



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	979 367 112
Organisasjonsform:	Partrederi
Foretaksnavn:	PARTREDERIET INTERNATIONAL OFFSHORE SERVICES ANS
Forretningsadresse:	Skansekaia 4A 6002 ÅLESUND

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018
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Konsern

Morselskap i konsern:	Nei
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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:	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, 09.09.2020



Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3		1 461 000
Annen driftsinntekt	4	1 245 000	12 000
Sum inntekter		2 490 000	2 947 000
Kostnader			
Lønnskostnad		5 456 000	5 389 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	10	75 711 000	33 238 000
Annen driftskostnad	11	8 995 000	10 092 000
Sum kostnader		90 161 000	48 719 000
Driftsresultat		-116 571 000	-76 734 000
Finansinntekter og finanskostnader			
Annen renteinntekt		134 000	-678 000
Annen finansinntekt		4 591 000	3 181 000
Sum finansinntekter		4 725 000	2 503 000
Annen rentekostnad		-1 484 000	581 000
Annen finanskostnad		5 665 000	6 555 000
Sum finanskostnader		4 181 000	7 136 000
Netto finans		543 000	-4 633 000
Ordinært resultat før skattekostnad		-88 372 000	-51 878 000
Skattekostnad på ordinært resultat	7		
Ordinært resultat etter skattekostnad		-88 372 000	-51 878 000
Årsresultat		-88 372 000	-51 878 000
Årsresultat etter minoritetsinteresser		-88 372 000	-51 878 000
Totalresultat		-88 372 000	-51 878 000
Overføringer og disponeringer			



Resultatregnskap

Beløp i: NOK	Note	2018	2017
Overføringer til/fra annen egenkapital		-88 372 000	-51 878 000
Sum overføringer og disponeringer		-88 372 000	-51 878 000



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	6, 10	26 287 000	101 998 000
Sum varige driftsmidler		26 287 000	101 998 000
Finansielle anleggsmidler			
Lån til foretak i samme konsern	5, 9	75 000 000	75 000 000
Sum finansielle anleggsmidler		75 000 000	75 000 000
Sum anleggsmidler		202 574 000	353 995 000
Omløpsmidler			
Varer			
Sum varer	12	1 009 000	1 681 000
Fordringer			
Kundefordringer			
Andre fordringer	9	3 776 000	720 000
Sum fordringer		3 776 000	720 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	5	155 000	4 514 000
Sum bankinnskudd, kontanter og lignende		155 000	4 514 000
Sum omløpsmidler		4 940 000	6 915 000
SUM EIENDELER		106 227 000	183 913 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2018	2017
Selskapskapital	8	360 672 000	360 672 000
Sum innskutt egenkapital		360 672 000	360 672 000
Opptjent egenkapital			
Annen egenkapital	8	-401 338 000	-312 965 000
Sum opptjent egenkapital		-401 338 000	-312 965 000
Sum egenkapital		-40 666 000	47 707 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	5, 6, 8		128 768 000
Sum annen langsiktig gjeld			128 768 000
Sum langsiktig gjeld		0	128 768 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6	127 120 000	
Leverandørgjeld			480 000
Annen kortsiktig gjeld	9	19 773 000	6 959 000
Sum kortsiktig gjeld		146 892 000	7 438 000
Sum gjeld		146 892 000	136 206 000
SUM EGENKAPITAL OG GJELD		106 227 000	183 913 000



PARTREDERIET INTERNATIONAL OFFSHORE SERVICES
ANS
Postboks 1301 Sentrum
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Partrederiet International Offshore Services ANS, org.nr. 979 367 112

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 Partrederiet International Offshore Services ANS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Partrederiet International Offshore Services ANS 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

Partrederiet International Offshore Services ANS er heleid av Farstad International AS. Aktivitetene er konsentrert til markedet Australia/Asia. Med bakgrunn i at selskapet og konsernet opererer i et internasjonalt marked, med internasjonale kunder og med internasjonale eksterne kreditinstitusjoner, er det ønskelig å kunne utarbeide årsregnskapet og årsberetningen på engelsk. Forretningsrådet til konsernets morselskap er engelsk. All kommunikasjon med kunder og kreditinstitusjoner 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 ... enkelvedtak 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 pricing av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samsfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgjenvinster 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 inngår i et konsern 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



THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

P/R INTERNATIONAL OFFSHORE SERVICES ANS (IOS) was established on October 21st. 1997. The Joint Venture Partnership's purpose is vessel ownership and operation with its owned and chartered vessels- and maritime services to the offshore oil and gas industry.

The Company has two partners: Farstad International AS and Farstad Supply AS owing 50% each. Both companies are located in Aalesund, Norway. Farstad Supply AS is a wholly owned subsidiary of Farstad Shipping AS (the Group). The ultimo parent company is Solstad Farstad ASA.

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.

ADMINISTRATION

The Company has no employees. By authorization from the Partnership Agreement, Farstad International AS has been elected as the partnership's «managing owner». By authorization from Management and Services agreement Farstad Shipping AS will take care of the administrative day to day business. Farstad Shipping AS will also take care of the management of ships operating in the Mediterranean/Atlantic Area, and the 100% Farstad owned company, SolstadFarstad Pty Ltd (renamed from Farstad Shipping (Indian Pacific) Pty Ltd), Perth, Australia is taking care of management of ships operating in the rest of the world. At year end 2017 all IOS vessels were managed by SolstadFarstad Pty Ltd.

The Partnership's Board of Directors has three members.

FINANCIAL

Financial statement

Other income for 2018 was NOK 1,2 million compared to operating income was NOK 1,5 million in 2017. Operating result (EBIT) were NOK -88.9 million compared to NOK -47.2 million in 2017, after impairment of NOK 71.7 million compared to NOK 23.0 million in 2017. The company has a negative equity ratio of -38,28% compared to a positive equity ratio of 25.9 % after the refinancing. The liquidity situation is challenging, but with vessels in lay-up and no income reflect the challenging market situation.

The company P/R International Offshore Services ANS's annual accounts show a loss of NOK 128.2 million compared to a loss of NOK 51.9 million in 2017. The Board has approved the total loss to be transferred to other equity.

THE FLEET

At year end 2018 the partnership owned two 2003 build Anchor Handling Tug Supply vessels (AHTS), Lady Astrid and Lady Caroline.

At year end both vessels were in lay-up in Galang, Indonesia.

THE MARKET

The oil price has increased during 2018 with a high peak in October with Brent oil at USD 85 per barrel but then decreased to 54,14 per barrel at year-end, and the yearly average price higher than in 2017. 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 29 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2018 was 394 vessels, whereof 35 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 all of its income is in foreign currency. Foreign currency loan is used to reduce the currency risk associated with cash flows in foreign currencies.

Interest risk:

IOS has at year end 2018 no interest swap to reduce this risk.

Credit risk:

The Company is exposed to potential losses associated with accounts receivable. There was no loss on receivables in 2018.

HEALTH, WORKING ENVIRONMENT AND SAFETY

IOS's goal is to operate without damages to people, environment and materials. The Group works actively on several levels to make employees aware of this goal. Both the Group's main Board and the boards of the subsidiaries are focusing on this and discuss the development in health, environment and safety in all their meetings.

Management system

As a part of the merger process, a plan was set to transfer all on- and offshore activities into one management system with one common Document of Compliance (DOC). A common global management system is seen as a key factor in relation to achieve safe and efficient operation of the Company's activities. The implementation is progressing as planned and scheduled completion is by June 2018. The common management system (SIMS) includes overall objectives and policies for the Company. Further, it describes the various processes and activities to be performed and each employee's responsibilities/roles related to these.

Lost time injuries and unwanted events

Two of the measuring indicators used by the Farstad Shipping AS, (the Group) are the lost time injury frequency (LTIF) and total recordable case frequency (TRCF). Both frequencies are measured as the number of injuries per one million working hours, measured 24 hours a day so that recreational injuries are included. At the end of 2018 the LTIF was 0.41 compared to 0.68 in 2017. The TRCF frequency was 1.21 compared to 1.19 in 2017. Both measures are at low levels. In a time where the industry is facing multiple challenges, our crew and employees continue to deliver safe and environmentally friendly operations. None of the Group's vessels were in contact with offshore installations in 2018.

The outer environment

The Group's goal of zero damages to people, environment and material is the basis for a conscious effort to reduce our impact on the outer environment.

In close collaboration with designers, shipyards and equipment suppliers we make use of the at any time best available technological solutions in order to build and operate vessels with minimal risk of releasing environmentally hazardous substances into air and water.

In recent years, several of the Group's vessels have been equipped to use shore power in frequent port calls during normal operation.

Due to the continuing development of new technological solutions, better control and maintenance as well as the option to choose more environmentally friendly products, the emission of pollutants to water and air has been considerably reduced in recent years.



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 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 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 waiver period end in June 2019. Due to this matter long term liabilities in PR IOS ANS of NOK 127 million have been reclassified to current liabilities as of 31 December 2018.


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
27 June 2019

The Board of Directors of P/R International Offshore Services ANS


Sven Stakkestad
Member of the Board


Lars Peder Solstad
Chairman of the Board


Anders Hall Jomaas
Member of the Board



PROFIT AND LOSS

PARTREDERIEET INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

	Note	2018	2017
Operating income:			
Freight Income	3	0	1 461
Other income		1 245	12
Total operating income		1 245	1 473
Operating expenses:			
Crewing expenses vessels		5 456	5 389
Other operating expenses vessels		8 914	6 424
Administration	11	81	3 667
Total operating expenses		14 450	15 481
Operating profit before depreciations (EBITDA)		-13 205	-14 007
Depreciation and impairment	10	75 711	33 238
Operating result (EBIT)		-88 916	-47 245
Financial items:			
Financial income		4 591	3 181
Financial expenses		5 665	6 555
Realised agio (disagio)		134	-678
Unrealised agio (disagio)		1 484	-581
Net financial income and expenses		-543	4 633
Tax and results:			
Pre tax profit		-88 372	-51 878
Tax	7	0	0
Profit for the year		-88 372	-51 878
Annual net profit		-88 372	-51 878



BALANCE SHEET

PARTREDERIET INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

	Note	2018	2017
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	6, 10	26 287	101 998
Loan to group companies	5, 9	75 000	75 000
Total fixed assets		101 287	176 998
CURRENT ASSETS			
Inventories	12	1 009	1 681
Other short-term receivables	9	3 776	720
Cash and cash equivalents	5	155	4 514
Total current assets		4 940	6 915
Total assets		106 227	183 913
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital	8	360 672	360 672
Other equity	8	-401 338	-312 965
Total equity		-40 666	47 707
NON-CURRENT LIABILITIES			
Interest-bearing mortgage debt	5, 6, 8	0	128 768
Total non-current liabilities		0	128 768
CURRENT DEBT			
Liabilities to financial institutions	6	127 120	0
Accounts payable		0	480
Other current liabilities	9	19 773	6 959
Total current liabilities		146 892	7 438
Total liabilities		146 892	136 206
Total equity and liabilities		106 227	183 913

Aalesund, 27.06.2019

The board of Partrederiet International Offshore Services ANS

Sven Stakkestad
member of the boardLars Peder Solstad
chairman of the boardAnders Hall Jomaas
member of the board



CASH FLOW STATEMENT		
P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)		
	2018	2017
Cash flow from operations:		
Profit/loss before income taxes	(88 372)	(51 878)
Taxes paid in the period	-	-
(Gain)/loss on sale of fixed assets	-	-
Ordinary depreciations	3 977	10 238
Impairments	71 734	23 000
Changes in inventories	672	2 145
Changes in trade debtors	-	-
Changes in trade creditors	(480)	(249)
Unrealised foreign exchange (gain)/loss	(1 484)	1 066
Change in other provisions	11 517	9 034
Net cash flow from operating	(2 436)	(6 644)
Cash flow from investments:		
Sale of fixed assets (sales price)	-	-
Investments on fixed assets	-	-
Loan to subsidiary	-	(75 000)
Net cash flow from investment	-	(75 000)
Cash flow from financing:		
Proceeds from long term loans	-	-
Repayment of long-term debt	(1 923)	(1 924)
Net cash flow from finance	(1 923)	(1 924)
Net change in cash and cash equivalents	(4 359)	(83 568)
Cash and cash equivalents at 01.01	4 514	88 082
Cash and cash equivalents at 31.12	155	4 514



NOTES TO THE ACCOUNTS (NOK 1 000) P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

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 residual values for vessels, the useful life of vessels, impairment of vessels, tax, the capitalisation and depreciation of deferred maintenance, 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. IOS has none hedging instruments. The following exchange rates applied on the balance sheet date: USD 8.6885, GBP 11.1213, EUR 9.9483, AUD 6.1334 and BRL 2.2423.

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 lessee, 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 vessels

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

Depreciation of vessels and other fixed assets

The vessels are decomposed into vessel and deferred maintenance. Vessels are included in the balance sheet at their cost price with deductions of the year's and previous years' ordinary depreciation. The vessels are depreciated on a straight-line basis over defined period of use of 20 years, taking into account an estimated residual value of the vessels upon expiry of their period of use. Residual values are reviewed on an annual basis. These residual values are based on a best estimate of what we believe the vessels can be sold for when they are 20 years old. The depreciation of vessels in the fleet older than 20 years old are reassessed based on the estimated residual value.

Depreciation of other fixed assets is calculated on a straight-line basis over estimated useful life.

Impairment of fixed assets

The booked values of vessels and other 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 where 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 vessels, the value estimates obtained from two independent Norwegian shipbrokers are used. The brokers' estimates assume the vessels are without any charter contracts, available for immediate sale on the market and there being a willing seller and a willing buyer. Due to the declining market and higher uncertainty in the broker's estimates, the company is careful to rely only on the values estimated by the brokers in the impairment test. Because of this, value in use have been estimated for all vessels by calculating net present value of estimated future cash flows using weighted average cost of capital as discounting rate.

Maintenance costs

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings and periodic maintenance on vessels are recognised in 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 through depreciation. Upon delivery of new vessels, a portion of the cost of the vessel is valued as deferred maintenance. If a vessel is sold, the capitalized deferred maintenance is deducted from the profit.

Taxes

The Company do not appear as an own taxpayer. The owners of the Company have the tax liability.

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.

Pension

P/R International Offshore Service ANS is hiring all crew and crew related duties from other companies within the Solstad Offshore ASA 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



NOTES TO THE ACCOUNTS (NOK 1 000)
P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

NOTE 2 PARTNERS

The company has two partners: Farstad International AS and Farstad Supply AS which both own 50 % each.

The ultimo 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 3 FREIGHT INCOME

Freight income by segment product	2018	2017
Anchor Handling Vessels (AHTS)	-	1 461
Platform Supply Vessel (PSV)	-	-
Total income	-	1 461

Freight income by segment region	2018	2017
Australia/Asia	-	1 461
Total income	-	1 461

NOTE 4 PROFIT/LOSS ON SALES OF FIXED ASSETS

No sale of vessel in 2017 or 2018.

The company's had signed an agreement for a possible sale, under certain conditions, the two AHTS vessels Lady Astrid and Lady Caroline. The sale was to take place during 4 quarter 2018, but was cancelled. The vessels were impaired as of 31.12.18 to reflect the sales value.

NOTE 5 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.

The terms and conditions of the existing financing agreements for Farstad Shipping AS (the subgroup) 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). PR International Offshore Services ANS share of the interest relief was NOK 5.5 mill., and is amortised as an interest expense over 5 years until the extended maturity date for all loans.
- 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 above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

The vessels are long term financed by mortgage loans from DnB Bank ASA.

Loans in foreign currencies has been booked at exchange rates by 31.12.18. The balance of loan portfolio at year end was NOK 96 817 (NOK 98 241) AUD 5 560 in 2018 (AUD 5 641)

The arrangement fees are presented as net amount together with the debt and is expenced over the expected term of the loan.

Net repayments and exchange adjustment of debt amounted to NOK 3 499 in 2018 (NOK 1 343 in 2017).

	2018	2017
Interest bearing debt	130 918	134 417
Interest bearing current assets and loan to group companies	75 000	79 514
Net interest bearing debt	55 918	54 903
Capitalized arrangement fee	853	1 493
Capitalized interest relief from restructuring 2018	2 945	4 155

The long-term debt are distributed in 73,95% in 2018 (73.1% in 2017) in NOK and 26,05% in 2018 (26.9% in 2017) in AUD.

The interest-bearing debt has a floating interest rate. The interest rate is calculated using the market rate (NIBOR/LIBOR), plus a fixed margin charged by the banks.

Installment schedule:	< 3 months:	3 - 12 months	1 - 5 years	> 5 years	Total:
Repayment schedule for existing debt	0	1 924	31 116	97 878	130 918
TOTAL	-	1 924	31 116	97 878	130 918



NOTES TO THE ACCOUNTS (NOK 1 000)
P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

NOTE 6 MORTGAGES AND GUARANTEE LIABILITIES

	2018	2017
Liabilities secured by mortgage		
Interestbearing mortgage debt (gross)	130 818	134 417
Accrued interest on mortgage debt	673	633
Total	131 591	135 050
Balance sheet value of assets placed as security:		
Vessels' book values	26 287	101 998
Total	26 287	101 998

Also, additional guarantee is provided through insurance settlements.

NOTE 7 TAXES

Calculation of taxable profit/loss

	2018	2017
Result before tax	-88 372	-51 878
Permanent differences	4	-
Change in temporary differences	26 626	440
Taxable profit/loss	-61 743	-51 439

The tax liability is distributed to owners.

The partner Farstad International AS entered into the basic tonnage tax scheme as of 01.01.2017

NOTE 8 EQUITY

	Paid by partners	Other equity capital	Total
Equity changes in the year			
Equity 01.01.	360 672	-312 965	47 707
Paid to partners			-
Passed on changes in estimates			-
Capital increase/debt conversion			-
Profit/Loss for the year		-88 372	-88 372
Equity 31.12.	360 672	-401 338	-40 666

NOTE 9 BALANCE WITH GROUP COMPANIES, ETC.

	2018	2017
Other current liabilities		
Farstad Shipping AS	5 615	2 821
Farstad Offshore AS	130	-
Farstad Supply AS	2 773	1 767
Farstad Marine AS	134	-
SolstadFarstad Pty. Ltd.	18	250
Solstad Shipping AS	3 595	-
Farstad Shipping Crewing Services Pte.	441	462
Farstad Shipping Pte. Ltd.	6 393	967
Other current liabilities	19 099	6 267
Other short-term receivables		
Farstad Shipping AS	2 021	644
Farstad Supply AS	914	234
Farstad Shipping Crewing Services Pte.	26	-
Other short-term receivables	2 961	878
Long term loan to group companies		
Farstad Shipping AS *)	55 000	55 000
Farstad Supply AS *)	20 000	20 000
Total	75 000	75 000

*) Interest 3 months NIBOR + 3.75% margin.



NOTES TO THE ACCOUNTS (NOK 1 000)
P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

NOTE 10	FIXED ASSETS	Directly owned Vessels 2018	Directly owned Vessels 2017
	Purchase cost pr. 01.01.	527 044	527 044
	Additions	-	-
	Disposals sale	-	-
	Purchase cost pr. 31.12.	527 044	527 044
	Accumulated depreciation 01.01	427 510	402 000
	Depreciation in the year	1 513	2 510
	Disposals sale	-	-
	Impairment	71 734	23 000
	Accumulated depreciation and impairment 31.12.	500 757	427 510
	Recognized value deferred maintenance		2 464
	Net book value pr. 31.12.	26 287	101 998
	Change in recognized value deferred maintenance	2018	2017
	Net book value pr. 01.01	2 464	10 191
	Additions	-	-
	Disposals	-	-
	Depreciation in the year	2 464	7 727
	Net book value pr. 31.12	-	2 464

Depreciation of vessels and other fixed assets

The vessels are decomposed in vessel and deferred maintenance. The vessels are depreciated over defined period of use on a best estimated of what we believe the vessels can be sold for when they are 20 years old. Changes in depreciation on the basis of the annual reviewing of residual values are spread over the remaining period of use.

Deferred maintenance is capitalized and depreciated normally on a straight-line basis over the period up to next planned deferred maintenance/docking, normally over 60 months.

Fixture and fittings, vehicles and office machinery etc are depreciated linearly over 3-5 years.

Impairment

Due to the current market conditions, as well as uncertainty related to vessels future earnings, the company has performed individual impairment tests of all vessels. Impairments have been performed where the recoverable amount is lower than the recognized value for the vessels/assets. The recoverable amount for each vessel is based on a value in use calculation from cash flow before financial items and tax. The cash flow calculations have been discounted with an average cost of capital after tax (WACC) for the Solstad Offshore group of 9.0% (8.36% in 2017). The cash flow per vessel is calculated until vessel reaches an age of 30 years.

For vessels having firm contracts, revenue is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the period, revenue is based on historical data. Both the vessels own history and average rates for comparable vessel for the last 7-10 years have been used. For the first period day rates for the PSV- and AHTS segment are set down to operational cost. From 2020 to 2023 it is assumed a gradual increase of revenue to a level which correspond to the average rates for the past 7-10 years. It is expected that the markets are normalized within 2023.

Total impairment in 2018 was NOK 71 734 compared to NOK 23 000 in 2017.

NOTE 11 SALARIES, NUMBER OF EMPLOYEES, LOAN AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

P/R International Offshore Services ANS has no employees, - thus no wages or directors fee have been paid in 2018.

The company is not obligated to have mandatory pension agreements.

Management of the vessels is handled by Solstad Offshore ASA and SolstadFarstad Pty. Ltd according to management agreements. In 2018 it was paid NOK 2 869 (NOK 3 278 in 2017) in corporate fee and management fee.

Interest income from loan to Farstad Shipping AS was NOK 3 355 in 2018 compared to NOK 2 131 in 2017 and to Farstad Supply AS NOK 1 220 in 2018 compared to NOK 772 in 2017.

Expensed audit fee	2018	2017
Statutory audit	80	112
Tax advisory fee	25	-
Total audit fees	105	112



NOTES TO THE ACCOUNTS (NOK 1 000)
P/R INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

NOTE 12 INVENTORIES

	2018	2017
Stock - fuel	337	961
Stock - lube- and hydraulic oil	673	720
Stock - others	-	-
Total	1 009	1 681

NOTE 13 GOING CONCERN

The annual accounts are prepared on the assumption of a going concern. However, 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

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

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 waiver period end in June 2019. Due to this matter long term liabilities in P/R International Offshore Services ANS of MNOK 129 have been reclassified to current liabilities as of 31 December 2018.

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 Group's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the Group's balance sheet.



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Partrederiet International Offshore Services ANS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Partrederiet International Offshore Services ANS, which comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows 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 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 13 in the financial statements and the Board of Director's report, which indicates that the Company incurred a net loss of NOK 88 372 thousand during the accounting year 2018 and, as of that date, the Company's current liabilities exceeded its total assets by 40 665 thousand. Further, as at 31 December 2018 the Company's equity is negative with NOK 40 666 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 13 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 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 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 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.

Oslo, 28 June 2019
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

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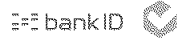
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PROFIT AND LOSS

PARTREDERIET INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

	Note	2018	2017
Operating income:			
Freight Income	3	0	1 461
Other income		1 245	12
Total operating Income		1 245	1 473
Total income		1 245	1 473
Operating expenses:			
Crewing expenses vessels		5 456	5 389
Other operating expenses vessels		8 914	6 424
Administration	11	81	3 667
Total operating expenses		14 450	15 481
Operating profit before depreciations (EBITDA)		-13 205	-14 007
Depreciation and impairment	10	75 711	33 238
Operating result (EBIT)		-88 916	-47 245
Financial items:			
Financial income		4 591	3 181
Financial expenses		5 665	6 555
Realised agio (disagio)		134	-678
Unrealised agio (disagio)		1 484	-581
Net financial income and expenses		-543	4 633
Tax and results:			
Pre tax profit		-88 372	-51 878
Tax	7	0	0
Profit for the year		-88 372	-51 878
Annual net profit		-88 372	-51 878
Allocated to other equity		-88 372	-51 878



BALANCE SHEET

PARTREDERIET INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

	Note	2018	2017
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	6, 10	26 287	101 998
Loan to group companies	5, 9	75 000	75 000
Total fixed assets		101 287	176 998
Total fixed assets		101 287	176 998
CURRENT ASSETS			
Inventories	12	1 009	1 681
Other short-term receivables	9	3 776	720
Total receivables		3 776	720
Cash and cash equivalents	5	155	4 514
Total current assets		4 940	6 915
Total assets		106 227	183 913
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital	8	360 672	360 672
Total paid-up equity		360 672	360 672
Other equity	8	-401 338	-312 965
Total retained earnings		-401 338	-312 965
Total equity		-40 666	47 707
NON-CURRENT LIABILITIES			
Interest-bearing mortgage debt	5, 6, 8	0	128 768
Total non-current liabilities		0	128 768
CURRENT DEBT			
Liabilities to financial institutions	6	127 120	0
Accounts payable		0	480
Other current liabilities	9	19 773	6 959
Total current liabilities		146 892	7 438
Total liabilities		146 892	136 206
Total equity and liabilities		106 227	183 913



BALANCE SHEET

PARTREDERIET INTERNATIONAL OFFSHORE SERVICES ANS (NOK 1 000)

Aalesund, 27.06.2019

The board of Partrederiet International Offshore Services ANS

Sven Stakkestad
member of the board

Lars Peder Solstad
chairman of the board

Anders Hall Jomaas
member of the board