also put an immense pressure on future rig rates.

The Company was in breach of its financial covenants at year-end 2019, as the Company's cash reserves were below the Minimum Cash Requirement of 10 MUSD agreed with the banks. The breach was continuing in 2020 and the Company was in discussions with its creditors.

In Q4 2020, an agreement was reached with the largest senior secured lender to the Company (Facility A) according to which the loan was bought by the major owners at a significant discount. Simultaneously, an agreement was reached with the senior secured lenders providing Facility B to extend the maturity and agree on a revised repayment plan while the major owners agreed to provide further working capital through establishing a subordinated working capital facility.

Although the financial restructuring significantly improved the Company's financial solidity, the liquidity risk is still an issue. Hence, continued support from the major owners is required going forward.

The major owners continued to support the Company in 2020. Since year-end 2018 to year-end 2020, the major owners have made cash contributions by the way of equity and liquidity loans in a total amount of close to USD 200 mill. Further support from the major owners have been received in 2021. The assessment is that the Island Drilling Group has the resources, organization, competence, assets and customer base to continue being a going concern.

Consequently, some uncertainty regarding the going concern assumption may still be perceived as present, but significantly decreased compared to the situation a year ago.

Note 23 - Subsequent events

There have note been any subsequents event after the balance sheet date.

Note 24 - Covid-19

The Covid-19 pandemic is causing operational disruptions to the rig activity and increases the overall risk of activity defferals and cancellations. Furthermore, the demand for rig services has declined across markets and there is increased risk of negative financial implications for the Company going forward. This could impact long-term market outlook and future assessment of recoverable amounts of the Island Drilling Group's assets.

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

ISLAND DRILLING