



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 992 047 380
Organisasjonsform: Aksjeselskap
Foretaksnavn: FARSTAD OFFSHORE AS
Forretningsadresse: Skansekaia 4A
6002 ÅLESUND

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

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: Idar Gjerde
Dato for fastsettelse av årsregnskapet: 30.06.2018

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, 02.11.2020



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	692 000	204 944 000
Annen driftsinntekt		6 861 000	5 641 000
Sum inntekter		7 553 000	210 586 000
Kostnader			
Lønnskostnad		-1 297 000	47 403 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5		27 628 000
Annen driftskostnad	7	1 220 000	124 619 000
Sum kostnader		-77 000	199 650 000
Driftsresultat		7 630 000	10 935 000
Finansinntekter og finanskostnader			
Annen renteinntekt		-580 000	19 799 000
Annen finansinntekt		213 000	159 000
Sum finansinntekter		-367 000	19 958 000
Annen finanskostnad		4 094 000	8 852 000
Sum finanskostnader		4 094 000	8 852 000
Netto finans		-4 461 000	11 106 000
Ordinært resultat før skattekostnad		3 169 000	22 041 000
Skattekostnad på ordinært resultat	3	1 522 000	19 627 000
Ordinært resultat etter skattekostnad		1 647 000	2 413 000
Årsresultat		1 647 000	2 413 000
Årsresultat etter minoritetsinteresser		1 647 000	2 413 000
Totalresultat		1 647 000	2 413 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		1 647 000	2 413 000



Resultatregnskap

Beløp i: NOK	Note	2017	2016
Sum overføringer og disponeringer		1 647 000	2 413 000



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	2		
Varige driftsmidler			
Skip, rigger, fly og lignende	5	21 157 000	24 344 000
Sum varige driftsmidler		21 157 000	24 344 000
Sum anleggsmidler		21 157 000	24 344 000
Omløpsmidler			
Varer			
Varer	9		
Fordringer			
Kundefordringer		146 860 000	40 505 000
Andre fordringer	6	6 646 000	43 745 000
Sum fordringer		153 505 000	84 250 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	10	57 199 000	62 594 000
Sum bankinnskudd, kontanter og lignende		57 199 000	62 594 000
Sum omløpsmidler		210 704 000	146 844 000
SUM EIENDELER		231 861 000	171 188 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4, 8	177 100 000	177 100 000
Sum innskutt egenkapital		177 100 000	177 100 000



Balanse

Beløp i: NOK	Note	2017	2016
Opptjent egenkapital			
Annen egenkapital	4, 8	-133 532 000	-135 588 000
Sum opptjent egenkapital		-133 532 000	-135 588 000
Sum egenkapital		43 568 000	41 512 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	6	70 000 000	100 000 000
Sum annen langsiktig gjeld		70 000 000	100 000 000
Sum langsiktig gjeld		70 000 000	100 000 000
Kortsiktig gjeld			
Leverandørgjeld		801 000	12 676 000
Betalbar skatt	3		1 259 000
Annen kortsiktig gjeld	6	117 493 000	15 740 000
Sum kortsiktig gjeld		118 294 000	29 676 000
Sum gjeld		188 294 000	129 676 000
SUM EGENKAPITAL OG GJELD		231 861 000	171 188 000



FARSTAD OFFSHORE AS
Postboks 1301
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad Offshore AS, org. nr. 992 047 380

Vi viser til deres brev av 26. november 2014, samt tilleggsopplysninger i e-post, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Farstad Offshore AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad Offshore AS 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 gilt.

Bakgrunn

Farstad Offshore AS er heleid av Farstad Shipping ASA. Selskapet er et managementselskap for Subsea fartøyer. Aktivitetene er konsentrert til markedene i Nordvest-Europa og Brasil. Med bakgrunn i at selskapet og konsernet opererer i et internasjonalt marked, med internasjonale kunder og med internasjonale eksterne kredittinstitusjoner, er det ønskelig å kunne utarbeide årsregnskapet og årsberetningen på engelsk. Forretningsspråket til morselskapet er engelsk. All kommunikasjon med kunder og kredittinstitusjoner foregår i hovedsak på engelsk. Med bakgrunn i dette søkes det om at årsregnskapet og årsberetningen utarbeides på engelsk.

Skattedirektoratets vurdering

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

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



“Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgjenvinster med basis i skjev 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 selskapet er 100 % eiet av et selskap som benytter engelsk som foretningsspråk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen



FARSTAD OFFSHORE AS

ANNUAL REPORT
2017





THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

FARSTAD OFFSHORE AS was established on 5 December 2007 in order to run shipping operations and other business associated with this. The company was established as part of marketing and contracting of vessels in the Farstad group. The company is a wholly owned subsidiary of Farstad Shipping AS and its head office is in Aalesund.

In June 2017 Farstad Shipping ASA merged with a Solstad company and changed name to Farstad Shipping AS and became a subsidiary of the listed company Solstad Farstad ASA. The ultimo parent company is Solstad Farstad ASA.

MANAGEMENT

The company has no employees. The company is managed by Farstad Shipping AS in accordance with a signed management agreement. The company's Board of Directors has three members.

THE FLEET

The company do not own or charter any vessels anymore. The activity performed is chartering of vessels on behalf of other companies in the Farstad Group. The income is mainly management fees from this chartering activity. In 2016 the company had two vessels on bare-boat contract for the 1st half year and one vessel on financial lease for 5 months.

FINANCIAL

Farstad Restructuring

Farstad Restructuring was completed in 1st quarter according to the plan announced in the press release dated 6 February 2017. This is in detail described in note 12 in last year's annual report and note 11 in this report.

Financial statement

Operating income for 2017 was NOK 7.6 million, mainly management fees (NOK 210.6 million mainly income from vessel on bareboat contract in 2016). The considerable reduction is related to internal transfer of contracts from this company to other companies in the group. The operating result was NOK 7.6 million in 2017 (NOK 10.9 million in 2016). The company has an equity ratio of 19% (24% in 2016). The liquidity situation for the company is good.

The company's annual accounts show a profit of NOK 1.6 million. The Board has approved the total profit to be transferred to Other Equity.

THE MARKET

The oil price has increased during 2017 with Brent oil at USD 65 per barrel at year-end, and the yearly average price higher than in 2016. As a result of cost reductions and higher oil prices, the major oil companies have achieved positive cash-flow effects. In most parts of the world the steady decline in drilling and offshore activity came to a halt.

The oversupply of vessels continued to be an issue. However, the total number of OSVs of certain capacities mentioned below is nearly unchanged during the last 12 months. There is also uncertainty whether the vessels on order or under construction will ever be delivered from the yards. A significant portion of the vessels in layup has been idle for two years or more, and many are now out of class.

There are about 34 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2017 was 241 vessels, whereof 13 in layup (the vessel category includes both installation vessels and inspection, maintenance and repair (IMR) vessels).

FINANCIAL RISK

Currency risk:

The company is exposed to currency risk, as a some of its income is in foreign currency.

**Credit risk:**

The Company is exposed to potential losses associated with accounts receivable. There was no loss on receivables in 2017.

Market risk

The group has chosen to concentrate its activity mainly in three markets; APAC, Brazil and North-Western Europe. The activity in all the group's main markets has been characterised by the low oil price and the oil companies' reduction in activities and costs. The market risk in our industry is thus higher than it has been for years, and no early improvement is expected in any of the company's main markets.

MARKET OUTLOOK

Guidance from the oil companies indicates increased E&P spending in core markets for 2018. After three years of cost cuts and reductions within the oil and gas sector, the emphasis is now on making key investment decisions in order to secure production levels in the future. This could translate into more offshore drilling and increased numbers of new production projects.

In the North Sea, the drilling activity is expected to increase during the summer season of 2018. This will probably have a positive effect on vessel demand and rate levels compared to the previous 2-3 years. However, the market is expected to slow down during the coming winter season. Signs of improvement are also seen in other important oil and gas regions, like Brazil and Australia, but it is not expected to materialize in terms of increased vessel demand until 2019 and onwards. Within the subsea-segment the main subsea contractors continue to build backlog, which is positive for vessel demand. That said, the large SURF projects awarded will mainly give offshore activity from 2019 and onwards, while within IMR and smaller projects we might see an activity increase from 2018.

The Farstad Group has a fleet of vessels capable of providing a broad range of services across the energy industry. The Company brings customers a legacy of high standard offshore operations from all over the globe and is positioned to be the premier OSV provider for existing and new clients

GOING CONCERN

The Board confirms that the assumption of going concern is present, and that the 2017 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. This is based on, among others, the liquidity budget for 2018 and its operational forecast. The Directors affirm that this assumption is correct. The Board is aware of the low equity and the challenging liquidity situation of the sub-group and its subsidiaries, and closely monitors the financial situation and deal with issues as they occur. Synergy effects and cost reduction measures implemented after the mergers are expected to give full effect during 2018. Furthermore, the sub-group's current contract backlog and signs of market improvements will have a positive effect on the sub-group's financial situation going forward.

As per 31 March 2018 Farstad Shipping AS (the sub-group), was not in compliance with a debt-service-cover-ratio financial covenant which is included in the majority of the sub-group subsidiaries' loan agreements, reference to press release from 17 April 2018 for further information. In accordance with the financial framework applied, this leads to a reclassification of the sub-group non-current liabilities of MNOK 7.041 to current liabilities (MNOK 0 in Farstad Offshore AS as of 31.03.2018). Until the sub-group is back in compliance with the financial covenant or until the covenant is unconditionally waived for a period of at least 12 months or amended in agreement with the financial creditors. Based on the current management forecast for 2018, the sub-group is expected to be back in compliance with the debt-service-cover ratio in second half of 2018, and the sub-group is in dialogue with its financial creditors in order to waive this financial covenant for the relevant period.

Aalesund, 31 December 2017

30 June 2018

The Board of Directors of Farstad Offshore AS

Sven Stakkestad
Member of the Board

Lars Peder Solstad
Chairman of the Board

Anders Hall Jomaas
Member of the Board



PROFIT AND LOSS

FARSTAD OFFSHORE AS (NOK 1 000)


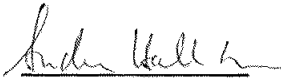
	Note	2017	2016
Operating income:			
Freight Income	2	692	204 944
Other income		6 861	5 641
Total operating Income		7 553	210 586
Operating expenses:			
Crewing expenses vessels		-1 297	47 403
Other operating expenses vessels		988	114 473
Administration	7	232	10 147
Total operating expenses		-77	172 022
Operating profit before depreciations (EBITDA)		7 630	38 563
Depreciation and impairment	5	0	27 628
Operating result (EBIT)		7 630	10 935
Financial items:			
Financial income		213	159
Financial expenses		4 094	8 852
Realised agio (disagio)		-580	19 799
Net financial income and expenses		-4 461	11 106
Tax and results:			
Pre tax profit		3 169	22 041
Tax	3	1 522	19 627
Profit for the year		1 647	2 413
Annual net profit		1 647	2 413
To other equity		1 647	2 413
Net brought forward		1 647	2 413



BALANCE SHEET

FARSTAD OFFSHORE AS (NOK 1 000)

	Note	2017	2016
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	5	21 157	24 344
Total fixed assets		21 157	24 344
CURRENT ASSETS			
Account receivables, freight income		146 860	40 505
Other short-term receivables	6	6 646	43 745
Cash and cash equivalents	10	57 199	62 594
Total current assets		210 704	146 844
Total assets		231 861	171 188
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4, 8	177 100	177 100
Other equity	4, 8	-133 532	-135 588
Total equity		43 568	41 512
NON-CURRENT LIABILITIES			
Liabilities to parent company	6	70 000	100 000
Total non-current liabilities		70 000	100 000
CURRENT LIABILITIES			
Accounts payable		801	12 676
Tax payable	3	0	1 259
Other current liabilities	6	117 493	15 740
Total current liabilities		118 294	29 676
Total liabilities		188 294	129 676
Total equity and liabilities		231 861	171 188

Aalesund, 30.06.2018
The board of Farstad Offshore AS
Sven Stakkestad
member of the board
Lars Peder Solstad
chairman of the board
Anders Hall Jomaas
member of the board



CASH FLOW STATEMENT FARSTAD OFFSHORE AS (NOK 1 000)

	2017	2016
Cash flow from operations		
Profit before income taxes	3 169	22 041
Taxes paid in the period	-2 781	-19 916
Gain/loss from sale of fixed assets	-	-2 555
Depreciation	-	16 402
Impairment of fixed assets	-	11 226
Change in inventory	-	9 144
Change in trade debtors	-106 355	52 798
Change in trade creditors	-11 875	-7 041
Differences in expensed pensions and payments in/out of the pension scheme	-	621
Change in other provisions	139 260	-56 182
Net cash flow from operations	21 418	26 538
Cash flow from investments		
Proceeds from sale of fixed assets	3 187	1 438
Purchase of fixed assets	-	-126
Net cash flow from investments	3 187	1 312
Cash flow from financing		
Proceeds from long term loans	-	-
Repayment of long term debt parent company	-30 000	-20 000
Net cash flow from financing	-30 000	-20 000
Net change in cash and cash equivalents	-5 395	7 850
Cash and cash equivalents at the beginning of the period	62 594	54 744
Cash and cash equivalents at the end of the period	57 199	62 594



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 1 ACCOUNTING PRINCIPLES

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Estimates

Areas that involve judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are impairment of fixed assets, tax, average settlements and loss on receivables.

Financial instruments

Profit and loss items are recognised at the transaction date's exchange rate. Current assets and current liabilities are recognised at the balance sheet date's exchange rate, and currency gains and losses due to changes in the exchange rates, are recognised through profit or loss. Hedging instruments such as forward contracts is recognised in the annual accounts as they are not considered as hedging instruments. The hedging instrument is valued at market value according to section 5-8 Financial instruments and commodities derivatives in the Norwegian Accounting Act. The following exchange rates applied on the balance sheet date: USD 8.2050, GBP 11.091, EUR 9.8403, AUD 6.4123 and BRL 2.4804.

Costs and income recognition

The group's vessels are mainly leased on time charters (TC). The TC contracts comprise payment for factors such as crew hire. Income from the lease of vessels is recognised on a straight-line basis during the lease period. The lease period starts on the date the vessel is made available to the leaser, and terminates on the agreed date for return of the vessel. Crew hire and payments to cover other operating expenses are reported as income according to the straight-line method for the duration of the agreement. Income and costs associated with charter parties are recognised in the accounts on the basis of the number of days the contract lasts. Interest income is recorded as interest accrues.

Sale of fixed assets

Gains from the sale of fixed assets are recognised as operating income since the sale of fixed assets is deemed part of the company's ordinary activities. Income from sales of fixed assets is recognised through profit or loss upon delivery to the new owner.

Impairment of fixed assets

The booked values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that booked value may not be recoverable. If any such indications exist and if the booked value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount which for fixed assets is the greater of the net selling price and value in use. As an approach to net selling price for the fixed asset the value estimates obtained from sales of same type of assets in the same market are used as basis.

Maintenance costs on leased vessels

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings, periodic maintenance, and larger modifications of leased vessels are recognised on the balance sheet and recognised as expenses on a straight-line basis over the period up to the next periodic maintenance/docking, normally every 60 months. The costs are recognised via depreciation.

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 24 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly against equity to the extent that they relate to equity transactions.

Pensions

Farstad Offshore AS is hiring all crew and crew related duties from other companies within the Farstad Shipping AS Group. In connection with this, all crew related expenses are charged to the company, including pension expenses.

The company has according to NRS 6 Pension costs declared the option to use IAS 19 for the recognition of the defined benefit plan. The current service cost and net interest income/costs are recognised immediately. The service cost is recognised in the vessels crew cost and administration cost in the income statement. Changes in estimates, both in assets and liabilities are recognised through retained earnings.

Cash flow statement

The company uses the indirect model when presenting its cash flow statement. The statement's line for cash and cash equivalents includes bank deposits, other deposits and marketable securities.

Subsequent events

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date, but will affect the company's position in the future, are stated if significant.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 2 FREIGHT INCOME

Freight income by product	2017	2016
Plattform Supply Vessels (PSV)	-	10 681
Subsea Vessels (CSV)	692	194 263
Total freight income	692	204 944
Freight income by region	2017	2017
North West Europe	-	10 679
Brazil	-	59 781
Asia Pacific	-	-
Other segments (Africa, etc)	692	134 484
Total freight income	692	204 944

NOTE 3 TAXES

Calculation of deferred tax/deferred tax benefit

Temporary differences	2017	2016
Fixed assets	-	-
Other temporary differences	-6 454	-6 454
Net temporary differences	-6 454	-6 454
Tax losses carried forward	-131 080	-134 749
Basis for deferred tax	-137 534	-141 203
Deferred tax/deferred tax asset	-31 633	-33 889
Deferred tax asset not recognized in the balance sheet	-31 633	-39 353
Deferred tax in the balance sheet	-	-

Basis for income tax expense, changes in deferred tax and tax payable

	2017	2016
Result before taxes	3 169	22 041
Permanent differences	92	621
Basis for the tax expense for the year	3 261	22 662
Change in temporary differences	-	238
Basis for payable taxes in the income statement	3 261	22 900
Change in tax losses carried forward	-3 669	-16 446
+/- Group contributions received/given	408	-
Taxable Income (basis for payable taxes in the balance sheet)	-	6 454

Components of the income tax expense

	2017	2016
Withholding tax	1 522	18 014
Payable tax on this year's result	-	1 614
Change in deferred tax	-	-
Tax expense	1 522	19 627

Payable taxes in the balance sheet

Payable tax in the tax charge	-	1 614
Payable tax abroad	-	-354
Payable tax in the balance sheet	-	1 259

NOTE 4 EQUITY

Equity changes in the year	Share capital	Other equity	Total
Equity 01.01.	177 100	-135 588	41 512
Profit for the year	-	1 647	1 647
Group contribution after tax	-	408	408
Equity 31.12.	177 100	-133 532	43 568



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 5 FIXED ASSETS

	Spare parts	Total fixed assets
Purchase cost pr. 01.01.	35 729	35 729
Additions	-	-
Disposals	3 187	3 187
Purchase cost pr. 31.12.	32 542	32 542
Accumulated depreciation/impairment 01.01	11 385	11 385
Depreciation in the year	-	-
Impairment	-	-
Disposals	-	-
Accumulated depreciation 31.12.	11 385	11 385
Net book value pr. 31.12.	21 157	21 157
Change in recognized value deferred maintenance	2017	2016
Net book value pr. 01.01	-	5 765
Additions	-	5 379
Disposals	-	1 297
Depreciation in the year	-	-12 440
Net book value pr. 31.12	-	-

Impairment of NOK 0 (NOK 11 226 in 2016) has been recognised for components stored onshore based on an assessment of the sales values of these components in the market as fo 31.12.17

NOTE 6 BALANCE WITH GROUP COMPANIES, ETC.

Accounts receivables	2017	2016
Farstad Shipping AS	3 880	8 454
Farstad Construction AS	704	32 736
Farstad Supply AS	1 173	144
Farstad Marine AS	157	-
Farstad Shipping Aalesund AS	-	621
Farstad Subsea AS	448	-
Total current assets	6 362	41 954
Current liabilities	2017	2016
Farstad Shipping AS	966	-
Farstad Supply AS	96 274	14 274
Farstad Construction AS	8 721	-
Farstad Marine AS	11 024	401
Farstad Shipping Pte Ltd.	9 834	-
Solstad Farstad Pty. Ltd.	989	-
GST Australia	-315	-
Total current liabilities	117 493	14 674
Long term debt	2017	2016
Farstad Shipping AS*	70 000	100 000
Total	70 000	100 000

*3 months NIBOR + 3,75% margin.

NOTE 7 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad Offshore AS has no employees, thus no wages or directors fee have been paid in 2017.

Management of the vessels is handled by Farstad Shipping AS according to Management agreements. No vessels was on management in 2017. In 2017 it was paid NOK 0 (NOK 1 193) in corporate fees and NOK 0 (NOK 8 472) in mangement fees to Farstad Shipping AS

The company is not obligated to have mandatory pension agreements.

Expensed audit fee

	2017	2016
Statutory audit	44	80
Tax advisory fee	-	-
Other assistance (to be specified)	-	-
Total audit fees	44	80



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of NOK 177 100 consist of 1 000 shares with nominal value of NOK 177.1 each. All shares are owned by Farstad Shipping AS, Ålesund.

The ultimo parent company Solstad Farstad ASA has its registered offices in Nesavegen 39, 4280 Skudeneshavn, where the consolidated accounts including this company can be obtained.

NOTE 9 FORWARD CONTRACTS

The company does not have any forward exchange contracts for outstanding receivables and future cash flows in foreign currencies as per 31.12.17 and 31.12.2016.

NOTE 10 RESTRICTED CASH

The company has pledged cash deposits of NOK 13.4 million (NOK 10.2 million) as of 31.12.2017. NOK 10.3 million is related to a guarantee for delivery of newbuild vessel for a frame agreement with Technip Norge AS and the rest NOK 3.1 million is different performance guarantees to charterers for fulfillment of contracts.

NOTE 11 REFINANCING, MORTGAGES AND OTHER LONG-TERM LIABILITIES

Farstad Restructuring was completed in 1st quarter according to the plan announced in the press release dated 6 February 2017. This is in detail described in note 12 in last years annual report. Farstad Offshore AS has no debt and was not a part of the refinancing.

The terms and conditions of the existing financing agreements for Farstad Shipping AS (the sub-group) is amended and harmonized, the material changes is presented below:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) is reduced to 10% of the original profile from 01 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023.
- b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 mill. in future interest in exchange for a NOK 271 mill. claim against Farstad Shipping AS (equaling the net present value of such future interest payments).
- c) Agreed new covenants, measured at Farstad Shipping AS (the sub-group) level:
 - i. Debt service cover ratio shall be at least 1:1 (12 months EBITDA + Unrestricted cash above then MNOK 200 minimum liquidity/ Interests + Guarantee commission + Installments for the same 12 month period).
 - ii. Minimum free consolidated free cash on MNOK 250
 - iii. Minimum value clause at 100% across the group's fleet (but suspended throughout 2019)

The Farstad Shipping AS (sub-group) satisfied all the covenants as at 31.12.17, and in accordance with Norwegian Accounting principles interest bearing debt is classified as long term loans.

As per 31 March 2018 Farstad Shipping AS (sub-group) was not in compliance with the debt service cover ratio, please see note 13 for further information.

NOTE 12 GOING CONCERN

As per 31 March 2018 Farstad Shipping AS (the sub-group), was not in compliance with a debt-service-cover-ratio financial covenant which is included in the majority of the sub-group subsidiaries' loan agreements, reference to press release from 17 April 2018 for further information. In accordance with the financial framework applied, this leads to a reclassification of the sub-group non-current liabilities of MNOK 7,041 to current liabilities (MNOK 0 in Farstad Offshore AS as of 31.03.2018). Until the sub-group is back in compliance with the financial covenant or until the covenant is unconditionally waived for a period of at least 12 months or amended in agreement with the financial creditors. Based on the current management forecast for 2018, the sub-group is expected to be back in compliance with the debt-service-cover ratio in second half of 2018, and the sub-group is in dialogue with its financial creditors in order to waive this financial covenant for the relevant period.

The annual accounts are prepared on the assumption of a going concern. This is based on, among others, the liquidity budget for 2018 and its operational forecast. The Directors affirm that this assumption is correct. The Board is aware of the low equity and the challenging liquidity situation of the sub-group and its subsidiaries, and closely monitors the financial situation and deal with issues as they occur. Synergy effects and cost reduction measures implemented after the mergers are expected to give full effect during 2018. Furthermore, the sub-group's current contract backlog and signs of market improvements will have a positive effect on the sub-group's financial situation going forward.



Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

Postboks 1 NO 6010 Ålesund
Lindølnesvegen 1 NO 6010 Ålesund

Foretaksregisteret NO 976 389 387 MVA
Tlf: +47 24 60 34 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad Offshore AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad Offshore AS, which comprise the balance sheet as at 31 December 2017, the income statement and statements 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 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 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 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.

Material uncertainty related to going concern

We draw attention to note 12 in the financial statements and the Board of Director's report, which describes that the Farstad Shipping AS (the sub-group) was not in compliance with a debt-service-cover-ratio financial covenant as of 31 March 2018. These events, along with other matters as set forth in note 12, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.



Building a better
working world

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 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.



Building a better
working world

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Aalesund, 31. July 2018

ERNST & YOUNG AS

Waf-André Norvik

State Authorised Public Accountant (Norway)