



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 915 143 415  
Organisasjonsform: Kommandittselskap  
Foretaksnavn: ISLAND NAVIGATOR HOLDING KS  
Forretningsadresse: Stålhaugen 9  
6065 ULSTEINVIK

### Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Nei

### Regnskapsregler

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

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Asbjørn Hasund  
Dato for fastsettelse av årsregnskapet: 08.06.2018

### Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert  
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

*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, 03.11.2020



## Resultatregnskap

| Beløp i: NOK   | Note | 2017           | 2016              |
|--|------|----------------|-------------------|
| <b>RESULTATREGNSKAP</b>                                      |      |                |                   |
| <b>Inntekter</b>   |      |                |                   |
| Sum inntekter  |      | 0              | 0                 |
| <b>Kostnader</b>   |      |                |                   |
| Annen driftskostnad  |      | 20 501         | 16 529            |
| Sum kostnader  |      | 20 501         | 16 529            |
| <b>Driftsresultat</b>  |      | <b>-20 501</b> | <b>-16 529</b>    |
| <b>Finansinntekter og finanskostnader</b>                    |      |                |                   |
| Inntekt på investering i datterselskap og tilknyttet selskap |      | 636 950        | -1 463 539        |
| Annen renteinntekt   |      | 122            | 2 849             |
| Annen finansinntekt  |      | 208            |                   |
| Sum finansinntekter  |      | 637 279        | -1 460 690        |
| Rentekostnad til foretak i samme konsern                     |      | 137 912        | 32 954            |
| Annen finanskostnad  |      | 208            |                   |
| Sum finanskostnader  |      | 138 120        | 32 954            |
| <b>Netto finans</b>  |      | <b>499 159</b> | <b>-1 493 644</b> |
| <b>Ordinært resultat før skattekostnad</b>                   |      | <b>478 658</b> | <b>-1 510 173</b> |
| <b>Ordinært resultat etter skattekostnad</b>                 |      | <b>478 658</b> | <b>-1 510 173</b> |
| <b>Årsresultat</b>   |      | <b>478 658</b> | <b>-1 510 173</b> |
| <b>Totalresultat</b>   |      | <b>478 658</b> | <b>-1 510 173</b> |
| <b>Overføringer og disponeringer</b>                         |      |                |                   |
| Udekket tap  |      | 478 658        | -1 510 173        |
| Sum overføringer og disponeringer                            |      | 478 658        | -1 510 173        |



## Balanse

| Beløp i: NOK                               | Note | 2017              | 2016             |
|--|------|-------------------|------------------|
| <b>BALANSE - EIENDELER</b>                 |      |                   |                  |
| <b>Anleggsmidler</b>                       |      |                   |                  |
| <b>Immaterielle eiendeler</b>              |      |                   |                  |
| Sum immaterielle eiendeler                 |      | 0                 | 0                |
| <b>Varige driftsmidler</b>                 |      |                   |                  |
| Sum varige driftsmidler                    |      | 0                 | 0                |
| <b>Finansielle anleggsmidler</b>           |      |                   |                  |
| Investering i datterselskap                |      | 23 241 463        | 104 513          |
| Sum finansielle anleggsmidler              |      | 23 241 463        | 104 513          |
| Sum anleggsmidler                          |      | 23 241 463        | 104 513          |
| <b>Omløpsmidler</b>                        |      |                   |                  |
| <b>Varer</b>                               |      |                   |                  |
| Sum varer                                  |      | 0                 | 0                |
| <b>Fordringer</b>                          |      |                   |                  |
| Andre fordringer                           |      | 1 500 000         | 1 500 000        |
| Sum fordringer                             |      | 1 500 000         | 1 500 000        |
| <b>Investeringer</b>                       |      |                   |                  |
| Sum investeringer                          |      | 0                 | 0                |
| <b>Bankinnskudd, kontanter og lignende</b> |      |                   |                  |
| Bankinnskudd, kontanter og lignende        |      | 75 492            | 95 438           |
| Sum bankinnskudd, kontanter og lignende    |      | 75 492            | 95 438           |
| Sum omløpsmidler                           |      | 1 575 492         | 1 595 438        |
| <b>SUM EIENDELER</b>                       |      | <b>24 816 955</b> | <b>1 699 951</b> |

## BALANSE - EGENKAPITAL OG GJELD



## Balanse

| Beløp i: NOK                             | Note | 2017              | 2016              |
|--|------|-------------------|-------------------|
| <b>Egenkapital</b>                       |      |                   |                   |
| <b>Innskutt egenkapital</b>              |      |                   |                   |
| Selskapskapital                          |      | 1 600 000         | 1 600 000         |
| Annen innskutt egenkapital               |      | 0                 | 0                 |
| <b>Sum innskutt egenkapital</b>          |      | <b>1 600 000</b>  | <b>1 600 000</b>  |
| <b>Opptjent egenkapital</b>              |      |                   |                   |
| Annen egenkapital                        |      | -1 114 777        | -1 593 435        |
| <b>Sum opptjent egenkapital</b>          |      | <b>-1 114 777</b> | <b>-1 593 435</b> |
| <b>Sum egenkapital</b>                   |      | <b>485 223</b>    | <b>6 565</b>      |
| <b>Gjeld</b>                             |      |                   |                   |
| <b>Langsiktig gjeld</b>                  |      |                   |                   |
| <b>Sum avsetninger for forpliktelser</b> |      | <b>0</b>          | <b>0</b>          |
| <b>Annen langsiktig gjeld</b>            |      |                   |                   |
| Øvrig langsiktig gjeld                   |      | 24 146 641        | 1 646 641         |
| <b>Sum annen langsiktig gjeld</b>        |      | <b>24 146 641</b> | <b>1 646 641</b>  |
| <b>Sum langsiktig gjeld</b>              |      | <b>0</b>          | <b>0</b>          |
| <b>Kortsiktig gjeld</b>                  |      |                   |                   |
| Leverandørgjeld                          |      | 641               |                   |
| Annen kortsiktig gjeld                   |      | 184 451           | 46 746            |
| <b>Sum kortsiktig gjeld</b>              |      | <b>185 091</b>    | <b>46 746</b>     |
| <b>Sum gjeld</b>                         |      | <b>0</b>          | <b>0</b>          |
| <b>SUM EGENKAPITAL OG GJELD</b>          |      | <b>24 816 955</b> | <b>1 699 951</b>  |



**Skattedirektoratet**

|  |  |                              |
|--|--|------------------------------|
| Saksbehandler<br>Torstein Kinden Helleland | Deres dato<br>16.02.2016               | Vår dato<br>23.02.2016       |
| Telefon<br>22078139                        | Deres referanse<br>Mai-Britt Myklebust | Vår referanse<br>2013/779184 |

ISLAND OFFSHORE MANAGEMENT AS  
Postboks 370  
6067 ULSTEINVIK

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk**

Det vises til deres brev av 16. februar 2016, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

|   |                     |
|---|---------------------|
| Island Offshore International Shipping AS | org.nr. 914 405 025 |
| Island Navigator Holding AS               | org.nr. 915 143 407 |
| Island Navigator Holding KS               | org.nr. 915 143 415 |
| Island Navigator I AS                     | org.nr. 815 143 442 |
| Island Navigator I KS                     | org.nr. 915 143 466 |
| Island Navigator Shipping AS              | org.nr. 915 143 512 |

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.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

**Bakgrunn**

Selskapene er norske private aksjeselskaper og kommandittselskaper. Alle selskapene er majoritets eid direkte eller indirekte av en utenlandsk aksjonær Island Offshore Shipholding, L.P. som er et Cayman Island selskap med NUF registrering 990 035 903 i Norge. Island Offshore Shipholding, L.P. kontrolleres ultimat 50 % av en utenlandsk familie (Gary Chouest m/familie) og ultimat 50 % av en norsk familie (Morten Ulstein m/familie). Skattedirektoratet har tidligere gitt tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for flere sammenlignbare selskaper i deres portefølje. Selskapenes forretningspråk er engelsk, som også er arbeidsspråket i styrene. Leverandørene er i hovedsak internasjonale og norske virksomheter med leveranser til offshore industrien, mens kreditorene er finansinstitusjoner med internasjonal virksomhet. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

**Skattedirektoratets vurdering**

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

|  |  |  |
|--|--|--|
| Postadresse<br>Postboks 9200 Grønland<br>0134 Oslo | Besøksadresse:<br>Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a><br>Org.nr: 996250318<br>E-post: <a href="mailto:skatteetaten.no/sendepost">skatteetaten.no/sendepost</a> | Sentralbord<br>800 80 000<br>Telefaks<br>22 17 08 60 |
|--|--|--|



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene er eiet av et utenlandsk selskap. Eierkretsen er begrenset. Selskapenes forretningspråk er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Inger Helene Iversen  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



**Financial Statements  
2017**

**Island Navigator Holding KS**



**ISLAND OFFSHORE**



**Annual Report 2017**  
**Island Navigator Holding KS**  
Org. no: 915 143 415

**Business activities**

The Company is a partnership holding an interest in Island Navigator I KS, which had a shipbuilding contract with Kawasaki Heavy Industries for delivery of a top-hole drilling vessel in January 2019. In January 2018, the parties agreed a terminations agreement whereby the shipbuilding contract was terminated and the associated financing annulled. Island Navigator I KS will receive a compensation for the cancelled contract by way of repayment of instalment, annulment of seller financing and the receipt of project specific equipment purchased by the builder. The business is managed from Ulsteinvik.

**Statement on results**

The Company's revenue comprises share of profit and loss from limited companies and partnership. Last year's result from subsidiaries ended with a profit of NOK 636.950.

The income statement ended with a profit NOK 478.658 compared with loss NOK -1.510.173 in 2016 mainly due to profit or loss from partnerships.

The Company does not have ongoing research and development activities.

The equity as per 31.12.17 is NOK 485.223. It is expected that the compensation received by Island Navigator I KS from the shipyard, for the cancellation of the construction agreement, will have a positive effect on the value of the Company's investments. The Board of Directors is continuously monitoring the funding need of the Company in order to strengthen the solidity and liquidity of the company.

**Going concern**

Due to the continued state of the market and the implications for cash flow, the Island Offshore Group, including the parent company Island Offshore Shipholding L.P., initiated negotiations for a Standstill and Deferral Agreement with secured creditors effective 22.11.2016. The Group presented a holistic and comprehensive restructuring proposal to the secured lenders, which at year-end 2017 still was being evaluated by respective financial and legal advisors. Selective measures representing part of this proposal was implemented to facilitate and enable solutions for individual companies within the Group. Effective April 12<sup>th</sup>, 2018, all of the documentation in relation to the relevant parties to the Restructuring Agreement was in agreed form and signed, and thus the refinancing was closed and effective with all parties. The term of the restructuring agreement is until end of 2020 and includes modified amortization schedules for each vessel, in addition to lifting of certain financial covenants.

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 31.12.2017, and that an acceptable and sustainable restructuring of the parent company as well as the relevant subsidiary and affiliated companies was agreed and effective with the lenders in April 2018.

**Work environment and gender equality**

The Company does not have employees. The board comprises representatives from the largest shareholders.

Island Navigator Holding KS  
Org. no: 915 143 415



**External environment**

The Company's operations do not pollute the external environment beyond what is normal for this type of business.

**Financial risk**

The partnership has no financial risks except the value of interests in the partnership and the limited companies. Long term loan is towards related party.

**Future outlook**

The Company's future result is dependant on the financial development of the partnership.

**Other matters**

Beyond the above, the Board 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 and notes.

**Allocation of results**

The Board proposes the following allocation of the 2017 net profit of NOK 478.658:

|                             |     |         |
|-----------------------------|-----|---------|
| Transferred to other equity | NOK | 478.658 |
|-----------------------------|-----|---------|

Ulsteinvik, 27.04.2018

  
Morten Ulstein  
Chairman of the Board

  
Håvard Ulstein  
Board Member



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**Income statement**

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**Island Navigator Holding KS**

|   | Note | 2017           | 2016              |
|---|------|----------------|-------------------|
| Other operating expenses                      | 3    | 20 501         | 16 529            |
| <b>Operating profit</b>                       |      | <b>-20 501</b> | <b>-16 529</b>    |
| Income on investments in associated companies | 4    | 636 950        | -1 463 539        |
| Interest income                               |      | 122            | 2 849             |
| Other financial income                        |      | 208            | 0                 |
| Interest expenses, intercompany               |      | 137 912        | 32 954            |
| Other financial expenses                      | 4    | 208            | 0                 |
| <b>Ordinary result</b>                        |      | <b>478 658</b> | <b>-1 510 173</b> |
| <br>  |      |                |                   |
| <b>Net profit for the year</b>                |      | <b>478 658</b> | <b>-1 510 173</b> |
| <br>  |      |                |                   |
| Transfer to uncovered loss                    |      | 478 658        | -1 510 173        |
| <b>Total transfers</b>                        |      | <b>478 658</b> | <b>-1 510 173</b> |



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**Balance sheet**

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**Island Navigator Holding KS**

|                                     | Note | 2017              | 2016             |
|-------------------------------------|------|-------------------|------------------|
| <b>Assets</b>                       |      |                   |                  |
| <b>Fixed assets</b>                 |      |                   |                  |
| <b>Intangible fixed assets</b>      |      |                   |                  |
| <b>Financial fixed assets</b>       |      |                   |                  |
| Investments in subsidiaries         | 4    | 23 241 463        | 104 513          |
| <b>Total financial fixed assets</b> |      | <b>23 241 463</b> | <b>104 513</b>   |
| <b>Total fixed assets</b>           |      | <b>23 241 463</b> | <b>104 513</b>   |
| <b>Current assets</b>               |      |                   |                  |
| Other receivables                   | 5    | 1 500 000         | 1 500 000        |
| <b>Total debtors</b>                |      | <b>1 500 000</b>  | <b>1 500 000</b> |
| <b>Cash and bank deposits</b>       |      | <b>75 492</b>     | <b>95 438</b>    |
| <b>Total current assets</b>         |      | <b>1 575 492</b>  | <b>1 595 438</b> |
| <b>Total assets</b>                 |      | <b>24 816 955</b> | <b>1 699 951</b> |

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Island Navigator Holding KS Org.nr. 915143415

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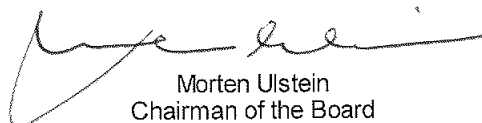


**Balance sheet**

**Island Navigator Holding KS**

|                                     | Note     | 2017              | 2016              |
|-------------------------------------|----------|-------------------|-------------------|
| <b>Liabilities and equity</b>       |          |                   |                   |
| <b>Equity</b>                       |          |                   |                   |
| <b>Paid in equity</b>               |          |                   |                   |
| Share capital                       |          | 1 600 000         | 1 600 000         |
| <b>Total paid in equity</b>         | <b>8</b> | <b>1 600 000</b>  | <b>1 600 000</b>  |
| <b>Retained earnings</b>            |          |                   |                   |
| Other equity                        |          | -1 114 777        | -1 593 435        |
| <b>Total retained earnings</b>      |          | <b>-1 114 777</b> | <b>-1 593 435</b> |
| Profit not allocated                |          | 0                 | 0                 |
| <b>Total equity</b>                 | <b>7</b> | <b>485 223</b>    | <b>6 565</b>      |
| <b>Liabilities</b>                  |          |                   |                   |
| <b>Provision for liabilities</b>    |          |                   |                   |
| Other long term debt                | 5        | 24 146 641        | 1 646 641         |
| <b>Other longterm debt</b>          |          | <b>24 146 641</b> | <b>1 646 641</b>  |
| <b>Current liabilities</b>          |          |                   |                   |
| Trade creditors                     | 5        | 641               | 0                 |
| Other short term liabilities        | 5        | 184 451           | 46 746            |
| <b>Total current liabilities</b>    |          | <b>185 091</b>    | <b>46 746</b>     |
| <b>Total liabilities</b>            |          | <b>24 331 732</b> | <b>1 693 387</b>  |
| <b>Total equity and liabilities</b> |          | <b>24 816 955</b> | <b>1 699 951</b>  |

ULSTEINVIK, 31.12.2017 / 27.04.2018  
The Board of Directors Island Navigator Holding KS

  
Morten Ulstein  
Chairman of the Board

  
Håvard Ulstein  
Board Member



## Notes to the financial statements 2017

### Island Navigator Holding KS

#### NOTE 1 ACCOUNTING PRINCIPLES

Island Navigator Holding KS is included in the consolidated financial statement for Island Offshore Shipholding, L.P. , c/o Island Offshore Shipping AS, Stålhaugen 12, 6065 Ulsteinvik, Norway.

The financial statements are prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles for small businesses (NRS 8) in Norway.

The significant principles are described below.

##### Revenue and expense recognition

Revenue and costs related to vessel operations are recorded based upon the number of journey days before and after the end of the accounting year.

##### Classification criteria

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

##### Valuation of current assets

Current assets are recorded net of expected future losses and at the lowest value of cost price and market value.

Bunkers and lube oil balances are accrued in the balance sheet based upon consumption and purchase price.

##### Receivables

Account Receivables and other Receivables are recorded in the balance sheet at face value after deduction of expected loss. Loss on debtors are accounted for on basis of individual assessment of the receivables.

##### Currency

Transactions in foreign currency are recorded at the exchange rate at the transaction date. Current assets and current liabilities are recorded at the exchange rate at the balance sheet date.

##### 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 23% 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. Deferred tax asset is based on taxable loss to be utilized in future taxable profit.



## Notes to the financial statements 2017

### Island Navigator Holding KS

#### NOTE 2 THE COMPANY BUSINESS

The Company's main purpose is to own 100 % of partnership Island Navigator I KS and 100% of the shareholding in Island Navigator Shipping AS. The partnership Island Navigator I KS had a contract with Kawasaki Heavy Industries to build a top-hole drilling vessel which had a planned delivery date in January 2019. In January 2018, the parties agreed a termination agreement whereby the shipbuilding contract was terminated. Island Navigator I KS will receive a compensation for the cancelled contract by way of repayment of instalment paid, annulment of seller financing and the receipt of project specific equipment purchased by the builder.

#### NOTE 3 PAYROLL, EMPLOYEES

The company has no employees and has no obligation to have pension funds. No fees or remuneration has been paid to the Board of Directors. Audit fee has been expensed with NOK 20.501 excluding VAT in 2017.

#### NOTE 4 INVESTMENT IN FINANCIAL FIXED ASSETS

The partnership owns following shares in limited companies and partnerships recorded in accordance with equity method :

|                              | Net book value 01.01 | Increase of paid in capital | Share of this year's profit+/- loss - | Net Book value    | Owner share in % |
|------------------------------|----------------------|-----------------------------|---------------------------------------|-------------------|------------------|
| Island Navigator I AS        | 16 457               |                             | 65 545                                | 82 002            | 100 %            |
| Island Navigator Shipping AS | 88 056               | -                           | -18 485                               | 69 571            | 100 %            |
| Island Navigator I KS        | -                    | 22 500 000                  | 589 890                               | 23 089 890        | 90 %             |
| <b>Total</b>                 | <b>104 513</b>       |                             | <b>636 950</b>                        | <b>23 241 463</b> |                  |

According to Norwegian Accounting Principles, the value of shares in Island Navigator I KS was written down to zero in 2016 due to negative equity in the partnership. The loss in equity has been repaired in 2017 as the partners have converted loan to paid in capital. It is expected that the compensation received by Island Navigator I KS from the shipyard, for the cancellation of the construction agreement, will have a positive effect on the value of the Company's investments.

**Notes to the financial statements 2017**

## Island Navigator Holding KS

|                                      | <u>Island Navigator I KS</u> |
|--------------------------------------|------------------------------|
| Total committed capital              | 27 000 000                   |
| Committed capital not paid in        | 500 000                      |
| Ownership                            | <u>90 %</u>                  |
| Share of fixed assets                | 101 555 532                  |
| Share of current assets              | 13 671 006                   |
| Share of liabilities                 | <u>-92 285 318</u>           |
| <b>Share of book value equity KS</b> | <u><b>22 941 222</b></u>     |
| <b>Share of accounting profit</b>    | <u><b>589 890</b></u>        |
| <b>Share of tax profit / loss</b>    | <u><b>-</b></u>              |

**NOTE 5 RELATED PARTIES**

| Transactions with related parties:                     | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| Short term receivable Island Offshore Management AS    | 1 500 000   | 1 500 000   |
| Other long term debt Island Offshore Shipholding L.P.  | -24 146 641 | -1 646 641  |
| Other short term liability Island Navigator Holding AS | -9 481      | -9 481      |

Loans from related parties have been charged with interests at market rates based on arm's length principles.

**Notes to the financial statements 2017**

## Island Navigator Holding KS

**NOTE 6 TAXES**

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

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

Deferred tax/tax asset has been calculated as follows:

|  | 2017            | 2016            |
|--|-----------------|-----------------|
| Total temporary differences financial fixed assets | -758 845        | -1 348 735      |
| Tax loss carried forward                           | -225 147        | -66 855         |
| Basis for deferred tax                             | -983 992        | -1 415 590      |
| <b>Deferred tax+/ asset -</b>                      | <b>-226 318</b> | <b>-339 742</b> |
| Deferred tax rate                                  | 23 %            | 24 %            |

Calculation of this year's tax expense:

|   | 2017            | 2016              |
|---|-----------------|-------------------|
| Profit before tax                       | 478 658         | -1 510 173        |
| Permanent differences                   |                 |                   |
| <b>Annual tax basis</b>                 | <b>478 658</b>  | <b>-1 510 173</b> |
| Reversed accounting loss on partnership | -636 950        | 1 463 539         |
| Taxable loss on partnership             | -               | -                 |
| <b>Basis for tax payable</b>            | <b>-158 292</b> | <b>-46 634</b>    |
| Payable tax rate                        | 24 %            | 25 %              |

Deferred tax or deferred tax asset is not expensed or capitalized in the balance sheet for the partnership in accordance with Norwegian Accounting principles.

**NOTE 7 EQUITY**

|                                  | 2017              |
|----------------------------------|-------------------|
| Tied up Capital                  | 800 000           |
| Committed Capital                | 2 000 000         |
| Un-called Capital                | 400 000           |
| <b>Paid in Capital</b>           | <b>1 600 000</b>  |
| Retained earnings previous years | -1 593 435        |
| This year's loss                 | 478 658           |
| <b>Retained earnings</b>         | <b>-1 114 777</b> |
| <b>Total Equity</b>              | <b>485 223</b>    |



## Notes to the financial statements 2017

### Island Navigator Holding KS

#### NOTE 8 OWNERSHIP

The company's committed capital of NOK 2.000.000 consist of 2.000 shares a NOK 1.000.

Owners at 31.12:

| Shareholders                      | Number of shares | Ownershare   |
|-----------------------------------|------------------|--------------|
| Island Navigator Holding AS       | 200              | 10 %         |
| Island Offshore Shipholding, L.P. | 1 800            | 90 %         |
| <b>Total number of shares</b>     | <b>2 000</b>     | <b>100 %</b> |

#### NOTE 9 GOING CONCERN

Due to the continued state of the market and the implications for cash flow, the Island Offshore Group, including the parent company Island Offshore Shipholding L.P., initiated negotiations for a Standstill and Deferral Agreement with secured creditors effective 22.11.2016. The Group presented a holistic and comprehensive restructuring proposal to the secured lenders, which at year-end 2017 still was being evaluated by respective financial and legal advisors. Selective measures representing part of this proposal was implemented to facilitate and enable solutions for individual companies within the Group. Effective April 12<sup>th</sup>, 2018, all of the documentation in relation to the relevant parties to the Restructuring Agreement was in agreed form and signed, and thus the refinancing was closed and effective with all parties. The term of the restructuring agreement is until end of 2020 and includes modified amortization schedules for each vessel, in addition to lifting of certain financial covenants.

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 31.12.2017, and that an acceptable and sustainable restructuring of the parent company as well as the relevant subsidiary and affiliated companies was agreed and effective with the lenders in April 2018.



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## INDEPENDENT AUDITOR'S REPORT

To the Annual Partnership Meeting of Island Navigator Holding KS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Island Navigator Holding KS, which comprise the balance sheet as at 31 December 2017, the income statement 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 as at 31 December 2017 and its financial performance 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 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 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 (management) are responsible for the other information. Our opinion on the audit of 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 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 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



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audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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.

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.

## Report on other legal and regulatory requirements

### 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, 30 April 2018  
ERNST & YOUNG AS

Jørn Knutsen  
State Authorised Public Accountant (Norway)