

ANNUAL REPORT 2014



 **JACK**  **TEL** 

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REPORT OF THE BOARD OF DIRECTORS

JACKTEL AS

Jacktel AS is a 100% subsidiary of Master Marine AS, parent company in the Master Marine Group, located at Rosenkrantzgate 18 in Oslo, Norway. The Company, which was established in 2009, specializes in offshore accommodation and is the owner of the “Haven” jack up accommodation unit.

Operations

“Haven” was completed in late July 2011 and immediately commenced operation at the Ekofisk field in the North Sea for ConocoPhillips. “Haven” was successfully relocated to the nearby Eldfisk field 1 June 2014, where it is expected to remain until the end of the ConocoPhillips contract. Intermediate class survey was carried out from May to July 2014, with no major findings.

The current charter contract with ConocoPhillips is for 4 years and expires on 28th July 2015. “Haven” does not have any new contracts after expiry of the current contract. The unit is currently being marketed in all high end markets, however the company is as a precaution also preparing the unit for a possible lay up situation.

OSM Offshore AS perform the technical management of “Haven”, including crew services. Management works closely with OSM Offshore’s dedicated personnel to ensure all aspects of “Haven” operations are carried out in compliance with relevant laws and regulations, terms of the ConocoPhillips contract and according to best practices in the industry.

Throughout 2014, “Haven” provided safe, efficient and comfortable accommodation services to a large number of offshore workers at the Ekofisk- and Eldfisk fields. Operational performance is excellent with 100% uptime and no lost time incidents since commencement of operation in 2011. Feedback from crew and guests confirm a high satisfaction rate.

“Haven” is in compliance with all relevant operational and safety conditions required by the Norwegian Petroleum Safety Authority (Petroleumstilsynet) as well as the Norsok N-001 structural design requirements. At Ekofisk, “Haven” satisfies the 10.000 year weather conditions, qualifying her as a safe haven. In late 2014 management initiated the work to prepare for an application to UK HSE, which is expected to be complete during the summer of 2015, preparing the unit for opportunities on the UK continental shelf. Management is actively marketing “Haven” for new assignments from August 2015.

Due to its size, shape and structural strength, the design of its jacking system and excess utilities, “Haven” can be modified to a multitude of purposes in addition to accommodation unit. “Haven’s” maximum water depth can also be extended to approximately 115 - 120 meters.

Organization, work environment and employees

The Company is an asset owning company and has no employees. All management of the Company is performed through a management services agreement with Master Marine AS, providing executive management and general administration, including marketing, finance, accounting, financial reporting as well as other general services.

The Company’s Integrated Management System (IMS) is compliant with and operated in accordance with ISO 9001-2008.

Health, Safety and Environmental (HSE) Reporting

The Company strives to ensure that all sides of its operation are conducted in a safe and environmentally friendly way.

Management works closely with technical manager OSM Offshore AS and ConocoPhillips Scandinavia AS to ensure safe operation of “Haven”. A high safety and environmental standard is achieved through an active and close cooperation with, and monitoring of, OSM Offshore AS. “Haven” complies with the highest safety and environmental standards required by the Norwegian Petroleum Safety Authority. The HSE record for “Haven” is strong with no Lost Time. The total registered sick leave among the crew at “Haven” was 4.2% compared to 3% in 2013.

Financial development and results

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) and IFRIC as approved by the European Union, and the additional relevant requirements under the Norwegian Accounting Act.

The annual accounts were approved by the Board on 25 March 2015.

Finance

In July 2014 the Company signed a Bond agreement in the maximum amount of 190 MEUR, where 95 MEUR was drawn in 2014. Expiry date is 8 July 2019 and the loan holds a fixed interest of 7 % p.a, payable quarterly. The loan agreement holds a minimum cash covenant of at least the higher of 5 MEUR, or 4% of the outstanding bonds. The bonds are listed on Nordic ABM. The purpose of the bond agreement was to refinance the existing bank loan.

During 2014 the Company refinanced and prepaid 31 MEUR of parent company loans. Additionally the 15 MEUR OPEX guarantee was cancelled and the commission (1.7 MEUR) was paid. For further details, see note 9.

Interest on parent company loans is capitalized quarterly and is payable at maturity.

Financial results

The operating income for 2014 was 78.0 MEUR (70.4 MEUR in 2013) and the operating expenses were 123.8 MEUR (41.2 MEUR in 2013), including 18.7 MEUR in depreciation (18.3 MEUR in 2013) and 80 MEUR impairment (no impairment in 2013). This resulted in an operating loss of 45.8 MEUR (profit of 29.2 MEUR in 2013). The operating expenses in 2014 reflect full operational cost as well as impairment and various offsets.

The company has performed impairment tests on the value of "Haven" based on the assumption that utilizations may be reduced in the future and that there could be a reduction in dayrates. The Board of Directors concluded that an impairment of 80 MEUR on "Haven" should be made. For further details, see note 12. The impairment reduced the equity level to 13 %. In order to strengthen the equity the company converted one of the shareholder loans to preference shares in February 2015. The new equity level is 47 % after the debt conversion. See note 20 for further details.

Net financial items for 2014 were a loss of 38.7 MEUR (40.5 MEUR in 2013). The financial loss is mainly related to accrued interest on parent company loan (32.1 MEUR), interest paid on bank loan (2.5 MEUR), interest paid on bond loan (3.2 MEUR) and fees related to the repayment of the bank loan.

This resulted in a net loss for 2014 of 84.4 MEUR (11.4 MEUR for 2013). The Board of Directors proposes to charge the net loss to the share premium.

Cash flow and liquidity

Operational cash flow in 2014 was 43.3 MEUR (37.1 MEUR in 2013). Cash flow from investments was -2.1 MEUR (1.9 MEUR in 2013) and cash flow from financing was -34.5 MEUR (-35.8 MEUR in 2013). This resulted in a net increase in cash and cash equivalents in 2014 of 6.7 MEUR (2.7 MEUR in 2013). As of year end 2014 the Company had cash reserves of 36.4 MEUR (29.7 MEUR at the end of 2013).

The positive cash flow from operations in 2014 stems from 100% uptime and continued strong focus on cost control. Operational cash flow (excluding the non-recurrent items) is satisfactory and in line with projections.

The Board of Directors considers the Company's liquidity position to be adequate and confirms that the assumption of going concerns forms the basis for the annual accounts in accordance with the requirements of the Accounting Act. The Company has financing in place and the current contract will expire in July 2015.

Financial Exposure

The Company is exposed to general business market risk, including credit risk on its one client and revenue risk after the current charter hire contract expires. Management considers the credit risk to be marginal and focuses on identifying, negotiating and being awarded a new charter hire contract to secure revenues in the future.

The Company is also exposed to financial market risks including the possibility that fluctuations in currency exchange rates and interest rates may affect the value of the Company's assets, liabilities and future cash flows. The Company frequently reviews and assesses its primary financial market risks to reduce and control these risks. See more information in note 10.

Future Prospects

There has been reduction in spending from the oil companies worldwide which has resulted in reduced demand for accommodation services in the short term. The oil companies strong cost focus is expected to continue in 2015 and 2016. This should result in an overall activity level also in the North Sea. There are some larger projects coming up in the next few years where the operational benefits of Haven can be utilized. The company has therefore widened its focus to target the high end jack-up market worldwide.

Further, history has shown that maintenance projects only can be postponed for a limited period. It is therefore likely that the inspection, repair and maintenance market will pick up within reasonable time. This should also result in increased demand for accommodation services. The Board expects that oil companies cost focus will contribute to their willingness to contract jack-up accommodation units, where possible, rather than semis due to the jack-ups ability to deliver 100% uptime, compared to 85-90% for a DP unit operating in a harsh environment.

Oslo, 25 March 2015



Bjørn Eie Henriksen
Chairman of the Board



Thomas Eik Gabestad



Kjetil Bollestad
CEO

FINANCIAL STATEMENTS 2014

<i>(In EUR 1.000)</i>	Notes	2014	2013
Revenue	3	78 025	70 361
TOTAL OPERATING REVENUE		78 025	70 361
OPERATING EXPENSES			
Vessel operation cost	4	-21 417	-19 687
Other operating expenses	4	-3 680	-3 173
Impairments	12	-80 000	0
Depreciation	12	-18 681	-18 343
TOTAL OPERATING EXPENSES		-123 778	-41 202
OPERATING PROFIT / (LOSS)		-45 753	29 159
FINANCIAL INCOME AND EXPENSES			
Financial income	7	942	4 335
Financial expenses	7	-39 615	-44 846
NET FINANCIAL ITEMS		-38 673	-40 511
PROFIT/(LOSS) BEFORE TAX		-84 426	-11 352
Income tax expense (benefit)	11	0	0
NET PROFIT (LOSS)		-84 426	-11 352

Statement of Total Comprehensive Income

<i>(In EUR 1.000)</i>		
Net profit this period	-84 426	-11 352
Fair value adjustment hedging reserve (to be reclassified to Profit and Loss)	0	602
TOTAL COMPREHENSIVE INCOME	-84 426	-10 750

Earnings per share:

- Basic	-1,69	-0,23
- Diluted	-1,69	-0,23

Statement of Financial Position

<i>(In EUR 1.000)</i>	Notes	31.12.2014	31.12.2013
ASSETS			
Non-current assets:			
Vessels, plant and equipment	12	347 286	443 894
Total non-current assets		347 286	443 894
Current assets:			
Other current assets	14	8 901	11 426
Cash	15	36 351	29 670
Total current assets		45 252	41 096
TOTAL ASSETS		392 538	484 990
EQUITY AND LIABILITIES			
Paid in capital:			
Issued capital	17	12 191	12 191
Share premium	17	39 893	124 319
Total paid in capital		52 084	136 510
Total equity		52 084	136 510
Non-current liabilities:			
Other long-term liabilities	9	329 234	304 904
Total long-term liabilities		329 234	304 904
Current liabilities:			
Accounts payable	18	619	183
Prepayments customer	18	5 358	9 418
Short term interest bearing debt	9/18	0	25 339
Other current liabilities	18	5 243	8 636
Total current liabilities		11 221	43 576
Total liabilities		340 454	348 480
TOTAL EQUITY AND LIABILITIES		392 538	484 990

Oslo, 25 March 2015


Bjørn Eie Henriksen
Chairman of the Board


Thomas Eik Gabestad


Kjetil Bollestad
CEO

Statement of Changes in Equity

	Share Capital	Share premium	Total equity
<i>(In EUR 1.000)</i>			
Equity as at January 1, 2013	6 262	98 821	105 083
Share issues	5 928	36 248	42 176
Net income (loss)		-11 352	-11 352
Fair value adjustment hedging reserve		602	602
Equity as at December 2013	12 190	124 319	136 510
Share issues			
Net income (loss)		-84 426	-84 426
Fair value adjustment hedging reserve		0	0
Equity as at December 2014	12 190	39 893	52 084

Cash Flow Statements

	Year ended December 31, 2014	Year ended December 31, 2013
<i>(In EUR 1.000)</i>		
Cash flow from operating activities:		
Profit/(loss) after tax	-84 426	-11 352
Adjustment to reconcile profit/(loss) after tax to net cash flows:		
Non-cash items:		
Depreciation and impairment of property, plant and equipment	98 681	18 343
Financial income	-993	-4 335
Financial expenses	34 632	44 846
Working capital adjustments:		
Increase in trade and other receivables	2 616	6 769
Increase in trade and other payables	-7 232	-17 165
Net cash flow from operating activities	43 278	37 105
Cash flow from investing activities:		
Proceeds from sale of property, plant and equipment	59	4 875
Purchase of property, plant and equipment, net of cash	-2 223	-2 957
Interests received	51	70
Net realized agio	0	-84
Net cash flow from investing activities	-2 114	1 904
Cash flow from financing activities:		
Proceeds from issue of shares	0	0
Customer prepayments	0	0
Net proceeds from borrowings	95 000	0
Repayment of borrowings	-124 500	-30 000
Interest paid	-4 983	-5 750
Net cash flow from financing activities	-34 483	-35 750
Net increase/(decrease) in cash and cash equivalents	6 681	2 657
Cash at beginning of period	29 670	27 013
Cash at end of period	36 351	29 670

Notes

1. General information

Jacktel AS ("Company") is a private limited company incorporated in Norway. The company's headquarter is located at Rosenkrantzgate 18, 0160 Oslo, Norway. Jacktel AS is an offshore accommodation company.

The annual accounts were approved by the Board on 25th March 2015.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements of Jacktel have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) and IFRIC as approved by the European Union ("EU"), as well as the additional relevant requirements under the Norwegian Accounting Act.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The statement of comprehensive income is presented by nature of costs (IAS 1). The principal accounting policies are set out below.

2.3 Functional currency and presentation currency

Jacktel applies EUR as reporting currency for its financial statements, which is also the functional currency of the Company.

2.4 Adoption of new and revised standards and interpretations

The following standards, amendments and interpretations effective January 1 2014 are relevant to the Company, but have no material impact on the financial information:

IAS 24, (Revised), IAS 32 (Amendment), IFRIC 14 (amendment), IFRIC 19, IFRS 3 (Amendment), IFRS 3 (Amendment), IFRS 7 (amendment), IAS 1 (Amendment), IAS 27 (revised)

(a) *Early adoption of standards and interpretations*

No standards or interpretations have been early adopted in 2014.

(b) *Standards and interpretations in issue not yet adopted*

At the date of authorisation of these financial statements the following Interpretations were in issue but not yet effective: IFRS 9, IFRS 10, IFRS 11, IFRS 12 (amendment), IFRS 15, (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18), IAS 1 (amendment), IAS 16 (amendment), IAS 19 (amendment), IAS 27 (amendment), IAS 28 (amendment), IAS 38 (amendment), IAS 39 (amendment), IAS 41 (amendment), IFRIC 21, IAS 37.

Management anticipate that the standards and interpretations in issue, but not yet effective, will be adopted in the financial statements when they become effective, and foresee currently no material near-term impact by the adoptions on the financial statements of the Company in the period of initial application. However this will be further assessed upon implementation. The new standard on leasing (IAS 17, not yet approved) could have an impact, but it is not effective per 2014.

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Management bases its judgments and estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The key sources of judgement and estimation of uncertainty at the balance

sheet date, that have a significant risk for causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Management assess whether there are any indications of impairment for all non-financial assets at the reporting date. The vessel is tested for impairment when there are indications that the carrying values may not be recoverable. When value in use calculations are performed, management estimates the expected future cash flows from the assets or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. These are based on management's evaluations, including estimates of future performance, revenue generating capacity of the assets, and assumptions of the future market conditions. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses. See note 12 for details.

2.6 Revenue recognition

Revenue is recognised at the time of the transaction when it is probable that the transaction will generate future economic benefits that will flow to the Company and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term, including mobilisation fee received and other receivable for preparation to meet a specific lease contract, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Revenues from the sale of services are recognised in the income statement according to the project's level of completion provided the outcome of the transaction can be estimated reliably.

Interest income is recognised in the income statement based on the effective interest rate method as the income is accrued.

2.7 Foreign currency

The functional currency of the Company is EUR. Transactions in foreign currency are translated at the exchange rate applicable on the transaction date. Monetary items in other currencies are translated into EUR using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into EUR using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

2.8 Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the Board of Directors. The Company has one operational segment, which is operation of an accommodation unit. See note 3 for more details.

2.9 Borrowing costs

Borrowing costs are amortised over the loan period in profit and loss. Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.10 Income tax

Tax cost consists of tax payable and changes to deferred tax. Deferred tax liability/tax assets are calculated on differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when there is other convincing evidence proving that the Company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The Company recognises previously unrecognised deferred tax assets to the extent it has become probable that the Company can utilise the deferred tax asset. Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable, recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

2.11 Property, plant and equipment and assets under construction

Property plant and equipment assets are recognised at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the income statement. The cost of tangible non-current assets is the purchase price, including taxes/duties and costs directly linked to preparing the asset ready for its intended use. Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised by the excess value of the carrying value of the asset and the recoverable amount, and recognised in the income statement. The

recoverable amount is the higher of the asset's net selling price and its value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however limited by the carrying value if no impairment loss had been recognised in prior years.

Depreciation is calculated using the straight-line method over the following useful life, taking residual values into consideration. Components with different economic useful life are depreciated on a straight-line basis, over the components useful life. The depreciation period and method are assessed each year. A residual value is estimated at each year-end, and changes to the estimated residual value are recognised as a change in an estimate.

Ordinary repairs and maintenance expenses are recognised in the income statement in the financial period in which they are incurred. Costs related to major inspections/classification will be recognised in the carrying value of the units if certain recognition criteria are satisfied. The recognition will be made when the docking has been performed and is depreciated based on estimated time to the next inspection. Any remaining carrying value of the cost of the previous inspection will be de-recognised. The remaining costs that do not meet the recognition criteria are recognised as repairs and maintenance expenses.

2.12 Leased Operating Equipment/Units

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction rather than the form of the contract, and the determination is made when the leasing agreement is entered into. Financial leases are accounted for as debt financed purchases of assets, and the annual lease payments are allocated as finance costs and amortization of the lease liability. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. For operating leases, the lease payments (i.e. a time charter hire or bareboat hire) are recorded as ordinary operating expenses or income, and charged to profit and loss on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as revenue in the period in which they are earned or as expense in the period in which they are incurred.

2.13 Hedging

Before a hedging transaction is carried out, the Company's finance department assesses whether a derivative is to be used to hedge:

- the fair value of a recognized asset or liability or a firm commitment,
- a future cash flow from a recognized asset, obligation, identified very probable future transaction or, in the case of a currency risk, a firm commitment or
- a net investment in a foreign operation.

The Company held interest rate swaps related to the bank loan, classified as Cash Flow Hedges. The effective part of changes in the fair value of a hedging instrument is recognized directly in equity. The ineffective part of the hedging instrument is recognized directly in the statement of comprehensive income. Associated accumulated gains and losses are reclassified from equity to the statement of comprehensive income during the same period(s) as the hedged expected transaction affects the profit or loss.

2.14 Impairment of financial assets

At each balance sheet date management assesses whether there are indications that a financial asset or a Company of financial assets where changes in value are not recognized through the income statement are impaired. Impairment only occur if there are objective indicators of impairment as a result of one or more events after initial carrying value and the events affect the future cash flows and this can be estimated reliably. If such impairment is indicated for loan and receivables carried at amortized cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.15 Financial liabilities - Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings and the related transaction costs are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortization process. Borrowings containing prepayment options are evaluated to determine if these options are closely related to the cost instrument or are embedded derivatives. In assessing whether the option is closely related, the Company consider whether the exercise price is approximately equal to the amortized cost at each exercise date. Borrowings are considered “current” if they fall due within 12 months after the balance sheet date. Borrowings falling due later than 12 months after balance sheet date are considered “long term”.

2.16 De-recognition of financial assets and liabilities

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Cash

Cash includes cash in hand and cash deposited on bank accounts.

2.18 Equity

(a) Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economical realities. Interest, dividend, gains and losses relating to a financial instrument classified as a liability are recognised in the income statement. Amounts distributed to holders of financial instruments that are classified as equity will be recognised directly in equity. Convertible bonds and similar instruments including a liability and/or an equity element are divided into two components when issued, and these are recognised separately as a liability or equity.

(b) Costs of equity transactions

Transaction costs directly related to an equity transaction are recognized directly in equity after deducting tax expenses.

2.19 Provisions

A provision is recognised when the Company has an obligation (legal or self-imposed) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax that reflects the market’s pricing of the time value of money and, if relevant, risks specifically linked to the obligation. A provision for a guarantee is recognised when the underlying products or services are sold. The provision is based on historical information on guarantees and a weighting of possible outcomes according to the likelihood of their occurrence. Restructuring provisions are recognised when the Company has approved a detailed, formal restructuring plan and the restructuring has either started or been publicly announced. Provisions for loss-making contracts are recognised when the Company’s estimated revenues from a contract are lower than unavoidable costs which were incurred to meet the obligations pursuant to the contract.

2.20 Earnings per share

Basic earnings per share are calculated by dividing net profit/(loss) for the year by the weighted average number of shares outstanding in the relevant period. Diluted earnings per share are calculated based on the if-converted method; the profit/(loss) for the Company divided by the average number of outstanding shares weighted over the relevant period and the potential number of shares converted, if the criteria for conversion is fulfilled.

3. Income and Segment Information

Jacktel's only asset is the jack-up accommodation rig "Haven". It is therefore only one segment to report.

4. Vessel Operation cost and Other Operating Expenses

<i>(1.000) EUR</i>	2014	2013
Insurance	1 960	2 201
Crew	10 835	10 614
Maintenance and spares	3 468	2 484
Other OPEX	5 155	4 387
Vessel operation	21 417	19 687
Consultancy fees and external personnel	486	213
Office and administrative costs	1	0
Management agreement (see note 5)	2 562	2 500
Other operating costs	631	460
Total other operating expenses	3 680	3 173

Vessel operation cost is related to operation of "Haven" and reflects full activity in 2014.

Specification auditor's fee

<i>(1.000) EUR</i>	2014	2013
Statutory audit	33	40
Tax and other services	2	33
Total auditor's fee	35	73

Auditor's fee is presented without VAT.

5. Salary and personnel expense and management services

There are no employees in the Company and no remuneration was paid to the Board of Directors.

All management of the Company is performed through a management services agreement with Master Marine AS providing executive management and general administration, including finance, accounting, financial reporting as well as other general services.

6. Transactions with related parties

The Company defines related parties as anyone with control or joint control of the Company and subcontractors with direct influence in the company.

Jacktel AS has a management agreement with parent company Master Marine AS for which they have paid 2.6 MEUR during 2014 (2.5 MEUR during 2013).

The owner of the Company, Master Marine AS, have made available several loans since they became a shareholder in 2009. As of yearend 2014 all funds available are fully drawn.

In June 2014, the 7 existing Intercompany loans were refinanced and replaced by 2 new loans; 99.8 MEUR and 151.6 MEUR, both with maturity date 30 September 2019. A prepayment of 31 MEUR was made during 2014. See note 9 for details.

7. Financial income and expenses

<i>(1.000 EUR)</i>	2014	2013
Financial income		
Interest income	423	70
Foreign exchange gains	520	4 265
Total financial income	942	4 335
Financial expenses		
Interest expense	-37 780	-40 341
Foreign exchange losses	-6	-3 675
Other financial expenses	-1 829	-829
Total financial expenses	-39 615	-44 846

Interest expense is divided between shareholder loans (32.1 MEUR) from Master Marine AS, bank loan (2.5 MEUR) and bond loan (3.2 MEUR). Other financial expenses in 2014 are mainly related to amortization of accrued fees as well as fees related to the repayment of the bank loan.

8. Investments and other financial instruments

Classification of financial assets and liabilities as of 31 December 2014:

	Loans and receivables	Financial liabilities at fair value through profit and loss	Other financial liabilities
<i>(1.000 EUR)</i>			
Financial assets			
Other current assets	8 901	0	0
Cash and cash equivalents	36 351	0	0
Total financial assets	45 252	0	0
Financial liabilities			
Other long term liabilities	329 234	0	0
Accounts payable	0	0	619
Prepayments customer	0	0	5 358
Short term interest bearing debt	0	0	0
Other current liabilities	5 243	0	0
Total financial liabilities	334 477	0	5 977

Classification of financial assets and liabilities as of 31 December 2013:

	Loans and receivables	Financial liabilities at fair value through profit and loss	Other financial liabilities
<i>(1.000 EUR)</i>			
Financial assets			
Other current assets	11 426	0	0
Cash and cash equivalents	29 670	0	0
Total financial assets	41 096	0	0
Financial liabilities			
Other long term liabilities	304 904	0	0
Accounts payable	0	0	183
Prepayments customer	0	0	9 418
Short term interest bearing debt	25 339	0	0
Other current liabilities	8 636	0	0
Total financial liabilities	338 880	0	9 600

9. Loans and Other long term liabilities

31.12.2014

<i>(1.000 EUR)</i>				
Description	Lender	Nominal amount	Interest rate	Book value (incl accrued interests)
99,8 MEUR Term loan facility	Master Marine AS	99 830	12 %	105 909
151 MEUR Term loan facility	Master Marine AS	151 601	15 %	130 110
Subtotal shareholder loans		251 430		236 020
Total long term liabilities Jacktel				236 020
95 MEUR Bond loan	Nordic Trustee ASA	95 000	7 %	93 214
Other long term liabilities and short term interest bearing debt				329 234
Short term interest bearing debt				-
Other long term liabilities				329 234

Parent Company Loans

During 2014, the 7 existing Intercompany loans were refinanced and replaced by 2 new loans; 99.8 MEUR and 151.6 MEUR, both with maturity date 30 September 2019. The OPEX guarantee amounting to 15 MEUR was cancelled with the repayment of the bank loan resulting in full repayment of OPEX guarantee commission (1.7 MEUR). Additionally 31 MEUR was transferred from Jacktel to Master Marine for prepayment of shareholder loan.

95 MEUR Bond loan

In July 2014 the Company signed a Bond agreement in the maximum amount of 190 MEUR, where 95 MEUR was drawn in 2014. Expiry date is 8 July 2019 and the loan holds a fixed interest of 7 % p.a, payable quarterly. The loan agreement holds a minimum cash covenant of at least 5 MEUR, or 4% of the outstanding bonds. The bonds are listed on Nordic ABM.

155 MEUR Bank Loan

The loan was fully repaid in July 2014. Interest swap agreements was terminated and settled. In 2013 the short term portion of the bank loan was 25.4 MEUR.

31.12.2013*(1.000 EUR)*

Description	Lender	Nominal amount	Interest rate	Book value (incl accrued interests)
15 MEUR Term loan facility	Master Marine AS	15 000	12 %	21 386
35 MEUR Term loan facility	Master Marine AS	35 000	12 %	48 162
15 MEUR Term loan facility	Master Marine AS	15 000	12 %	20 746
83 MEUR Term Loan Facility	Master Marine AS	79 400	15 %	112 877
2 MEUR Term Loan Facility	Master Marine AS	2 000	12 %	2 460
10 MEUR Term Loan Facility	Master Marine AS	10 000	15 %	12 472
17 MEUR Term Loan Facility	Master Marine AS	17 000	15 %	12 013
Subtotal shareholder loans		173 400		230 116
Total shareholder loans				230 116
Fair value interest rate swaps				372
OPEX guarantee				1 500
Prepayments from customer				5 415
155 MEUR Bank loan	NIBC Bank (Agent)	155 000		92 839
Other long term liabilities and short term interest bearing debt				330 243
Short term interest bearing debt				25 339
Other long term liabilities				304 904

10. Financial Instruments and Risk Management

Risk Management Overview

The Company is exposed to a number of different market risks arising from the Company's normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of the Company's assets, liabilities or future cash flows. To reduce and manage these risks, the Company periodically reviews and assesses its primary financial market risks, including liquidity risk and credit risk. Once risks are identified, appropriate action is taken to mitigate the specific risk.

Operational Risk

"Haven" was operated with 100 % uptime through the year. Uptime is considered to be a significant risk factor, hence both owner and technical manager work closely together to maximize utilization through effective maintenance and continuous risk management of the operation.

OSM Offshore AS provides the crew and has the technical management of "Haven" including all HSE activity and risk management. Master Marine is the owner and use its personnel to continuously monitor the technical manager's performance in order to mitigate any operational risk. "Haven" operates under a long term charter hire contract which expires on 28th July 2015.

Market risk is considered to be higher after the ConocoPhillips contract expires than earlier assumed due to the low activity in the accommodation market for new contracts in 2015. Management is optimistic that the unit will get contract in the future, but the short term is somewhat more uncertain due to the oil companies cut in investments and maintenance programs. Management has therefore widened its area of marketing outside the North Sea basin in order to secure contract for "Haven".

Currency Risk

The functional currency of Jacktel is EUR. The Company aim to minimize the currency risk by balancing, to the extent possible, the currencies of different types of assets and liabilities as well as balancing revenues against expenses.

The Company's future revenue will probably be in EUR or USD. Funding is denominated in EUR. The Company may reduce the currency exposure generated from operational cash flow by using derivatives. The Company has not used any currency derivatives in 2013 or 2014. All currency trade was done on a spot basis.

Interest Rate Risk

The Company has substantial interest bearing debt, but both the Bond loan and the parent company loans are with fixed interest. Interest risk is therefore not considered to be relevant.

Credit Risk

It is the Company's policy only to make deposits and trade financial instruments with first class financial institutions with investment grade rating, hence the credit risk associated with this activity is considered to be insignificant.

Receivable balances stems mainly from earned but unpaid charter hire for 1 month. Credit risk related to ConocoPhillips is considered low. Hence the Company's exposure to potential bad debts is not significant. No receivables are classified as bad debt. The maximum exposure is the carrying amount as disclosed in note 14.

Liquidity Risk

The liquidity risk is mainly related to potential loss of day rate due to down time on "Haven". Due to the Company's strong cash position, the short term liquidity risk is considered to be limited. The financial restructuring in July 2014 has eliminated short term financing needs and the debt conversion to equity in February 2015 has strengthened the equity. See note 20 for further details.

The table below summarizes the maturity profile of the Company's financial liabilities:

At 31.12.2014	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<i>(1.000 EUR)</i>					
Bond loan	1 663	4 988	119 938	0	126 589
Parent company loans	0	0	449 587	0	449 587
Trade and other payables	3 274	0	0	0	3 274
Sum	4 937	4 988	569 525	0	579 450

At 31.12.2013	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<i>(1.000 EUR)</i>					
Bank loan	5 500	20 500	67 500	0	93 500
Parent company loans	0	0	363 117	0	363 117
Trade and other payables	2 164	0	372	0	2 536
Sum	7 664	20 500	430 989	0	459 153

Part of the Parent company loans has been converted after balance sheet date. See note 20 for further details. Liquidity risk is therefore significantly reduced in the long term perspective.

The Company manages its excess liquidity from loan and equity with low risk placements. All financial capital is currently placed on deposits with first class banks with investment grade rating in Norway.

Financial assets and liabilities risk

Set out below is a comparison by category for carrying amounts and fair values of all of the Company's financial assets and liabilities that are carried in the financial statements. The estimated fair value amounts have been determined by management, using appropriate market information and valuation methodologies based on IFRS level 1-3 technique. The carrying amount of cash and cash equivalents is a reasonable estimate of their fair value.

(1.000 EUR)	31.12.2014				31.12.2013			
	Fair value measurement using:			Carrying value	Fair value measurement using:			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Other current assets	0	0	8 901	8 901	0	0	11 426	11 426
Cash and cash equivalents	0	36 351	0	36 351	0	29 670	0	29 670
Total financial assets	0	36 351	8 901	45 252	0	29 670	11 426	41 096
Long term liabilities	0	0	247 059	247 059	0	0	304 904	304 904
Bond loan	82 175	0	0	93 214	0	0	0	0
Accounts payable	0	0	619	619	0	0	183	183
Prepayments customer	0	0	5 358	5 358	0	0	9 418	9 418
Short term interest bearing debt	0	0	0	0	0	0	26 000	25 339
Other current liabilities	0	0	5 243	5 243	0	0	8 636	8 636
Total financial liabilities	82 175	0	258 279	351 493	0	0	349 141	348 480

Fair value on bond loan is based on prices per November 2014, 86.5%.

11. Income tax

<i>(1.000 EUR)</i>	2014	2013
Tax payable	0	0
Changes in deferred tax	0	0
Income tax expense	0	0
Tax payable for the year	0	0
Correction of previous years current income taxes	0	0
Total tax payable	0	0

Reconciliation of the effective tax rate and nominal tax rate applicable to Jacktel AS:

<i>(1.000 EUR)</i>	2014	2013
Pre-tax profit/(loss)	-84 426	-11 352
Expected income taxes according to income tax rate 27 % (28%)	-22 795	-3 179
Non deductible expenses	0	0
Non-taxable income	4 648	8 734
Changes in not capitalized deferred tax assets	18 147	-5 556
Other	0	0
Income tax expense	0	0

Deferred tax and deferred tax assets:

<i>(1.000 EUR)</i>	2014	2013
Deferred tax assets		
Long term liabilities at amortized cost	-482	-178
Vessels, plant and equipment	-7 708	-24 833
Deferred taxation on profits and losses	0	0
Provisions	0	101
Tax losses carried forward	53 898	52 471
Net unrecognized deferred tax assets/(liabilities)	45 707	27 560

Jacktel AS has total tax loss carried forward of MEUR 199.6 as at 31 December 2014 (2013: MEUR 194.3) without any expiration date.

12. Non-current assets

Vessels, plant and equipment

Depreciation is based on the economic life of the asset using a linear depreciation method.

As of the balance sheet date, the Company's main assets were one vessel.

	2014		2013	
	Vessel in operation	Total	Vessel in operation	Total
<i>(1.000 EUR)</i>				
Accumulated cost 1 January	513 590	513 590	515 508	515 508
Additions	2 223	2 223	2 957	2 957
Disposals	-150	-150	-4 875	-4 875
Accumulated cost 31 December	515 663	515 663	513 590	513 590
Accumulated depreciation 1 January	-69 696	-69 696	-51 354	-51 354
Depreciation	-18 681	-18 681	-18 343	-18 343
Impairment	-80 000	-80 000	0	0
Accumulated depreciation and impairment 31 December	-168 377	-168 377	-69 696	-69 696
Carrying value 31 December	347 286	347 286	443 894	443 894

Disposals relates to sale of Mob Boat in September 2014.

"Haven" has been in full operation during 2014 and capitalized amounts during the year are related to various upgrades of the vessel, including spares for jacking equipment, in order to optimize its use and reduce the possibility of downtime. The addition also includes an offset related to the intermediate survey performed in summer 2014.

Impairment

At each reporting date, an assessment is made according to IAS 36.9, on whether internal or external information indicates a potential fall in the value of non-current assets. Management has carried out impairment test for "Haven" based on assumptions and projections at the time of approving the financial accounts of 2014.

Value of "Haven" accommodation unit

The unit was in full operation as of 31st December, 2014. Management has made an assessment of the asset value using the value in use principle (IAS 36.66) and a set of assumptions. In addition an external broker evaluation has been

The book value of "Haven" was 347 MEUR as of 31st December 2014, including an impairment of 80 MEUR.

The following assumptions were used in the impairment test:

- WACC (based on 14% interest on EK and 5.8% interest on debt): 9 %
- Day rates after the end of the current contract period: 200.000 EUR
- Utilization at the end of the current contract period: 88 %

Given changes in the above stated assumptions, the impact on the financial statement would be:

- WACC: +1 % Impairment: 23 MEUR
- Dayrates at end of contract period: -10 % Impairment: 48 MEUR
- Utilization: -5 % Impairment: 29 MEUR

The analysis is based on 5 year class intervals and 63 000 EUR/day in operational expenses.

13. Contractual obligations

<i>(1.000 EUR)</i>	2014	2013
2014	n/a	827
2015	1 932	1 932
2016	0	0
2017	0	0
2018	0	0
Total	1 932	2 759

The table discloses contractual obligations for the Company the next five years at balance sheet date. In 2015 Jacktel is obliged to buy back the office module on "Haven" paid by ConocoPhillips at the end of the contract period. The price is based on the purchase value which is reduced by 1/6 each year.

14. Other current assets

<i>(1.000 EUR)</i>	2014	2013
Trade debtors	6 676	10 067
Pre-paid expenses	1 548	791
Other current assets	105	16
VAT refund	573	552
Total other current assets	8 901	11 426

Trade debtors consist mainly of unpaid charter hire for December 2014.

15. Cash

<i>(1.000 EUR)</i>	2014	2013
Cash	35 243	17 720
Restricted cash	1 108	11 950
Cash and cash equivalents in the balance sheet	36 351	29 670

Restricted cash consist of interest on Bond loan, due for payment January 2015.

In 2013, the restricted cash included 2/3 of the next quarterly debt service payment as well as a 7.5 MEUR reserve deposit on the debt service account.

16. Earnings per share

The basic earnings per share are calculated as the ratio of the profit/(loss) for the year attributable to shareholders divided by the weighted average number of ordinary shares outstanding during the financial year.

	2014	2013
Average number of shares outstanding	50 000 000	50 000 000
Effect of dilutive potential ordinary shares:		
Diluted average number of shares outstanding	50 000 000	50 000 000
Profit /(loss)	-84 426	-11 352
Earnings per share:	2014	2013
- Basic	-1,69	-0,23
- Diluted	-1,69	-0,23

17. Share capital and shareholder information

Changes to the number of shares:

	No. of shares	
	2014	2013
Ordinary shares		
At 1 January	50 000 000	50 000 000
Share issues	-	-
At 31 December	50 000 000	50 000 000

All shares are owned by Master Marine AS. The nominal value per share is NOK 2.
For calculation of earnings per share and diluted earnings per share see Note 16.

18. Accounts payable and other current liabilities

(1.000 EUR)	2014	2013
Trade accounts payables	619	183
Pre-payments from customers	5 358	9 418
Short term interest bearing debt	0	25 339
Other short term liabilities	5 243	8 636
Total	11 221	43 576

Prepayments from customers consist of the compensation received in advance from ConocoPhillips. These prepayments are recognized in the income statement on a straight line basis over the period of the ConocoPhillips contract.

Other short term liabilities consist mainly of accrued unpaid interest on loans and various offset for cost incurred, but not paid.

Short term interest bearing debt in 2013 was the portion of the bank loan borrowed which was due within 12 months.

19. Legal disputes

The Company has currently no outstanding legal disputes.

20. Events after the balance sheet date

The Company increased the share capital by 50 MNOK 24th of February 2015. The share deposit was settled by converting the shareholder loan, which Master Marine held against Jacktel, entered 18 June 2014 (principal of 120.6 MEUR and interest of 13.1 MEUR) into equity. By balance date 28.02.2015 the Total paid in capital in Jacktel is 185.7 MEUR.

To the Annual Shareholders' Meeting of Jacktel AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Jacktel AS, which comprise the statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Jacktel AS 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 2014 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

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 Directors' report concerning the financial statements and the going concern assumption 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 the Board of Directors have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 27 March 2015

ERNST & YOUNG AS



Kristin Hagland

State Authorised Public Accountant (Norway)