



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 982 411 408
Organisasjonsform: Kommandittselskap
Foretaksnavn: ISLAND OFFSHORE III KS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 08.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 23.07.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	172 367 441	173 799 571
Sum inntekter		172 367 441	173 799 571
Kostnader			
Varekostnad	8	39 835 622	30 209 813
Lønnskostnad	4,8	97 234 143	98 079 141
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	32 709 769	31 653 404
Annen driftskostnad	4	5 738 870	4 043 192
Sum kostnader		175 518 404	163 985 550
Driftsresultat		-3 150 963	9 814 021
Finansinntekter og finanskostnader			
Annen finansinntekt	2	2 229 110	170 500
Sum finansinntekter		0	0
Rentekostnad til foretak i samme konsern		1 149 072	388 422
Annen finanskostnad	2	13 010 525	15 819 942
Sum finanskostnader		0	0
Netto finans		-11 930 487	-16 037 865
Ordinært resultat før skattekostnad		-15 081 451	-6 223 844
Ordinært resultat etter skattekostnad		0	0
Årsresultat		-15 081 451	-6 223 844
Totalresultat		-15 081 451	-6 223 844
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-15 081 451	-6 223 844
Sum overføringer og disponeringer	10	-15 081 451	-6 223 844



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg	5,6	584 870 896	595 102 701
Sum varige driftsmidler		584 870 896	595 102 701
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		584 870 896	595 102 701
Omløpsmidler			
Varer			
Varer		523 487	551 346
Sum varer		0	0
Fordringer			
Kundefordringer	6,8	3 630 332	12 376 497
Andre fordringer	8	45 362 562	42 174 328
Sum fordringer		48 992 893	54 550 825
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	6	7 272 775	26 861 564
Sum bankinnskudd, kontanter og lignende		7 272 775	26 861 564
Sum omløpsmidler		56 789 156	81 963 735
SUM EIENDELER		641 660 052	677 066 436



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	11	61 700 000	247 000 000
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		61 700 000	247 000 000
Opptjent egenkapital			
Annen egenkapital		344 527 494	110 626 945
Sum opptjent egenkapital		344 527 494	110 626 945
Sum egenkapital	10	406 227 494	357 626 945
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7	169 250 000	253 962 500
Øvrig langsiktig gjeld	6,7,8	11 534 595	11 362 787
Sum annen langsiktig gjeld		180 784 595	265 325 287
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld	8	64 375	65 815
Annen kortsiktig gjeld	8	54 583 588	54 048 390
Sum kortsiktig gjeld		54 647 963	54 114 205
Sum gjeld		235 432 558	319 439 491
SUM EGENKAPITAL OG GJELD		641 660 052	677 066 436



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 508700

Enheten

Organisasjonsnummer: 982 411 408
Organisasjonsform: Kommandittselskap
Foretaksnavn: ISLAND OFFSHORE III KS
Forretningsadresse: Stålhaugen 9
6065 ULSTEINVIK

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund
Dato for fastsettelse av årsregnskapet: 08.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskap er elektronisk innlevert.
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

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

Brønnøysundregistrene, 27.06.2023



Organisasjonsnr: 982 411 408
ISLAND OFFSHORE III KS

RESULTATREGNSKAP

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	172 367 441	173 799 571
Sum inntekter		172 367 441	173 799 571
Kostnader			
Varekostnad	8	39 835 622	30 209 813
Lønnskostnad	4, 8	97 234 143	98 079 141
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	32 709 769	31 653 404
Annen driftskostnad	4	5 738 870	4 043 192
Sum kostnader		175 518 404	163 985 550
Driftsresultat		-3 150 963	9 814 021
Finansinntekter og finanskostnader			
Annen finansinntekt	2	2 229 110	170 500
Sum finansinntekter		0	0
Rentekostnad til foretak i samme konsern		1 149 072	388 422
Annen finanskostnad	2	13 010 525	15 819 942
Sum finanskostnader		0	0
Netto finans		-11 930 487	-16 037 865
Ordinært resultat før skattekostnad		-15 081 451	-6 223 844
Ordinært resultat etter skattekostnad		0	0
Årsresultat		-15 081 451	-6 223 844
Totalresultat		-15 081 451	-6 223 844
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-15 081 451	-6 223 844
Sum overføringer og disponeringer	10	-15 081 451	-6 223 844



Organisasjonsnr: 982 411 408
ISLAND OFFSHORE III KS

BALANSE

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Maskiner og anlegg	5,6	584 870 896	595 102 701
Sum varige driftsmidler		584 870 896	595 102 701
Finansielle anleggsmidler			
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		584 870 896	595 102 701
Omløpsmidler			
Varer			
Varer		523 487	551 346
Sum varer		0	0
Fordringer			
Kundefordringer	6,8	3 630 332	12 376 497
Andre fordringer	8	45 362 562	42 174 328
Sum fordringer		48 992 893	54 550 825
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	6	7 272 775	26 861 564
Sum bankinnskudd, kontanter og lignende		7 272 775	26 861 564
Sum omløpsmidler		56 789 156	81 963 735
SUM EIENDELER		641 660 052	677 066 436
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	11	61 700 000	247 000 000
Annen innskutt egenkapital		0	0
Sum innskutt egenkapital		61 700 000	247 000 000



Opptjent egenkapital			
Annen egenkapital		344 527 494	110 626 945
Sum opptjent egenkapital		344 527 494	110 626 945
Sum egenkapital	10	406 227 494	357 626 945
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,7	169 250 000	253 962 500
Øvrig langsiktig gjeld	6,7,8	11 534 595	11 362 787
Sum annen langsiktig gjeld		180 784 595	265 325 287
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld	8	64 375	65 815
Annen kortsiktig gjeld	8	54 583 588	54 048 390
Sum kortsiktig gjeld		54 647 963	54 114 205
Sum gjeld		235 432 558	319 439 491
SUM EGENKAPITAL OG GJELD		641 660 052	677 066 436



Organisasjonsnr: 982 411 408
ISLAND OFFSHORE III KS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

NOTE 1 ACCOUNTING PRINCIPLES The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. Island Offshore III KS was up to 31.12.21 included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Borgstein AS, Box 370, N-6067 Ulsteinvik. The majority shareholder was diluted when a new share issue was completed in January 2022, thus no owner has majority interest and the Company is from January 2022 not consolidated as a subsidiary in the Island Offshore Shipholding Group. The significant principles are described below. Classification criteria Assets to be owned or utilized permanently and receivables falling due later than one year from the end of the accounting period are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first installment on secured debt which is serviced by the cash flow from fixed assets. Valuation of current assets Receivables are recorded net of expected future losses. Bunkers and lube oil expenses are accrued in the balance sheet at cost based on consumption. Fixed assets and depreciation Ships are recorded at purchase price less accumulated depreciation. The purchase price includes conversions, upgrades and other modifications. Ship value is depreciated linearly based upon expected economic life, but adjusted for individual modifications and residual value. Adjusted for residual value, the vessels are depreciated over 20 years from delivery from the yard. The vessel value is tested on an impairment analysis employing estimates of future cash flow for the vessel. Please refer to notes to the financial statements for details. Shipbuilding contracts Yard installments for new buildings are recorded as fixed assets. Supervision and other investments not included in the contracted price are also capitalized. Capitalized periodical maintenance (dry docking) The Company has a program for maintenance and classification of machinery, equipment and hulls. Expenses are capitalized and expensed over the period to the next scheduled dry docking. Normal maintenance expenses are expensed as incurred. Financing expenses Expenses incurred in connection with new loans are capitalized at the date of drawdown and expensed over the term of the loan. Currency Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. Contract revenue in foreign currency is hedged by use of forward FX contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred. Revenue and expense recognition Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting period. Commissions are recognized as revenue when earned. Taxes Deferred tax/tax asset is calculated on the basis of all differences between accounting and tax values for assets and liabilities. Deferred tax is estimated with 22% rate based on the temporary differences between tax and accounting values, as well as deferred tax loss carried forward at the end of the accounting year. In accordance with NGAAP, deferred tax/tax asset is not recorded for participation taxed companies. Cash flow statement The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term cash equivalents.



Note

1

Er det usikkerhet om fortsatt drift?: Nei

Note

Antall årsverk i regnskapsåret

0.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



Island Offshore III KS

Annual report 2022

Board of directors' report

Annual accounts

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

Auditors' report



Annual Report 2022
Island Offshore III KS
Org. no 982 411 408

Business activities

The Company owns the Riserless Light Well Intervention vessel Island Constructor. The vessel has operated in Norway and Angola during 2022. The vessel is managed by Island Offshore Management AS, and the business is managed from Ulsteinvik, Norway.

Statement on results

Revenue in 2022 totals NOK 172.4 mill versus NOK 173.8 mill in 2021. Utilization was 65% compared with 77% in 2021. Overall, utilization is unsatisfactory due to rescheduled and cancelled work, idle time between jobs and dry-dock for part of a 15-year class renewal. In addition, technical down time for four weeks, partly compensated by loss of hire insurance of NOK 15 mill, impacted total utilization.

The net result for 2022 is a loss of NOK -15.1 mill versus a loss of NOK -6.2 mill in 2021.

Net equity as of 31.12.2022 is NOK 406.2 mill versus NOK 357.6 mill at 31.12.2021. The change in equity is equal to this years' loss and a capital contribution of net NOK 41.7 mill. In addition, as part of the restructuring agreement forgiveness of bank debt of NOK 23.0 mill has been recorded directly towards equity. Net equity ratio is 63.3% as per 31.12.22 compared to 52.8% at 31.12.21.

Cash flow from operational activities is positive with NOK 23.9 mill. Investments in 2022 include NOK 22.5 mill related to part of the 15-year class renewal including main engine overhaul and vessel upgrades. Cash flow from financing activities includes payment of installments to secured lenders of NOK 62.7 mill. Considering the capital contribution of NOK 41.7 mill, net cash flow is negative with NOK 19.6 mill in 2022 resulting in a net cash reserve of NOK 7.3 mill at 31.12.2022.

The Company does not have ongoing research and development activities.

Going concern

The current Restructuring Agreement with secured lenders was agreed in December 2021 and made effective in January 2022. The senior secured lenders agreed to extend their loans until the end of 2024 at amended terms. The Company has serviced its debt according to the agreed revised amortization plan. In addition, the market is showing signs of improvement and the backlog for vessel is increasing.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption.

The basis for this assumption is the financial position of the Company at 31.12.2022, including the financial restructuring agreement agreed in December 2021 and made effective in January 2022. In

Island Offshore III KS
Org. no 982 411 408



addition, the Company has received a waiver for the minimum cash requirement under the secured loan agreement until August 2023.

Work environment and gender equality

The Company does not have employees. The crew is hired from the Vessel Manager Island Offshore Management AS and its subsidiary Island Offshore Crewing AS. The Manager continuously work to promote gender equality in all aspects of the business with the objective of securing equal opportunities irrespective of gender, ethnicity, nationality, or religious orientation. The Board of directors are all men and comprises representatives from the largest participants in the partnership.

As employer the Vessel Manager has the responsibility to maintain, complete and report on progress with the work to promote and secure basic human rights and decent working conditions (Norwegian Transparency Act; "Openhetsloven"). The report will be available on Island Offshore's webpage www.islandoffshore.com before 30.06.23.

External environment

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

Financial risk

The demand for LWI services has improved in 2022 and the outlook for 2023 and 2024 is positive. The Company's long-term liabilities to financial institutions totals NOK 169.3 mill.

The cash reserve is limited at year-end, and the Company is dependent on flexible payment terms from the Manager. However, the improved outlook and backlog for 2023 is satisfactory and it is assumed that the Company will restore a sufficient cash reserve to support future operation.

Future outlook

The vessel is well-established in the Norwegian and international LWI market with a multiple end-client base. The vessel's firm backlog is satisfactory for 2023 and the outlook for 2024 is also positive.

The current geopolitical situation could have a negative impact on the financial outlook for the Company and thus the recoverable amounts of assets.

The Board of Directors will continue to monitor the financial situation of the Company closely and will assess the need for additional financial measures going forward.

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

Island Offshore III KS
Org. no 982 411 408



Other matters

The board members are covered by a director and officers liability insurance purchased and maintained by the company. The insurance policy is issued by a reputable insurer with an appropriate rating.

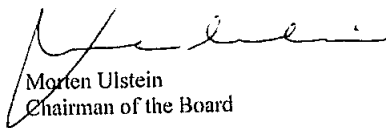
Beyond the above, the Board of Directors is not aware of any subsequent events that could be significant for the evaluation of the Company's financial position and results. Reference is made to the income statement, balance sheet, cash flow statement and notes.

Allocation of results

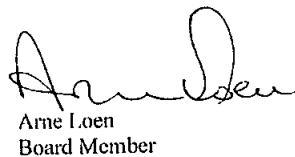
The Board proposes the following allocation of the 2022 net loss of NOK -15.081.451

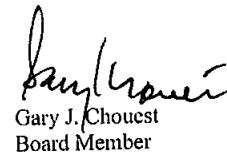
Transferred to other equity	NOK -15.081.451
-----------------------------	-----------------

Ulsteinvik, 27.04.23


Morten Ulstein
Chairman of the Board


Dino D. Chouest
Board Member


Arne Løen
Board Member


Gary J. Chouest
Board Member


Harald Ulstein
Board Member

Island Offshore III KS
Org. no 982 411 408



Island Offshore III KS

Income statement

	Note	2022	2021
Revenue			
Freight income	3	<u>172 367 441</u>	<u>173 799 571</u>
Operating expenses			
Vessel expenses	8	39 835 621	30 209 813
Crew expenses	4,8	97 234 143	98 079 140
Depreciation	5	32 709 769	31 653 404
Other operating expenses	4	<u>5 738 871</u>	<u>4 043 194</u>
Total operating expenses		<u>175 518 404</u>	<u>163 985 551</u>
Operating result		<u>-3 150 963</u>	<u>9 814 020</u>
Financial income and expenses			
Other financial income	2	2 229 110	170 500
Interest paid to group companies		1 149 072	388 422
Other financial expenses	2	<u>13 010 526</u>	<u>15 819 942</u>
Net financial items		<u>-11 930 488</u>	<u>-16 037 864</u>
Ordinary result before tax		<u>-15 081 451</u>	<u>-6 223 844</u>
Net profit or loss for the year		<u>-15 081 451</u>	<u>-6 223 844</u>
Allocated as follows			
Transferred to other equity	10	<u>-15 081 451</u>	<u>-6 223 844</u>



Island Offshore III KS

Balance sheet as of December 31

	Note	2022	2021
Fixed assets			
<i>Tangible assets</i>			
Ships	5,6	<u>584 870 896</u>	<u>595 102 701</u>
Total tangible assets		<u>584 870 896</u>	<u>595 102 701</u>
Total fixed assets		<u>584 870 896</u>	<u>595 102 701</u>
Current assets			
Inventories		<u>523 487</u>	<u>551 346</u>
<i>Receivables</i>			
Trade receivables	6,8	<u>3 630 332</u>	<u>12 376 497</u>
Other receivables	8	<u>45 362 561</u>	<u>42 174 329</u>
Total accounts receivable		<u>48 992 893</u>	<u>54 550 826</u>
Cash and cash equivalents	6	<u>7 272 775</u>	<u>26 861 563</u>
Total current assets		<u>56 789 155</u>	<u>81 963 735</u>
Total assets		<u>641 660 051</u>	<u>677 066 436</u>

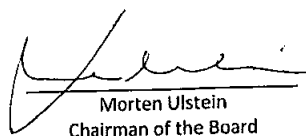


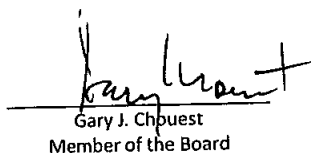
Island Offshore III KS

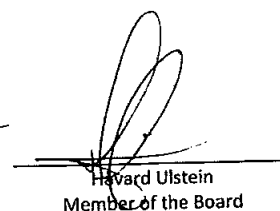
Balance sheet as of December 31

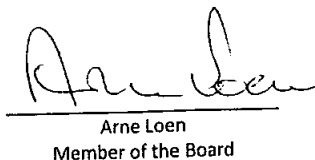
	Note	2022	2021
Equity			
<i>Paid-in capital</i>			
Equity, undistributable	11	<u>61 700 000</u>	<u>247 000 000</u>
Total paid-in capital		<u>61 700 000</u>	<u>247 000 000</u>
<i>Retained earnings</i>			
Other equity		<u>344 527 494</u>	<u>110 626 944</u>
Total retained earnings		<u>344 527 494</u>	<u>110 626 944</u>
Total equity	10	<u>406 227 494</u>	<u>357 626 944</u>
Liabilities			
<i>Other long-term liabilities</i>			
Liabilities to financial institutions	6,7	<u>169 250 000</u>	<u>253 962 500</u>
Other long-term liabilities	6,7,8	<u>11 534 595</u>	<u>11 362 787</u>
Total other long term liabilities		<u>180 784 595</u>	<u>265 325 287</u>
<i>Current liabilities</i>			
Trade creditors	8	<u>64 375</u>	<u>65 815</u>
Other short-term liabilities	8	<u>54 583 587</u>	<u>54 048 390</u>
Total current liabilities		<u>54 647 962</u>	<u>54 114 205</u>
Total liabilities		<u>235 432 557</u>	<u>319 439 492</u>
Total equity and liabilities		<u>641 660 051</u>	<u>677 066 436</u>

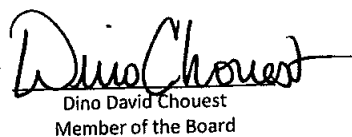
31 December 2022
Ulsteinvik, 27 April 2023


Morten Ulstein
Chairman of the Board


Gary J. Chouest
Member of the Board


Harald Ulstein
Member of the Board


Arne Loen
Member of the Board


Dino David Chouest
Member of the Board

**Cash Flow Statement**

Island Offshore III KS

	2022	2021
<i>Cash flow from operating activities</i>		
Profit before tax	-15 081 451	-6 223 844
- Taxes paid	0	0
+ Ordinary depreciation	32 709 769	31 653 404
+ Impairment provision	0	0
-/+ Change inventory	27 859	3 566 857
-/+ - Increase/ + reduction accounts receivable	8 746 165	-1 339 477
+/- + Increase/ - reduction accounts payable	-1 440	-5 765 536
+/- Change in other accruals	-2 481 226	28 030 239
= Net cash flow from operating activities	<u>23 919 676</u>	<u>49 921 643</u>
<i>Cash flow from investment activities</i>		
- Payments purchase of fixed assets	-22 477 964	-2 756 105
+ Repayment long term receivables	0	0
= Net cash flow from investment activities	<u>-22 477 964</u>	<u>-2 756 105</u>
<i>Cash flow from financing activities</i>		
- Repayment of long term liabilities	-84 712 500	-31 687 500
- Extinguish of long term liability	21 982 000	0
+ Capital call from owners	41 700 000	0
= Net cash flow from financing activities	<u>-21 030 500</u>	<u>-31 687 500</u>
= <i>Net change in cash and cash equivalents</i>	<u>-19 588 788</u>	<u>15 478 038</u>
+ <i>Cash reserve 1.1.</i>	<u>26 861 563</u>	<u>11 383 525</u>
= <i>Cash reserve 31.12</i>	<u>7 272 775</u>	<u>26 861 563</u>



Notes to the financial statements 2022

Island Offshore III KS

NOTE 1 ACCOUNTING PRINCIPLES

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

Island Offshore III KS was up to 31.12.21 included in the consolidated financial statements for Island Offshore Shipholding LP, c/o Borgstein AS, Box 370, N-6067 Ulsteinvik. The majority shareholder was diluted when a new share issue was completed in January 2022, thus no owner has majority interest and the Company is from January 2022 not consolidated as a subsidiary in the Island Offshore Shipholding Group.

The significant principles are described below.

Classification criteria

Assets to be owned or utilized permanently and receivables falling due later than one year from the end of the accounting period are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year from the end of the accounting year are classified as long term liabilities. Other debts and liabilities are classified as short term, with the exception of the first installment on secured debt which is serviced by the cash flow from fixed assets.

Valuation of current assets

Receivables are recorded net of expected future losses.
Bunkers and lube oil expenses are accrued in the balance sheet at cost based on consumption.

Fixed assets and depreciation

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

Shipbuilding contracts

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

Capitalized periodical maintenance (dry docking)

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

Financing expenses

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

Currency

Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and liabilities are recorded at the exchange rate at the balance sheet date. Contract revenue in foreign currency is hedged by use of forward FX contracts. The maturity of these contracts are aligned with the monthly cash flow thus are recognized as incurred.

**Notes to the financial statements 2022**

Island Offshore III KS

Revenue and expense recognition

Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting period. Commissions are recognized as revenue when earned.

Taxes

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

Cash flow statement

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

NOTE 2 SPECIFICATIONS

	2022	2021
Interest income from bank	190 473	73 132
Foreign exchange gain realized	1 909 880	72 274
Foreign exchange not realized	120 832	17 094
Other financial income	7 924	8 000
Total other financial income	2 229 110	170 500

	2022	2021
Foreign exchange loss on currency	1 227 907	384 348
Other financial interest expenses	961 224	-
Arrangement fee bank	713 438	-
Interest cost long term loan	10 106 490	15 428 115
Other financial costs	1 467	7 479
Total other financial costs	13 010 525	15 819 942

NOTE 3 GEOGRAPHICAL SPLIT OF REVENUE

In NOK mill	2022	2021
Norway	119,4	131,1
UK	-	6,2
Angola	52,9	36,5
Total Revenue	172,4	173,8

Average utilization in 2022 was 65% compared with 77% in 2021, thus average charter hire rates were considerably higher than last year.

**Notes to the financial statements 2022**

Island Offshore III KS

NOTE 4 PAYROLL, EMPLOYEES

The company has no employees and no obligation to have pension funds. Crew expenses in the financial statements relate to hired crew.

Auditor

Audit fees total NOK 176.645 excluding VAT and can be specified as follows:

Audit incl. assessment going concern	100.250
Advisory and tax filing	71.250
Other	5.145
Sum	176.645

The fees include work performed for the general partner Island Offshore XI AS.

NOTE 5 FIXED ASSETS

	Vessel	Projects in progress	Capitalized maintenance	Total
Acquisition cost 1.1	984 480 615	2 670 961	70 619 889	1 057 771 465
Additions	-	12 527 066	9 950 899	22 477 965
Accumulated impairment provision	-65 545 690		-	-65 545 690
Accumulated depreciation 31.12.	-365 966 705		-63 866 138	-429 832 843
Book value 31.12.	552 968 220	15 198 027	16 704 650	584 870 897
This year's impairment provision	0			-
This year's depreciation charge	23 855 640		8 854 129	32 709 769
Economic life	20 yrs		3-5 yrs	
Depreciation plan	Linear		Linear	

The estimated market value of Island Constructor obtained from independent ship brokers, is higher than the net book value of the vessel. Due to the present market situation with regards to sale and purchase of vessels, the vessel value is also subject to an impairment test analysis employing estimates of future cash flow for the vessel.

The analysis take into account the present market situation and includes gradual improvement both in utilization and charter hire rates throughout of the expected usage time for the vessel. Key assumption in the analysis include the Weighted Average Cost of Capital (WACC), which is set to 9%. The usage period of the vessel is assumed to be 30 years after delivery.

The analysis did not indicate additional impairment on vessel value. Previous year's impairment is kept at NOK 65.5 mill in the balance sheet.



Notes to the financial statements 2022

Island Offshore III KS

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

IN NOK MILL

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

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

Impairment provision on vessel value	Sensitivity		
	-10%	basis	+10%
Change in day rate			
Island Offshore III KS	-0	-	-

Note that when amending key assumption with negative effect on impairment provision estimate, the corresponding improvement of key assumption will not have the equivalent positive effect, since previous impairment provision is assumed not to be reversed and the fact that value of vessel can only be adjusted back to original net book value.

NOTE 6 MORTGAGE AND GUARANTEE LIABILITIES

	2022	2021
Liabilities secured by mortgage	169 250 000	253 962 500
Book value of pledged assets:		
Ships	584 870 896	595 102 701
Cash deposits	7 272 775	26 861 563
Factoring	3 630 332	12 376 497
Total	595 774 003	634 340 761



Notes to the financial statements 2022

Island Offshore III KS

NOTE 7 LONG TERM LOANS

	2022	2021
Loans from financial institutions	169 250 000	253 962 500
Loan from general partner	11 534 595	11 362 787
Total	180 784 595	265 325 287

The Company's restructuring agreement with the bank was effective in January 2022 and included partial buy back of the loan at a discount of NOK 22.0 mill and issue of new equity NOK 41.7 mill.

The loan is financed by one financial institution. The remaining loan balance will be repaid with an annual installment of NOK 28 mill. The remaining loan will mature on 31.12.2024.

In accordance with Norwegian Accounting Principles, the loans from financial institution is classified as long term loan as per 31.12.22

NOTE 8 LIABILITIES TO RELATED PARTIES

	2022	2021
Other receivables	32 564 430	24 306 045
Other long term liabilities	-11 534 595	-11 362 787
Other short term liabilities	-49 062 000	-49 472 237

Other receivables are fixed prepayment on operating expenses towards Island Offshore Management AS and outstanding bareboat hire for Island Constructor from Island Offshore Subsea UK Ltd. Other long term liabilities are loan from general partner Island Offshore XI AS. Other short term liabilities are due to Island Offshore Crewing AS and Island Offshore Management AS including accrued interests.

Loans are charged at market rates.

	2022	2021
Management services	-4 741 596	-3 695 668
Crew hire	-97 234 143	-98 079 141
Bareboat Contract Revenue	-	6 178 503
Agent contract revenue	46 900 473	0

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



Notes to the financial statements 2022

Island Offshore III KS

The Company has in 2022 entered into Agent Contract with Island Offshore Subsea UK Limited. No risk involved for operating company thus all revenue and operating expenses relating to the vessel is recharged to shipowner.

The Company has in 2021 entered into Bareboat Charter Agreement with Island Offshore Subsea UK Limited. The bareboat rent was based on arms-length principles and based on BIMCO standard Bareboat Charter Agreement.

NOTE 9 TAXES

Ordinary taxation:

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

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

Deferred tax has been calculated on the basis of the following temporary differences:

	<u>2022</u>	<u>2021</u>
Gains/loss account	5 217 269	6 521 586
Fixed assets	414 513 187	417 810 904
Deferred interest expenses	-	-196 583
Total temporary differences	419 730 456	424 135 907
Deferred tax	<u>92 340 700</u>	<u>93 309 900</u>
Tax rate	<u>22 %</u>	<u>22 %</u>

In accordance with GAAP deferred tax is not recorded in companies taxed as partnerships.

**Notes to the financial statements 2022**

Island Offshore III KS

A specification of the differences between accounting profit before tax and taxable profit is presented below.

	<u>2022</u>	<u>2021</u>
Ordinary result before taxes	-15 081 451	-6 223 844
<i>Permanent differences</i>		
Non-deductible expenses	9 505	4 710
Taxes paid abroad	-	-
<i>Change in temporary differences</i>		
Gains/loss account	1 304 317	1 630 397
Fixed assets	3 297 717	-52 614
Tax base	<u>-10 469 912</u>	<u>-4 641 351</u>
Denied deduction interests expenses related parties	784 604	216 614
Annual tax base	<u>-9 685 308</u>	<u>-4 424 737</u>

NOTE 10 EQUITY

	<u>2022</u>	<u>2021</u>
Tied up capital	61 700 000	98 800 000
Free capital	-	148 200 000
Registered capital	61 700 000	247 000 000
Uncalled capital	-	-
Paid in capital	<u>61 700 000</u>	<u>247 000 000</u>
Other equity 01.01	110 626 944	116 850 788
Reduction in paid in capital applied to other equity	227 000 000	-
Extinguish of long term liability	21 982 000	-
Annual net result	-15 081 451	-6 223 844
Retained earnings 31.12	<u>344 527 494</u>	<u>110 626 944</u>
Total equity 31.12	<u>406 227 494</u>	<u>357 626 944</u>

As part of the Company's restructuring agreement with the banks, an extraordinary Partnership Meeting resolved to reduce share capital from NOK 247.000.000 by NOK 227.000.000 to NOK 20.000.00 by reducing nominal value of the existing shares from NOK 1,- to NOK 0,081. The reduction in share capital was applied to retained equity. In the same meeting, resolution was made to increase share capital with NOK 41.700.000.

The restructuring agreement with the banks was effective in January 2022 and included partial buy back of the loan at a discount of NOK 22 mill recorded as direct booking towards equity.

**Notes to the financial statements 2022**

Island Offshore III KS

NOTE 11 OWNERSHIP

Participants at 31.12.2022:

Participant	Share %	Share of registered capital	Paid-in capital
<i>General Partner:</i>			
Island Offshore XI AS	10,00 %	6 170 000	28 870 000
<i>Participants:</i>			
Island Offshore Shipholding	18,54 %	11 441 326	141 300 382
Borgstein Skipsinvest AS	19,33 %	11 927 583	11 927 583
Island Investment LLC	19,33 %	11 927 583	11 927 583
Island Offshore Invest AS	6,51 %	4 017 711	18 799 240
Sneingen AS	17,61 %	10 863 721	50 832 356
EMAR Invest AS	1,67 %	1 032 048	4 829 048
Inger M. Kristensen AS	1,67 %	1 032 048	4 829 046
DUK Invest AS	1,67 %	1 032 048	4 829 046
Ingus AS	1,21 %	747 766	3 498 864
Beeline AS	1,21 %	747 766	3 498 864
HUK Invest AS	1,23 %	760 401	3 557 988
Total	100,00 %	61 700 000	288 700 000

As part of the agreed restructuring agreement agreed in December 2021 and effective in January 2022, the registered share capital was reduced with NOK 227,000,000 from NOK 247,000,000 to NOK 20,000,000 by way of reducing nominal value.

Simultaneously, the share capital was increased with NOK 41,700,000 from NOK 20,000,000 to NOK 61,700,000 by way of issuing 514,995,000 new shares in the company. Existing shareholders participated on the share capital increase with the exception of Island Offshore Shipholding LP. Borgstein Skipsinvest AS and Island Investment LLC subscribed for the relevant amount of shares.

The Company has in total 761.995.000 shares with nominal value 0,0809716 as per 31.12.22.

NOTE 12 INFORMATION ABOUT FINANCIAL INSTRUMENTS

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

There are no forward contracts used to hedge future freight revenue as per 31.12.22.



Notes to the financial statements 2022

Island Offshore III KS

NOTE 13 GOING CONCERN

The current Restructuring Agreement with secured lenders was agreed in December 2021 and made effective in January 2022. The senior secured lenders agreed to extend their loans until the end of 2024 at amended terms. The Company has serviced its debt according to the agreed revised amortization plan. In addition, the market is showing signs of improvement and the backlog for the vessel is increasing.

In accordance with the Norwegian Accounting Act § 3-3a the Board of Directors thus confirms that the financial statements are prepared on the basis of a going concern assumption. The basis for this assumption is the financial position of the Company at 31.12.2022, and the condition that a new restructuring agreement was agreed in December 2021 and made effective in January 2022 with secured lenders. In addition, the Company has received waiver from the bank regarding minimum cash requirement until August 2023.



Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen
Postboks 6163, 5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Partnership Meeting of Island Offshore III KS

Opinion

We have audited the financial statements of Island Offshore III KS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



Building a better
working world

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bergen, 3 May 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

Independent auditor's report - Island Offshore III KS 2022

A member firm of Ernst & Young Global Limited

Permeo document key: Z6W8S-1FC1X-26Z58-00DCY-XBV/LW-UV68X



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

På vegne av: Ernst & Young AS

Serienummer: 9578-5992-4-3012515

IP: 88.92.xxx.xxx

2023-05-03 16:29:32 UTC



Penneo Dokumentnøkkel: Z6W8S-1FC1X-26Z58-00DCY-XBVLW-LIV68X

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validator>



Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 11.10.2013	Vår dato 29.10.2013
Telefon 22 66 11 14	Deres referanse Tommy Walaunet	Vår referanse 2013/779184

ISLAND OFFSHORE MANAGEMENT AS
Postboks 370
6067 ULSTEINVIK

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

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

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

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

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo
skatteetaten.no/sendepost

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

Sentrålbord
800 80 000
Telefaks
22 17 08 60



2013/779184 Side 3 av 3

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

Seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Geir Johannessen