



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 979 213 336
Organisasjonsform: Aksjeselskap
Foretaksnavn: FARSTAD INTERNATIONAL 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, 06.11.2020



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	731 000	5 612 000
Annen driftsinntekt	3	6 000	4 500 000
Sum inntekter		737 000	10 112 000
Kostnader			
Lønnskostnad		2 695 000	15 335 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	11	16 619 000	92 176 000
Annen driftskostnad	4	5 081 000	12 384 000
Sum kostnader		24 395 000	119 895 000
Driftsresultat		-23 658 000	-109 783 000
Finansinntekter og finanskostnader			
Annen renteinntekt		-343 000	-985 000
Annen finansinntekt		4 201 000	3 350 000
Sum finansinntekter		3 859 000	2 365 000
Verdireduksjon andre finansielle instrumenter vurdert til virkelig ver			
Annen rentekostnad		290 000	-1 585 000
Annen finanskostnad		3 278 000	5 120 000
Sum finanskostnader		3 568 000	3 535 000
Netto finans		291 000	-1 170 000
Ordinært resultat før skattekostnad		-23 367 000	-110 953 000
Skattekostnad på ordinært resultat	10	63 000	88 000
Ordinært resultat etter skattekostnad		-23 430 000	-111 041 000
Årsresultat		-23 430 000	-111 041 000
Årsresultat etter minoritetsinteresser		-23 430 000	-111 041 000
Totalresultat		-23 430 000	-111 041 000



Resultatregnskap

Beløp i: NOK	Note	2017	2016
---------------------	-------------	-------------	-------------



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	11	50 999 000	67 618 000
Sum varige driftsmidler		50 999 000	67 618 000
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	12	102 500 000	65 000 000
Sum finansielle anleggsmidler		102 500 000	65 000 000
Sum anleggsmidler		153 499 000	132 618 000
Omløpsmidler			
Varer			
Sum varer		840 000	1 913 000
Fordringer			
Andre fordringer	12	1 009 000	2 775 000
Sum fordringer		1 009 000	2 775 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		10 986 000	50 155 000
Sum bankinnskudd, kontanter og lignende		10 986 000	50 155 000
Sum omløpsmidler		12 835 000	54 843 000
SUM EIENDELER		166 334 000	187 460 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8, 9	100 000	100 000



Balanse

Beløp i: NOK	Note	2017	2016
Overkurs	8	50 809 000	
Sum innskutt egenkapital		50 909 000	100 000
Opptjent egenkapital			
Annen egenkapital	8	47 167 000	70 597 000
Sum opptjent egenkapital		47 167 000	70 597 000
Sum egenkapital		98 076 000	70 697 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	5, 6, 7	64 384 000	114 630 000
Sum annen langsiktig gjeld		64 384 000	114 630 000
Sum langsiktig gjeld		64 384 000	114 630 000
Kortsiktig gjeld			
Leverandørgjeld		240 000	365 000
Betalbar skatt	10		88 000
Annen kortsiktig gjeld	12	3 634 000	1 680 000
Sum kortsiktig gjeld		3 874 000	2 133 000
Sum gjeld		68 258 000	116 763 000
SUM EGENKAPITAL OG GJELD		166 334 000	187 460 000



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- Ingebrigtsen	Vår referanse 2014/882574

FARSTAD INTERNATIONAL AS
Postboks 1301 sentrum
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad International AS, org.nr. 979 213 336

- 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 International AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad International 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 International AS er heleid av Farstad Shipping ASA gjennom Farstad Supply AS. Selskapet eier skip gjennom partrederiet International Offshore Services. Aktivitetene er konsentrert til markedene i Australia og 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 i konsernet 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 % indirekte eiet av morselskapet i konsernet 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



FARSTAD INTERNATIONAL AS

ANNUAL REPORT
2017





THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

Farstad International AS was established 10.09.1997 with purpose to invest in ship-owning companies within the offshore oil and gas industry. The company is a wholly owned subsidiary of Farstad Supply AS and its head office is in Aalesund. 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.

Farstad International AS and Farstad Supply AS own 50% each of P/R International Offshore Services ANS (IOS), Aalesund. IOS purpose is vessel ownership and operation with its owned and chartered vessels, - and maritime services to the offshore oil and gas industry.

ADMINISTRATION

The Company has no employees. Farstad Shipping AS takes care of the administrative day to day business in IOS. Farstad Shipping AS (the Group) also take care of the management of ships operating in the Mediterranean/Atlantic Area, - and the 100% Farstad owned company, Solstad Farstad 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 Solstad Farstad Pty Ltd, Perth.

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 13 in last year's annual report and note 3 in this report.

Capital increase by conversion of debt in IOS

On the 7 March 2017, Farstad Shipping ASA assumed NOK 101 million of IOS' debt to various financial institutions against a recourse claim on Farstad Supply AS. 50% of this claim was transferred to Farstad International AS. NOK 96 million was related to debt conversion and NOK 5 million in future interest payment.

At 9 March 2017, Farstad International AS increased its equity capital by NOK 50.8 million through conversion of debt to Farstad Supply AS.

Financial statement

The annual accounts show a loss of NOK 23.4 million. The Board has approved the total loss to be transferred to other equity.

THE FLEET

IOS owns by the end of 2017 two vessels: two Anchor Handling Tug Supply vessels (AHTS).

THE MARKET

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

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).

HEALTH, WORKING ENVIRONMENT, SAFETY AND EXTERNAL ENVIRONMENT

Farstad International'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 2017 the LTIF was 0.68 compared to 0.16 in 2016. The TRCF frequency was 1.19 compared to 1.63 in 2016. 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 2017.

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

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.

EVENT AFTER YEAR END

IOS has signed an agreement for a possible sale, under certain conditions, the two AHTS vessels Lady Astrid and Lady Caroline. The sale will not take place before 4 quarter 2018, at the earliest. The vessels were impaired as of 31.12.17 to reflect the sales value.

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 134.4 in PR International Offshore Services ANS 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 International 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 INTERNATIONAL AS (NOK 1 000)

	Note	2017	2016
Operating income:			
Freight Income	2	731	5 612
Other income		6	4 005
Total operating Income		737	9 618
Profit/loss on sale of fixed assets	3	0	494
Total income		737	10 112
Operating expenses:			
Crewing expenses vessels		2 695	15 335
Other operating expenses vessels		3 212	6 353
Administration	4	1 869	6 031
Total operating expenses		7 776	27 719
Operating profit before depreciations (EBITDA)		-7 039	-17 607
Depreciation and impairment	11	16 619	92 176
Operating result (EBIT)		-23 658	-109 783
Financial items:			
Financial income		4 201	3 350
Financial expenses		3 278	5 120
Realised agio (disagio)		-343	-985
Unrealised agio (disagio)		-290	1 585
Net financial income and expenses		-291	1 170
Tax and results:			
Pre tax profit		-23 367	-110 953
Tax	10	63	88
Profit for the year		-23 430	-111 041
Annual net profit		-23 430	-111 041



BALANCE SHEET

FARSTAD INTERNATIONAL AS (NOK 1 000)

	Note	2017	2016
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	11	50 999	67 618
Loans to group companies	12	102 500	55 000
Total fixed assets		153 499	132 618
CURRENT ASSETS			
Inventories		840	1 931
Other short-term receivables	12	1 009	2 775
Cash and cash equivalents		10 986	50 115
Total current assets		12 835	54 843
Total assets		166 334	187 460
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8, 9	100	100
Share premium reserve	8	50 809	0
Other equity	8	47 167	70 597
Total equity		98 076	70 697
NON-CURRENT LIABILITIES			
Interest-bearing mortgage debt	5, 6, 7	64 384	114 630
Total non-current liabilities		64 384	114 630
CURRENT LIABILITIES			
Accounts payable		240	365
Tax payable	10	0	88
Other current liabilities	12	3 634	1 640
Total current liabilities		3 874	2 133
Total liabilities		68 258	116 763
Total equity and liabilities		166 334	187 460

Aalesund, 30.06.2018

The board of Farstad International AS

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



CASH FLOW STATEMENT

FARSTAD INTERNATIONAL AS (NOK 1 000)

	2017	2016
Cash flow from operations:		
Profit/loss before income taxes	(23 367)	(110 953)
Taxes paid in the period	(63)	(5 613)
(Gain)/loss on sale of fixed assets	-	(494)
Ordinary depreciations	5 119	8 676
Impairments	11 500	83 500
Changes in inventories	1 073	(84)
Changes in trade debtors	-	10 224
Changes in trade creditors	(125)	(5 502)
Unrealised foreign exchange (gain)/loss	533	(1 585)
Change in other provisions	4 623	(174)
Net cash flow from operating	(707)	(22 005)
Cash flow from investments:		
Sale of fixed assets (sales price)	-	20 314
Investments on fixed assets	-	(3 731)
Loan to subsidiary	(37 500)	-
Net cash flow from investment	(37 500)	16 583
Cash flow from financing:		
Proceeds from long term loans	-	-
Repayment of long-term debt	(962)	(34 864)
Net cash flow from finance	(962)	(34 864)
Net change in cash and cash equivalents	(39 169)	(40 286)
Cash and cash equivalents at 01.01	50 155	90 441
Cash and cash equivalents at 31.12	10 986	50 155



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 1: ACCOUNTING PRINCIPLES

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

The company owns 50% of P/R International Offshore Services ANS (IOS). IOS is incorporated using the proportional consolidated method.

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 8.2050, 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.

Pension

IOS 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.

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.

Depreciations 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 re-entered the basic tonnage tax regime for shipping companies as of 01.01.2017. In 2016 the company was taxed according to the tax scheme in Norway. This scheme entails no tax on profits or tax on dividends from companies within the scheme. Net finance, allowed for some special regulations, will continue to be taxed on an ongoing basis at a rate of 24% and 23% in 2018.

Taxes in the profit and loss account represent the payable tax for the period and changes in deferred tax. Tax on gross income or tax which relates directly to gross income is presented as reduction in income, while other taxes are presented as tax expense.

Tonnage tax within the regime is classified as an operating cost and because of the size of IOS vessels it is insignificant.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

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.

NOTE 2 FREIGHT INCOME

	2017	2016
Freight income by segment product		
Anchor Handling Vessels (AHTS)	731	5 612
Plattform Supply Vessel (PSV)	-	-
Total freight income	731	5 612
Freight income by segment region		
Australia/Asia	731	5 612
Total income	731	5 612

NOTE 3 GAIN/LOSS ON SALE OF FIXED ASSETS

No sale of vessel in 2017. Last year the vessel Lady Grace was sold, giving a profit of NOK 494.

NOTE 4 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad International AS has no employees, - thus no wages or directors fee have been paid in 2017. The company is not obligated to have mandatory pension agreement.

Farstad International share of the management of the vessels in IOS, handled by Farstad Shipping AS and SolstadFarstad Pty. Ltd according to management agreements, was in 2017 NOK 1 639 (NOK 5 681 in 2016) for corporate fee and management fee.

Expensed audit fee

	2017	2016
Statutory audit	35	15
Tax advisory fee	-	-
Total audit fees	35	15

VAT is not included in the audit fee.

NOTE 5 MORTGAGES

Farstad International AS portion of mortgage is related to P/R International Offshore Services ANS (IOS). The vessels owned by IOS are long term financed by mortgage from DnB Bank ASA.

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 13 in last years annual report.

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:

- 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.
- 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.
- Agreed new covenants, measured at Farstad Shipping AS (the sub-group) level:
 - 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).
 - Minimum free consolidated free cash on MNOK 250
 - 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.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

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.

Loans in foreign currencies has been booked at exchange rates by 31.12.17. The company's portion of the balance of loan portfolio at year end in IOS was NOK 49 121 (NOK 85 227 in 2016) and AUD 2 821 (AUD 4 895).

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

Net repayments of debt amounted to NOK 672 in 2017 (NOK 25 808 in 2016).

	2017	2016
Share of interest bearing debt	67 209	115 697
Share of interest bearing current asset	10 986	50 155
Net interest bearing debt	56 223	65 542
Capitalized arrangement fee	747	1 067
Capitalized interest relief from restructuring 2017	2 078	-

The long-term debt are distributed in 73.1% (73.7% in 2016) in NOK and 26.9% (26.3%) 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:
Share of repayment schedule for existing debt	0	962	15 558	50 689	67 209
TOTAL	-	962	15 558	50 689	67 209

NOTE 6 MORTGAGES AND GURANTEE LIABILITIES

	2017	2016
Liabilities secured by mortgage		
The company's share of interestbearing mortgage debt (gross)	67 209	115 697
The company's share of accrued interest on mortgage debt	316	774
Total secured mortgage debt	67 525	116 471

Balance sheet value of assets placed as security:

Vessels' book values	50 999	67 618
Total	50 999	67 618

Also, additional guarantee is provided through insurance settlements.

NOTE 7 SOLIDARY OBLIGATION

The company has a solidary obligation for IOS's total debt.

The solidary obligation not included in Farstad International AS balance by 31.12. is amounting

	2017	2016
	68 103	116 674

NOTE 8 EQUITY

Equity changes in the year	Share			Total
	Share capital	Premium Reserve	Other equity *)	
Equity 01.01.	100		70 597	70 697
Share capital increase/debt conversion		50 809		50 809
Loss for the year			-23 430	-23 430
Equity 31.12.	100	50 809	47 167	98 076

*) Included in other equity as of 31.12.2017 is a negative revaluation reserve of NOK -206 714 (NOK -180 775 as of 31.12.2016) related to an accumulated loss in Partrederiet International Offshore Services ANS.

NOTE 9 SHARE CAPITAL

The share capital of TNOK 100 consists of 100 shares with nominal value of NOK 1.001. All shares are owned by Farstad Supply 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.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 10 TAXES

Calculation of deferred tax/deferred tax benefit

	2017	2016
Temporary differences		
Fixed assets	-	-
Other temporary differences	-	-
Net temporary differences	-	-
Tax losses carried forward	-	-92 610
Basis for deferred tax	-	-92 610

Deferred tax	-	-22 226
Deferred tax benefit not shown in the balance sheet	-	22 226
Deferred tax in the balance sheet	-	-

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

	2017	2016
Result before taxes	-	-110 953
Permanent differences	-	58 402
Basis for the tax expense for the year	-	-52 551
Change in temporary differences		
Basis for payable taxes in the Income statement	860	-52 551
Change in tax losses carried forward	-860	52 551
+/- Group contributions received/given	-	-
Taxable income (basis for payable taxes in the balance sheet)	-	-

Components of the income tax expense

	2017	2016
Withholding tax	63	88
Change in deferred tax	-	-
Tax expense	63	88

Payable taxes in the balance sheet

Payable tax abroad	-	88
Payable tax in the balance sheet	-	88

The reason deferred tax benefit are not reflected in the balance sheet is that it is doubtful that future taxable profits will be sufficient to utilize the tax benefit.

Farstad International AS left the basic tonnage tax scheme as of 30 June 2016 with taxable effect as per 1 January 2016 to the ordinary taxation scheme. The company re-entered the basic tonnage tax regime for shipping companies as of 01.01.2017.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 11 VESSELS AND OTHER FIXED ASSETS

	Directly owned Vessels 2017	Directly owned Vessels 2016
Purchase cost pr. 01.01.	263 522	332 831
Additions	-	-
Disposals sale	-	69 309
Purchase cost pr. 31.12.	263 522	263 522
Accumulated depreciation and impairment 01.01	201 000	165 331
Depreciation in the year	1 255	4 887
Disposals sale	-	52 718
Impairment	11 500	83 500
Accumulated depreciation and impairment 31.12.	213 755	201 000
Recognized value deferred maintenance	1 232	5 096
Net book value at 31.12.	50 999	67 618
Change in recognized value deferred maintenance	2017	2016
Net book value pr. 01.01	5 096	8 101
Additions	-	3 731
Disposals	-	2 947
Depreciation in the year	3 864	3 789
Net book value pr. 31.12	1 232	5 096

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 SolstadFarstad group of 8.36%. 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 as per 31.12.17 was NOK 11 500 (NOK 83 500 in 2016).



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 12 BALANCE WITH GROUP COMPANIES, ETC.

	2017	2016
Other current liability		
P/R International Offshore Services ANS	-	-
SolstadFarstad Pty. Ltd.	155	-
Total	155	-
Other short-term receivables		
Farstad Shipping AS	636	684
Total	636	-
Long term loan to group companies	2017	2016
Farstad Shipping AS *)	92 500	65 000
Share of loan to Farstad Supply AS **)	10 000	-
Total	102 500	65 000

*) Interest 3 months NIBOR + 3.00 % margin.

**) Interest 3 months NIBOR + 3.75 % margin.

NOTE 13 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 134,4 in PR International Offshore Services ANS 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.

NOTE 14 EVENT AFTER YEAR END

IOS has signed an agreement for a possible sale, under certain conditions, the two AHTS vessels Lady Astrid and Lady Caroline. The sale will not take place before 4 quarter 2018, at the earliest. The vessels were impaired as of 31.12.17 to reflect the sales value.



Building a better
working world

Statsansatte revisorer
Ernst & Young AS

Truacjorden, NO-6010 Ålesund
Lungjandalsvegen 1, NO-6010 Ålesund

Foretaksregister NO 978 388 387 MVA
TF +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad International AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad International 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 13 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 13, 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

Ivar-André Norvik

State Authorised Public Accountant (Norway)