



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 985 716 404
Organisasjonsform: Aksjeselskap
Foretaksnavn: FARSTAD AUSTRALIA AS
Forretningsadresse: Skansekaia 4A
6002 ÅLESUND

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

Konsern

Morselskap i konsern: 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: Idar Johannes Gjerde
Dato for fastsettelse av årsregnskapet: 28.06.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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	2018	2017
RESULTATREGNSKAP			
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler			
Annen driftskostnad	2	56 000	18 000
Sum kostnader		56 000	18 000
Driftsresultat		-112 000	-36 000
Annen finansinntekt			
Nedskrivning av finansielle eiendeler	5		25 745 000
Rentekostnad til foretak i samme konsern	6	3 943 000	3 646 000
Annen finanskostnad		1 000	
Sum finanskostnader		3 944 000	29 391 000
Netto finans		-3 944 000	-29 391 000
Ordinært resultat før skattekostnad		-4 000 000	-29 409 000
Skattekostnad på ordinært resultat	3		
Ordinært resultat etter skattekostnad		-4 000 000	-29 409 000
Årsresultat		-4 000 000	-29 409 000
Årsresultat etter minoritetsinteresser		-4 000 000	-29 409 000
Totalresultat		-4 000 000	-29 409 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital	4	-4 000 000	-29 409 000
Sum overføringer og disponeringer		-4 000 000	-29 409 000



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	5		
Sum anleggsmidler		0	0
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		8 000	4 000
Sum fordringer		8 000	4 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		8 000	19 000
Sum bankinnskudd, kontanter og lignende		8 000	19 000
Sum omløpsmidler		16 000	22 000
SUM EIENDELER	5	16 000	22 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4, 7	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	4	-89 919 000	-85 919 000
Sum opptjent egenkapital		-89 919 000	-85 919 000



Balanse

Beløp i: NOK	Note	2018	2017
Sum egenkapital	8	-89 819 000	-85 819 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	6	81 599 000	81 599 000
Sum annen langsiktig gjeld		81 599 000	81 599 000
Sum langsiktig gjeld		81 599 000	81 599 000
Kortsiktig gjeld			
Annen kortsiktig gjeld	6	8 236 000	4 242 000
Sum kortsiktig gjeld		8 236 000	4 242 000
Sum gjeld		89 835 000	85 841 000
SUM EGENKAPITAL OG GJELD		16 000	22 000



PROFIT AND LOSS

FARSTAD AUSTRALIA AS (NOK 1 000)

	Note	2018	2017
Operating expenses:			
Administration	2	56	18
Total operating expenses		56	18
Operating profit before depreciations (EBITDA)			
Depreciation		0	0
Operating result (EBIT)		-56	-18
Financial items:			
Financial expenses		1	0
Impairment of financial fixed assets	5	0	25 745
Interest expense to group companies	6	3 943	3 646
Net financial income and expenses		-3 944	-29 391
Tax and results:			
Pre tax profit		-4 000	-29 409
Tax	3	0	0
Profit for the year		-4 000	-29 409
Annual net profit			
		-4 000	-29 409
Allocated to other equity	4	-4 000	-29 409
Net brought forward		-4 000	-29 409

**BALANCE SHEET**

FARSTAD AUSTRALIA AS (NOK 1 000)

	Note	2018	2017
ASSETS			
CURRENT ASSETS			
Other short-term receivables		8	4
Total receivables		8	4
Cash and cash equivalents		8	19
Total current assets		16	22
Total assets	5	16	22
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4, 7	100	100
Total paid-up equity		100	100
Other equity	4	-89 919	-85 919
Total retained earnings		-89 919	-85 919
Total equity	8	-89 819	-85 819
NON-CURRENT LIABILITIES			
Loan from parent company	6	81 599	81 599
Total non-current liabilities		81 599	81 599
CURRENT DEBT			
Other current liabilities	6	8 236	4 242
Total current liabilities		8 236	4 242
Total liabilities		89 835	85 841
Total equity and liabilities		16	22

Aalesund, 28.06.2019
The board of Farstad Australia ASSven Stakkestad
member of the boardLars Peder Solstad
chairman of the boardAnders Hall Jomaas
member of the board



Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 26.11.2014	Vår dato 16.12.2014
Telefon 22 07 73 25/ 22 66 11 14	Deres referanse Vivian Larsgård- Ingebrigtzen	Vår referanse 2014/882482

FARSTAD AUSTRALIA AS
Postboks 1301 Sentrum
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad Australia AS, org.nr. 985 716 404

- 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 Australia AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad Australia 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 gitt.

Bakgrunn

Farstad Australia AS er heleid av Farstad Shipping ASA. Farstad Australia AS er et rent holdingselskap som eier Farstad Shipping (Indian Pacific) Pty. Ltd. og Farstad Shipping Offshore Simulator Center Pty. Ltd. Aktivitetene er konsentrert til markedene i Australia/Asia. 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:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



”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 selskapet er 100 % eiet av et selskap som benytter engelsk som forretningsspråk. 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

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

FARSTAD AUSTRALIA AS was established on 16 May 2003 in order to run international shipping operation, directly and/or through participation in other companies in Norway and/or overseas. The company is 100 % controlled by Farstad Shipping AS (the sub-group) 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, which changed name to Solstad Offshore ASA 1st of October 2018. The ultimo parent company is Solstad Offshore ASA.

The company owns 100 % of SolstadFarstad Pty. Ltd. localised in Perth, Australia and operates the part of the SolstadFarstad fleet in the region. This company was renamed from Farstad Shipping (Indian Pacific) Pty. Ltd. in December 2017.

In 2011 a new training center was established in Perth, Farstad Offshore Simulation Centre Pty. Ltd. This company is owned 100 % of SolstadFarstad Pty. Ltd. The main purpose is training of personnel as well as development and testing of marine operations under critical and extreme situations and operating conditions.

MANAGEMENT AND ENVIRONMENT

The Company has no employees. The administration is managed by Solstad Shipping AS. The Company has limited impact on the external environment.

ACCOUNTS

The annual accounts show a loss of NOK 4,0 million. The Board has approved the total loss to be transferred to Other Equity.

MARKET OUTLOOK

According to several research analysts, the offshore activity is expected to increase gradually. The increased drilling activity in the North Sea is expected to eventually also expand into other regions like the Mediterranean, West Africa and the Middle East.

A recovery is not expected to come uniformly to all vessel types and in all regions at the same time. The winter months may still be challenging in the North Sea as rig and construction activity slows down. Structural changes in the industry that have resulted in greater efficiencies and therefore less demand for vessels will also be important feature towards a more balanced market. This could particularly affect the AHTS market.

Other key markets like Brazil and Australia is lagging in the market recovery. Brazil has been an important source of vessel demand previously and the slow recovery in the region impacts the global fleet of offshore vessels. Though no further reduction in demand is expected in 2019, only a limited increase is expected. For Australia a moderate uptick in vessel demand may be seen towards the end of 2019.

Within the subsea segment, IMR work has shown a moderate increase. However, structural changes in how IMR work scopes are carried out have resulted in greater efficiencies. For construction work, the high level of development plans submitted over the past 18 months are starting to translate into demand for vessels. For mid-water North Sea, this is expected to result in more vessels being utilized in 2019.

The renewables sector has become important clients for the subsea fleet. As the activity within oil & gas markets increases, the pool of clients, work roles and opportunities for the subsea fleet is expected to grow.



GOING CONCERN

The Board confirms that the assumption of going concern is present, and that the 2018 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. However, the Company and the sub-group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the sub-group's business depends on the sub-group finding a solution to its financial situation. The going concern assumption is based on the board's view that the efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the balance sheet for the sub-group. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the sub-group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the above the Board is of the opinion that there is significant uncertainty related to the going concern assumption for the Farstad Shipping AS sub-group.

It was agreed on the 19 December 2018 that interest and amortisations on most financial debt in Farstad Shipping AS sub-Group would be temporarily suspended and deferred until 20.06.2019.

Long term liabilities recognized in Farstad Shipping AS sub-group of NOK 7.292 million have been reclassified to current liabilities as of 31 December 2018. The reclassification is based on standstill agreements of debt service with the banks where the covenant waiver period is less than 12 months. The waiver period end in June 2019.

The sub-group is in negotiations with its key creditors and other stakeholders, and the going concern assumption is based on the board's view that the sub-group's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the sub-group's balance sheet.

Aalesund, 31 December 2018
28 June 2019

The Board of Directors of Farstad Australia 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 AUSTRALIA AS (NOK 1 000)

	Note	2018	2017
Operating expenses:			
Administration	2	56	18
Total operating expenses		56	18
Operating profit before depreciations (EBITDA)			
		-56	-18
Depreciation		0	0
Operating result (EBIT)		-56	-18
Financial items:			
Financial expenses		1	0
Impairment of financial fixed assets	5	0	25 745
Interest expense to group companies	6	3 943	3 646
Net financial income and expenses		-3 944	-29 391
Tax and results:			
Pre tax profit		-4 000	-29 409
Tax	3	0	0
Profit for the year		-4 000	-29 409
Annual net profit			
		-4 000	-29 409
Allocated to other equity	4	-4 000	-29 409
Net brought forward		-4 000	-29 409





BALANCE SHEET

FARSTAD AUSTRALIA AS (NOK 1 000)

	Note	2018	2017
ASSETS			
CURRENT ASSETS			
Other short-term receivables		8	4
Cash and cash equivalents		8	19
Total current assets		<u>16</u>	<u>22</u>
Total assets	5	<u>16</u>	<u>22</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4, 7	100	100
Other equity	4	-89 919	-85 919
Total equity	8	<u>-89 819</u>	<u>-85 819</u>
NON-CURRENT LIABILITIES			
Loan from parent company	6	81 599	81 599
Total non-current liabilities		<u>81 599</u>	<u>81 599</u>
CURRENT DEBT			
Other current liabilities	6	8 236	4 242
Total current liabilities		<u>8 236</u>	<u>4 242</u>
Total liabilities		<u>89 835</u>	<u>85 841</u>
Total equity and liabilities		<u>16</u>	<u>22</u>


Sven Stakkestad
member of the board

Aalesund, 28.06.2019
The board of Farstad Australia AS

Lars Peder Solstad
chairman of the board


Anders Hall Jomaas
member of the board



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD AUSTRALIA AS

NOTE 1 ACCOUNTING PRINCIPLES

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

Deferred tax/Tax expense

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences existing between accounting and tax values, and any carryforward losses for tax purposes at year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Classification and evaluation of the balance sheet

Current assets and short term liabilities include items due for payment within one year after time of acquisition. Other items are classified as fixed assets or long term liabilities. Current assets are evaluated at the lowest of acquisition cost and actual value. Short term liabilities are valued at nominal amount at entrance time. Fixed assets are valued at acquisition cost, less depreciation. Long term debt is valued at nominal amount at time of establishment.

Investments in subsidiaries

Investment in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period. Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

The principle for Investments in other companies is the cost method. Shares owned by Farstad Australia is 100 % in SolstadFarstad Pty. Ltd. (renamed in December 2017 from Farstad Shipping (Indian Pacific) Pty. Ltd. (FSIP)), which owns 100 % in Farstad Shipping Offshore Simulation Centre Pty. Ltd. Both companies are located in Perth in Australia.

Events after the balance sheet date

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 which will affect the company's position in the future, are stated if significant.

NOTE 2 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad Australia AS has no employees, - thus no wages or directors fee have been paid in 2017. The company is not obligated to have mandatory pension agreements. The management is undertaken by Solstad Shipping AS.

Expensed audit fee

	2018	2017
Statutory audit	15	18
Tax advisory fee	-	-
Total audit fees	15	18

VAT is not included in the audit fee.

NOTE 3 TAXES

Temporary differences	2018	2017
Net temporary differences		
Tax losses carried forward	-13 875	-9 875
Basis for deferred tax	-13 875	-9 875
Deferred tax		
Deferred tax benefit not shown in the balance sheet	-3 053	-2 271
Deferred tax in the balance sheet	3 053	2 271

The reason deferred tax benefit are not reflected in the balance sheet is that historical results create doubt that future taxable profits will be sufficient to utilise the tax benefit.

Basis for income tax expense, changes in deferred tax and tax payable	2018	2017
Result before taxes	-4 000	-29 409
Permanent differences	-	25 745
Basis for the tax expense for the year	-4 000	-3 664
Change in temporary differences	-	-
Change in losses carried forward	4 000	3 864
Basis for payable taxes in the income statement	-	-
+/- Group contributions received/given	-	-
Taxable income (basis for payable taxes in the balance sheet)	-	-



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD AUSTRALIA AS

NOTE 4 EQUITY

Equity changes in the year	Sharecapital	Other equity	Total
Equity 01.01.	100	-85 919	-85 819
Profit for the year	-	-4 000	-4 000
Equity 31.12.	100	-89 919	-89 819

The Group acknowledges that the challenging market situation may require measures to strengthen the financial position and the capital structure of the Group and some of the subsidiaries, including Farstad Australia AS. The Board of Directors will take necessary actions to improve the financial situation of the company.

NOTE 5 LIQUID ASSETS, SHARES IN SUBSIDIARIES AND OTHER SHARES

Shares owned by Farstad Australia AS:	Paid-in capital	Number of shares	Nominal value	Book value
SolstadFarstad Pty. Ltd. *)	AUD 11 220	9 997 528	94 198	-
		Owner share	Equity 31.12	Result 31.12
SolstadFarstad Pty. Ltd. *)		100 %	-52 111	1 089

*) The company has made no impairment of investment in subsidiary in 2018 (NOK 25 745 in 2017).

NOTE 6 BALANCE WITH GROUP COMPANIES, ETC.

Long term debt	2018	2017
Farstad Shipping AS *)	81 599	81 599
Total	81 599	81 599
Current liabilities	2018	2017
Farstad Shipping AS	8 185	4 242
Solstad Shipping AS	51	-
Total	8 236	4 242

*) Long term debt to Farstad Shipping AS NOK has following interest conditions: 3 months NIBOR + 3,75 % margin.

NOTE 7 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of TNOK 100 consists of 100 shares with nominal value of NOK 1 each. All shares are owned by Farstad Shipping AS, Ålesund.

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

NOTE 8 GOING CONCERN

The annual accounts are prepared on the assumption of a going concern. However, the Company and the Farstad Shipping Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the group's business depends on the Company finding a solution to its financial situation. The going concern assumption is based on the board's view that the efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the balance sheet. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the above the Board is of the opinion that there is significant uncertainty related to the going concern assumption for the Farstad Shipping AS Group.

It was agreed on the 19 December 2018 that interest and amortisations on most financial debt in Farstad Shipping AS Group would be temporarily suspended and deferred until 20.06.2019.

The Group has the following covenants:

- Farstad Shipping AS on a consolidated basis: Debt Service Cover Ratio (DSCR): Requirement > 1
- Farstad Shipping AS on a consolidated basis: Minimum liquidity covenant NOK 250 million
- Farstad Subsea AS on a consolidated basis: DSCR>1
- Farstad Subsea AS on a consolidated basis: Minimum liquidity covenant of NOK 20 million at all times.

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019. In June the suspension was extended to 31.10.2019

Long term liabilities recognized in Farstad Shipping AS Group of MNOK 7.292 have been reclassified to current liabilities as of 31 December 2018. The reclassification is based on standstill agreements of debt service with the banks where the covenant waiver period is less than 12 months.

The Group is in negotiations with its key creditors and other stakeholders, and the going concern assumption is based on the board's view that the



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Statsautoriserte revisorer
Ernst & Young AS

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www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad Australia AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad Australia AS, which comprise the balance sheet as at 31 December 2018 and the profit and loss 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 2018 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.

Material uncertainty related to going concern

We draw attention to note 8 in the financial statements and the Board of Director's report, which indicates that the Company incurred a net loss of NOK 4 000 thousand during the accounting year 2018 and, as of that date, the Company's current liabilities exceeded its total assets by 8 220 thousand. Further, as at 31 December 2018 the Company's equity is negative with NOK 89 819 thousand. The company is a part of the group Solstad Offshore ASA which is currently negotiating a refinancing agreement with its lenders, and for a large part of the group's and company's liabilities the lenders have agreed to a temporary standstill period until 31 October 2019. The going concern assumption is dependent on a successful refinancing. There is a risk that the group and the company will not reach an agreement with the lenders, and in the event the company should be forced to realize its assets, no assurance can be given that these will not be realized at a significantly lower value than their carrying value. These events or conditions, along with other matters as set forth in note 8 and the Board of Director's report, 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.



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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.

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



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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.

Oslo, 28 June 2019
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)