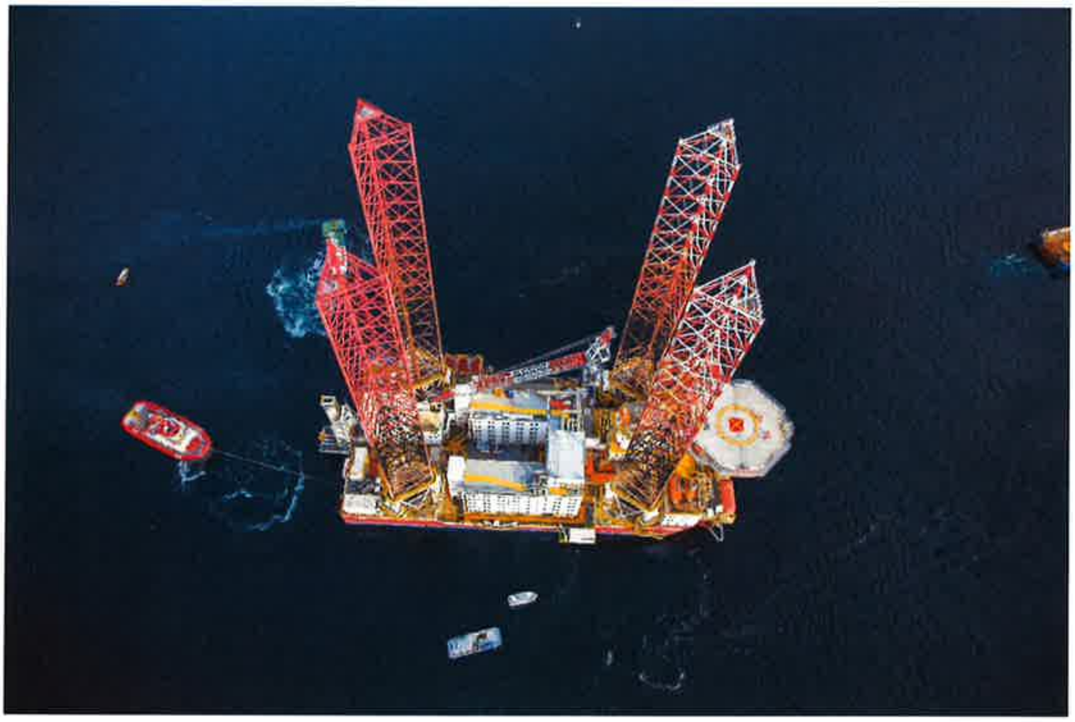
# ANNUAL REPORT 2015



JACK TEL

# ANNUAL REPORT 2015

# JACKTEL AS

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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.

## 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) as approved by the European Union, and the additional relevant requirements under the Norwegian Accounting Act.

The Board approved the annual accounts on 12 April 2016.

*Finance*
In February 2015, Jacktel converted a shareholder loan provided by Master Marine, with principal of 120.6 MEUR and interest of 13.1 MEUR, into equity. In the transaction, Jacktel increased the company's share capital by 50 MNOK.

*Financial results*
The operating income for 2015 was 60.1 MEUR (78 MEUR in 2014). The operating income was generated from the ConocoPhillips and Mærsk charter hire contracts. The operating expenses, excluding impairment and depreciation, were 27.9 MEUR. Total operating expenses was 111.7 MEUR, including 14.8 MEUR in depreciation and 69 MEUR in impairment, (123.8 MEUR in 2014, including 18.7 MEUR in depreciation and 80 MEUR in impairment), resulting in an operating loss of 51.6 MEUR (loss of 45.8 MEUR in 2014).

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 a reduction in day rates could incur. The Board of Directors concluded to do an impairment of 69 MEUR on "Haven" to reflect market values. For further details, see note 13 of the Jacktel Accounts. In order to strengthen the equity the company converted one of the shareholder loans to preference shares in February 2015. The equity level as of year-end is 34 %.

Net financial expenses for 2015 were a loss of 23 MEUR (loss of 38.7 MEUR in 2014). The main elements in the net financial result is the accrued (non-cash) interest cost resulting from shareholder loans and interest on bond loan. Other items include amortizing of fees.

This resulted in a net loss for 2015 of 74.6 MEUR (loss for 2014 of 84.4 MEUR). The Board of Directors proposes to charge the net loss to the share premium.

*Cash flow and liquidity*
Operational cash flow in 2015 was 24.6 MEUR (43.3 MEUR in 2014). Cash flow from investments was -5.0 MEUR, (-2.1 MEUR in 2014) and cash flow from financing was -6.7 MEUR (-34.5 MEUR in 2014). This resulted in a net increase in cash and cash equivalents in 2015 of 12.9 MEUR (6.7 MEUR in 2014). As of year-end 2015, the Company had overall cash reserves of 49.3 MEUR (36.4 MEUR at the end of 2014).

The positive cash flow from operations in 2015 stems from high revenue utilization and continued strong focus on cost control. Operational cash flow (excluding the non-recurrent items) is satisfactory and in line with expectations.

*Financal Exposure*

The Company is exposed to the activity level in the oil and gas industry which again is correlated with the oil price. The reduction in oil price has severely affected the offshore service industry, resulting in reduction in both day rates and utilization, which again has an influence on short term revenue expectations. The financial exposure also includes credit risk on its clients and revenue risk after the current charter hire contract expires. Jacktel considers the counterparty risk to be marginal and focuses on identifying, negotiating and being awarded new charter hire contracts to secure future revenue.

The Company is 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 optimize and control these risks. Operational expenses was mainly denominated in NOK, see more information in note 11 of the Jacktel Accounts. The weak NOK has had a positive impact of the result in 2015.

## OPERATIONS

"Haven" completed its 4 years contract with ConocoPhillips at the Ekofisk and Eldfisk fields on 28 July 2015. During the 4 years of operation Haven delivered 100% operational uptime for client and incurred zero lost time incidents (LTI).

In July 2015, a charter contract with Maersk Oil & Gas was signed. The contract is for 6 months, starting in October 2015. The contract was extended in April with two months, with the possibility of additional two months. "Haven" has provided 100% operational uptime since start of operation, and in January 2016 "Haven" achieved 2000 days without LTI's.

In November 2015, a charter contract for providing accommodation services during the Johan Sverdrup field development was signed. The contract commences in June 2018 and has a fixed duration of 18 months. In addition, there are 5 x 2 months option. To fulfill the contract, the legs of the rig will be extended and strengthened. In addition, new footings will be installed to cope with the soil conditions at Johan Sverdrup.

OSM Offshore AS performs the technical management of "Haven", including crew services. The Company 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 in charter contracts and according to best practices in the industry.

Throughout 2015, "Haven" provided safe, efficient and comfortable accommodation services to a large number of offshore workers at the Ekofisk- and Eldfisk fields as well as the Dan F field in Denmark. Feedback from clients and guests confirm a high satisfaction rate.

During the tow in to Kristiansand, after the demobilization from the ConocoPhillips contract, one of the add-on spud cans hit the sea bed. This resulted in a damage, which was repaired during a planned yard stay in August and September. The damage was insured and the company's loss is limited to 1 MEUR, which has been accounted for in the 2015 financials. The insurance claim has been approved by insurers after year end and about 1.3 MEUR has been repaid.

"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. Due to the operation in Denmark, Haven has also obtained the required approvals from DWEA for work on the Danish continental shelf.

An application to UK HSE for approval to work in the UK continental shelf has been submitted and is expected to be approved before summer 2016.

The Company is actively marketing "Haven" for new assignments after the current contract in Denmark expires.

## Health, Safety and Environmental (HSE) Reporting

The Company strives to ensure that all operations are conducted in a safe and environmentally friendly way.

The Company works closely with technical manager OSM Offshore AS and clients 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 zero Lost Time Incidents. The total registered sick leave among the crew at "Haven" was 3.1% compared to 4.2% in 2014.

## Organization, workplace 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.

## Future Prospects

The challenging market for oil and offshore industry have continued throughout 2015 and it is expected that it will remain challenging also in the short to mid-term. The reduction in spending from the oil companies worldwide has resulted in reduced demand for accommodation services in the short term and tougher competition as a result of several available accommodation units. In the longer term, the activity level within the oil and gas industry is expected to increase. Several maintenance projects and maintenance campaigns have been postponed. Historically, such delay in maintenance have affected asset integrity. This has resulted in accelerating demand for maintenance and related bed capacity. The company focus on the high-end jack-up market in the North Sea.

Around 85% of the fields in the North Sea are in water depth of less than 115 meters. Most of these fields were installed during the 1970's and 80's. Focus on asset integrity for older fields is expected to be an important driver for an increased demand for maintenance work and related bed capacity in the mid to long run. The Board expects that oil companies cost focus will favor jack-up accommodation units, due to the jack-ups ability to deliver 100% uptime, compared to 85-90% for a DP unit operating in a harsh environment.

## Going Concern

The Board of Directors confirms the assumption of Jacktel AS, as a going concern. This is based on the strong liquidity position of the Company, the funding structure, the budgets for 2016 and the long term market view. The Board of Directors confirms that the assumption of going concerns forms the basis for the annual accounts in accordance with the requirements of the Accounting Act.

Oslo, 12th April 2016

| | | |
|---|---|---|
| Bjørn Eie Henriksen | Kjetil Bollestad | Thomas Eik Gabestad |
| Chairman of the Board | CEO | Director |

# FINANCIAL STATEMENTS 2015

## PROFIT AND LOSS STATEMENT

| *(In EUR 1.000)* | Notes | **2015** | **2014** |
|---|---|---|---|
| Revenue | 4 | 60 123 | 78 025 |
| **TOTAL OPERATING REVENUE** | | **60 123** | **78 025** |
| **OPERATING EXPENSES** | | | |
| Vessel operation cost | 5 | -22 453 | -21 417 |
| Other operating expenses | 5 | -5 479 | -3 680 |
| Impairments | 13 | -69 000 | -80 000 |
| Depreciation | 13 | -14 766 | -18 681 |
| **TOTAL OPERATING EXPENSES** | | **-111 697** | **-123 778** |
| **OPERATING PROFIT / (LOSS)** | | **-51 575** | **-45 753** |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Financial income | 8 | 966 | 942 |
| Financial expenses | 8 | -23 970 | -39 615 |
| **NET FINANCIAL ITEMS** | | **-23 004** | **-38 673** |
| **PROFIT/(LOSS) BEFORE TAX** | | **-74 579** | **-84 426** |
| Income tax expense (benefit) | 12 | **0** | **0** |
| **NET PROFIT (LOSS)** | | **-74 579** | **-84 426** |

### Statement of Comprehensive Income

| *(In EUR 1.000)* | | |
|---|---|---|
| Net profit this period | -74 579 | -84 426 |
| **COMPREHENSIVE INCOME** | **-74 579** | **-84 426** |

| **Earnings per share:** | | |
|---|---|---|
| - Basic | -1,49 | -1,69 |
| - Diluted | -1,49 | -1,69 |

# STATEMENT OF FINANCIAL POSITION

| *(In EUR 1.000)* | Notes | **31.12.2015** | **31.12.2014** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Vessels, plant and equipment | 13 | 268 543 | 347 286 |
| **Total non-current assets** | | **268 543** | **347 286** |
| **Current assets:** | | | |
| Other current assets | 15 | 9 770 | 8 901 |
| Cash | 16 | 49 307 | 36 351 |
| **Total current assets** | | **59 077** | **45 252** |
| **TOTAL ASSETS** | | **327 620** | **392 538** |
| **EQUITY AND LIABILITIES** | | | |
| **Paid in capital:** | | | |
| Issued capital | 18 | 17 977 | 12 191 |
| Share premium | 18 | 93 216 | 39 893 |
| **Total paid in capital** | | **111 193** | **52 084** |
| **Total equity** | | **111 193** | **52 084** |
| **Non-current liabilities:** | | | |
| Other long-term liabilities | 10 | 212 807 | 329 234 |
| **Total long-term liabilities** | | **212 807** | **329 234** |
| **Current liabilities:** | | | |
| Accounts payable | 19 | 949 | 619 |
| Prepayments customer | 19 | 0 | 5 358 |
| Other current liabilities | 19 | 2 671 | 5 243 |
| **Total current liabilities** | | **3 620** | **11 221** |
| **Total liabilities** | | **216 427** | **340 454** |
| **TOTAL EQUITY AND LIABILITIES** | | **327 620** | **392 538** |

Oslo, 12 April 2016

Bjørn Eie Henriksen
Chairman of the Board

Kjetil Bollestad
CEO

Thomas Eik Gabestad
Director

# Statement of Changes in Equity

| (In EUR 1.000) | Share Capital | Share premium | Total equity |
|---|---|---|---|
| **Equity as at January 1, 2014** | **12 190** | **124 319** | **136 510** |
| Net income (loss) | | -84 426 | -84 426 |
| Equity as at December 2014 | 12 190 | 39 893 | 52 084 |
| Share issues | 5 787 | 127 901 | 133 688 |
| Net income (loss) | | -74 579 | -74 579 |
| **Equity as at December 2015** | 17 977 | 93 216 | 111 193 |

# Cash Flow Statements

| (In EUR 1.000) | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Profit/(loss) after tax | -74 579 | -84 426 |
| Adjustment to reconcile profit/(loss) after tax to net cash flows: | | |
| Non-cash items: | | |
| Depreciation and impairment of property, plant and equipment | 83 766 | 98 681 |
| Financial income | -8 | -993 |
| Financial expenses | 21 350 | 34 632 |
| Working capital adjustments: | | |
| Increase in trade and other receivables | -857 | 2 616 |
| Increase in trade and other payables | -5 039 | -7 232 |
| **Net cash flow from operating activities** | **24 634** | **43 278** |
| **Cash flow from investing activities:** | | |
| Proceeds from sale of property, plant and equipment | 0 | 59 |
| Purchase of property, plant and equipment, net of cash | -5 035 | -2 223 |
| Interests received | 8 | 51 |
| **Net cash flow from investing activities** | **-5 028** | **-2 114** |
| **Cash flow from financing activities:** | | |
| Net proceeds from borrowings | 0 | 95 000 |
| Repayment of borrowings | 0 | -124 500 |
| Interest paid | -6 650 | -4 983 |
| **Net cash flow from financing activities** | **-6 650** | **-34 483** |
| **Net increase/(decrease) in cash and cash equivalents** | **12 956** | **6 681** |
| Cash at beginning of period | 36 351 | 29 670 |
| **Cash at end of period** | **49 307** | **36 351** |

# NOTES TO FINANCIAL STATEMENTS 2015

## 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 12th April 2016.

## 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) 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 for 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 PRESENTATION CURRENCY

Jacktel AS applies EUR as reporting currency for its financial statements rounded to the nearest thousand unless otherwise indicated.

### 2.4 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 mobilization 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.

### 2.5 FOREIGN CURRENCY

The reporting currency for the Company is EUR. In 2015 the functional currency for Jacktel was 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.

The functional currency for the Company is evaluated based on the economic environment in which the entity operates.

### 2.6 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 and the Executive Management. The Company has one operational segment, which is operation of an accommodation unit.

### 2.7 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.

### 2.8 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 utilize the tax asset. The Company recognizes previously unrecognized 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.

### 2.9 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 recognized 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 recognized by the excess value of the carrying value of the asset and the recoverable amount, and recognized 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 recognized 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. The hull is depreciated over a 30 year period from start of operation, other parts of the rig is depreciated 10-25 years pending type of equipment. 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.

### 2.10 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.

### 2.11 HEDGING

Before a hedging transaction is carried out, the Company 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 no hedging instruments in 2015.

### 2.14 IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date the company assesses whether there are indications that a financial asset or a group 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 de-recognised 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 de-recognised 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 derecognized 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. Restricted cash includes cash on retention account held in relation to bond loan (interest to be paid January 2016) and deposits related to office rental.

### 2.18 EQUITY

*(a) Equity and liabilities*

Financial instruments are classified as liabilities or equity in accordance with the underlying economic 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.

### 2.21 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following changes in accounting policies and interpretations effective January 1 2015 are relevant to the company, but have no material impact on the financial information:

- IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

*Early adoption of standards and interpretations:*

No standards or interpretations have been early adopted in 2015.

*Standards and interpretations in issue not yet adopted that may have an impact on the Company's financial statement:*

- IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

- IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. The Standard is not yet approved by the EU. The Company expect to implement IFRS 9 from January 1, 2018. The standard is not expected to have a significant effect on the Company's consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).
The Standard is not yet approved by the EU. The Company expects to implement IFRS 15 from January 1, 2018, but it is not expected to have a significant effect on the Company's financial statements.

- IFRS 16 Leases

The new lease standard sets out the principles that both parties to a contract, i.e. the lessee and the lessor apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease. The Standard is not yet approved by the EU. The Company expects to implement IFRS 15 from January 1, 2019. The effect the Standard is expected to have on the Company's financial statements at the date of implementation is currently unknown.

## 3. 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 13 for details.

## 4. INCOME AND SEGMENT INFORMATION

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

## 5. Vessel Operation cost and Other Operating Expenses

| *(1.000) EUR)* | 2015 | 2014 |
|---|---|---|
| Insurance | 1 626 | 1 960 |
| Crew | 9 395 | 10 835 |
| Maintenance and spares | 3 387 | 3 468 |
| Other operation cost | 8 045 | 5 155 |
| Costs related to Mærsk-contract | 1 486 | 0 |
| **Vessel operation** | **22 453** | **21 417** |
| | | |
| Consultancy fees and external personnel | 1 883 | 486 |
| Office and administrative costs | 11 | 1 |
| Management agreement (see note 6) | 3 144 | 2 562 |
| Other operating costs | 440 | 631 |
| **Total other operating expenses** | **5 479** | **3 680** |

Vessel operation cost is related to operation of "Haven" and reflects full activity in 2015. Other operation cost includes cost related to demobilization of the ConocoPhillips project and mobilization for the Maersk contract.

The consultancy cost and external personnel is mainly related to support related to tender activity, engineering work, contract commission and other consultancy expenses.

**Specification auditor's fee**

| *(1.000 EUR)* | 2015 | 2014 |
|---|---|---|
| Statutory audit | 30 | 34 |
| Tax and other services | 43 | 2 |
| **Total auditor's fee** | **73** | **35** |

Auditor's fee is presented without VAT.

## 6. 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.

## 7. 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 3.1 MEUR during 2015 (2.6 MEUR during 2014).

The owner of the Company, Master Marine AS, have made available several loans since they became a shareholder in 2009. As of yearend 2015 all funds available are fully drawn. There is one shareholder loan active as of year-end 2015. See note 10 for details.

Jacktel increased the company's share capital by 50 MNOK 24th February 2015. The share deposit was settled by converting one of the shareholder loans, which Master Marine held against Jacktel, entered into on 18 June 2014, with principal of 120.6 MEUR and interest of 13.1 MEUR, into equity. See note 10 for details.

## 8. Financial income and expenses

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| **Financial income** | | |
| Interest income | 8 | 423 |
| Foreign exchange gains | 958 | 520 |
| **Total financial income** | **966** | **942** |
| | | |
| **Financial expenses** | | |
| Interest expense | -22 923 | -37 780 |
| Foreign exchange losses | -616 | -6 |
| Other financial expenses | -431 | -1 829 |
| **Total financial expenses** | **-23 970** | **-39 615** |

Interest expense is divided between shareholder loans (16.3 MEUR) from Master Marine AS and bond loan (6.7 MEUR). Other financial expenses in 2015 are mainly related to accrued costs related to bond loan.

## 9. Investments and other financial instruments

Classification of financial assets and liabilities:

| | **2015** | | **2014** | |
|---|---|---|---|---|
| *(1.000 EUR)* | **Loans and receivables** | **Other financial liabilities** | **Loans and receivables** | **Other financial liabilities** |
| **Financial assets** | | | | |
| Other current assets | 9 770 | 0 | 8 901 | 0 |
| Cash and cash equivalents | 49 307 | 0 | 36 351 | 0 |
| **Total financial assets** | **59 077** | **0** | **45 252** | **0** |
| **Financial liabilities** | | | | |
| Other long term liabilities | 212 807 | 0 | 329 234 | 0 |
| Accounts payable | 0 | 949 | 0 | 619 |
| Prepayments customer | 0 | 0 | 0 | 5 358 |
| Other current liabilities | 2 671 | 0 | 5 243 | 0 |
| **Total financial liabilities** | **215 478** | **949** | **334 477** | **5 977** |

## 10. Loans and Other long term liabilities

**31.12.2015**

| *(1.000 EUR)* **Description** | **Lender** | **Nominal amount** | **Interest rate** | **Book value (incl accrued interests)** |
|---|---|---|---|---|
| 99,8 MEUR Term loan facility | Master Marine AS | 99 830 | 12 % | 119 202 |
| **Subtotal shareholder loans** | | **99 830** | | **119 202** |
| **Total long term liabilities Jacktel** | | | | **119 202** |
| 95 MEUR Bond loan | Nordic Trustee ASA | 95 000 | 7 % | 93 605 |
| **SUM long term liabilities and interest bearing debt** | | | | **212 807** |
| **Other long term liabilities** | | | | **212 807** |

**31.12.2014**

| *(1.000 EUR)* **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 |
| **SUM long term liabilities and interest bearing debt** | | | | **329 234** |
| **Other long term liabilities** | | | | **329 234** |

### Parent Company Loans

In February 2015, the Company converted the 151 MEUR shareholder loan, which Master Marine held against Jacktel, entered into on 18 June 2014, with principal of 120.6 MEUR and interest of 13.1 MEUR, into equity.

Jacktel has one shareholder loan provided by Master Marine in the amount of 99.8 MEUR. The loan accrues interest on quarterly basis and matures on 30 September 2019. The loan carries a fixed interest of 12 %.

### 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.

## 11. 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" operated with 100 % uptime through the year. Utilization is considered to be one of the largest operational risks, hence both owner and technical manager work closely together to maximize utilization through effective maintenance and detailed follow up of the operation. OSM Offshore AS provides the crew and has the technical management of "Haven" including all HSE activity and risk management. Jacktel, through its management agreement with Master Marine, use personnel to continuously monitor the technical manager's performance in order to mitigate any operational risk.

Market risk in the short term is considered to be significant due to the low activity in the accommodation market for new contracts in 2016 and 2017. Management is optimistic that the unit will get contract between the current charter contract with Maersk Oil and Gas expires, and the contract with Statoil for Johan Sverdrup project commencing in October 2017. Even though management is positive, there is significant risk in terms of both utilization rate and day rate in the period not covered by any charter contract, both between the current contracts and after the contract with Statoil.

**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 USD or EUR. 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 2014 or 2015. All currency trade was done on a spot basis.

| | +/- EUR/NOK | Profit before tax *(1.000 EUR)* | Equity *(1.000 EUR)* |
|---|---|---|---|
| 2015 | 0,2 | 179/-187 | 179/-187 |
| 2014 | 0,2 | 191/-200 | 191/-200 |

**Interest Rate Risk**

The Company has substantial interest bearing debt, but both the Bond loan and the parent company loans are with fixed interest.

**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.

The Company is continuously monitoring its credit risk since low oil price over a long period might have an effect on client's financial strength. The client risk in general is relatively limited since these are typically oil majors operating out from the North Sea, with high credit ratings.

As of 31.12.2015 there is no evidence that the account receivables are impaired and no impairment losses have been recognized in the income statement. Jacktel has no old receivable balances at year end 2015.

**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 company has initiated the process related to financing of the Johan Sverdrup contract with Statoil, which will require additional funding to finance fabrication and installation. The modification work will start in October 2017.

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

| At 31.12.2015 | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| *(1.000 EUR)* | | | | | |
| Bond loan | 1 663 | 4 988 | 113 288 | 0 | **119 938** |
| Parent company loans | | | 186 456 | 0 | **186 456** |
| Trade and other payables | 969 | 580 | 0 | 0 | **1 549** |
| **Sum** | **2 632** | **5 568** | **299 744** | **0** | **307 943** |

| At 31.12.2014 | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| *(1.000 EUR)* | | | | | |
| 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** |

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 instrument or derivatives risk**

The Company uses financial instruments and derivatives to manage its financial risks, including spot contracts for buying and selling currencies. Spot contracts are mostly used to sell EUR and buy NOK to pay operational expenses. No swaps or forward contracts have been entered into in 2015.

**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 hierarchy. The carrying amount of cash and cash equivalents is a reasonable estimate of their fair value.

| | **31.12.2015** | | | | **31.12.2014** | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value measurement using: | | | | Fair value measurement using: | | | |
| *(1.000 EUR)* | Level 1 | Level 2 | Level 3 | Carrying value | Level 1 | Level 2 | Level 3 | Carrying value |
| Other current assets | 0 | 0 | 9 770 | 9 770 | 0 | 0 | 8 901 | 8 901 |
| Cash and cash equivalents | 0 | 49 307 | 0 | 49 307 | 0 | 36 351 | 0 | 36 351 |
| **Total financial assets** | **0** | **49 307** | **9 770** | **59 077** | **0** | **36 351** | **8 901** | **45 252** |
| Long term liabilities | 0 | 0 | 119 202 | 119 202 | 0 | 0 | 236 020 | 236 020 |
| Bond loan | 85 738 | 0 | 0 | 93 605 | 82 175 | 0 | 0 | 93 214 |
| Accounts payable | 0 | 0 | 949 | 949 | 0 | 0 | 619 | 619 |
| Prepayments customer | 0 | 0 | 0 | 0 | 0 | 0 | 5 358 | 5 358 |
| Other current liabilities | 0 | 0 | 2 671 | 2 671 | 0 | 0 | 5 243 | 5 243 |
| **Total financial liabilities** | **85 738** | **0** | **122 822** | **216 427** | **82 175** | **0** | **247 240** | **340 454** |

Fair value on bond loan is based on prices per December 2015, 90.25% (per December 2014, 86.5%).

## 12. Income tax

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| 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:

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| **Pre-tax profit/(loss)** | **-74 579** | **-84 426** |
| Expected income taxes according to income tax rate 27 % | -20 136 | -22 795 |
| Non deductable expenses | 0 | 0 |
| Currency effect | 6 845 | 4 648 |
| Changes in deferred tax asset not recognized in the balance sheet | 2 072 | 18 147 |
| Other | 11 219 | 0 |
| **Income tax expense** | **0** | **0** |

Deferred tax and deferred tax assets:

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| **Deferred tax assets** | | |
| Long term liabilities at amortized cost | -377 | -482 |
| Vessels, plant and equipment | 2 012 | -7 708 |
| Deferred taxation on profits and losses | 0 | 0 |
| Provisions | 0 | 0 |
| Tax losses carried forward | 35 871 | 48 674 |
| Non deductible interest cost carry forward | 10 273 | 5 224 |
| **Net unrecognized deferred tax assets/(liabilities)** | **47 780** | **45 707** |

Jacktel AS has total tax loss carried forward of MEUR 143.5 as at 31 December 2015 (2014: MEUR 180.3) without any expiration date.

## 13. 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.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| *(1.000 EUR)* | **Vessel in operation** | **Total** | **Vessel in operation** | **Total** |
| **Accumulated cost 1 January** | **515 663** | **515 663** | **513 590** | **513 590** |
| Additions | 5 035 | 5 035 | 2 223 | 2 223 |
| Disposals | -12 | -12 | -150 | -150 |
| **Accumulated cost 31 December** | **520 686** | **520 686** | **515 663** | **515 663** |
| Accumulated depreciation 1 January | -168 377 | -168 377 | -69 696 | -69 696 |
| Depreciation | -14 766 | -14 766 | -18 681 | -18 681 |
| Impairment * | -69 000 | -69 000 | -80000 | -80 000 |
| **Accumulated depreciation and impairment 31 December** | **-252 143** | **-252 143** | **-168 377** | **-168 377** |
| **Carrying value 31 December** | **268 543** | **268 543** | **347 286** | **347 286** |

The capitalized amounts during the year are related to 5 year class work, upgrade of IT equipment after the ConocoPhillips contract, new davits to life boats and other minor upgrade projects on "Haven".

**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. Due to the current market environment and uncertainty regarding future contracts, management has carried out impairment test for "Haven". The impairment test is based on assumptions and projections at the time of approving the financial accounts of 2015.

*Value of "Haven" accommodation unit*

The unit was in full operation as of 31st December, 2015. 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 external broker evaluations have been retrieved, which support the management conclusion.

The book value of "Haven" was 269 MEUR as of 31st December 2015, including an impairment of 69 MEUR which was performed in Q2 2015.

The following assumptions were used in the impairment test:

- WACC (based on 13 % cost of equity and 6 % cost of debt): 8.8 %
- Day rates after the end of the current contract period: 210.000 EUR
- Utilization at the end of the current contract period: 88 %

The short term utilization until the commencement of the Johan Sverdrup contract is expected to be lower than described above, which is accounted for in the impairment analysis.

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

- WACC (percentage points): +1 % Impairment: 17 MEUR
- Dayrates at end of contract period: -10 % Impairment: 26 MEUR
- Utilization (percentage points): -5 % Impairment: 12 MEUR

## 14. Contractual obligations

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| 2015 | n/a | 1 932 |
| 2016 | 73 | 0 |
| 2017 | 104 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| **Total** | **177** | **1 932** |

The table discloses contractual obligations for the Company the next five years at balance sheet date. Obligations in 2016 and 2017 are mainly related to new lifeboats and davits.

## 15. Other current assets

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| Trade debtors | 4 426 | 6 676 |
| Pre-paid expenses | 1 545 | 1 548 |
| Other current assets | 1 079 | 105 |
| VAT refund | 2 720 | 573 |
| **Total other current assets** | **9 770** | **8 901** |

Trade debtors consist mainly of unpaid charter hire for December 2015.

## 16. Cash

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| Cash | 48 198 | 35 243 |
| Restricted cash | 1 108 | 1 108 |
| **Cash and cash equivalents in the balance sheet** | **49 307** | **36 351** |

Restricted cash consist of interest on Bond loan, due for payment January 2016.

## 17. 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.

| | 2015 | 2014 |
|---|---|---|
| Average number of shares outstanding | 50 000 000 | 50 000 000 |
| Effect of dilutive potential ordinary shares: | 0 | 0 |
| **Diluted average number of shares outstanding** | 50 000 000 | 50 000 000 |
| **Profit /(loss)** | **-74 579** | **-84 426** |
| **Earnings per share:** | **2015** | **2014** |
| - Basic | -1,49 | -1,69 |
| - Diluted | -1,49 | -1,69 |

## 18. Share capital and shareholder information

Changes to the number of shares:

| | No. of shares | |
|---|---|---|
| | **2015** | **2014** |
| **Ordinary shares** | | |
| At 1 January | 50 000 000 | 50 000 000 |
| **At 31 December** | **50 000 000** | **50 000 000** |

All shares are owned by Master Marine AS. The nominal value per share is NOK 3.

For calculation of earnings per share and diluted earnings per share see Note 17.

## 19. Accounts payable and other current liabilities

| *(1.000 EUR)* | **2015** | **2014** |
|---|---|---|
| Trade accounts payables | 949 | 619 |
| Pre-payments from customers | 0 | 5 358 |
| Other short term liabilities | 2 669 | 5 243 |
| **Total** | **3 620** | **11 221** |

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

## 20. Legal disputes

The Company has currently no outstanding legal disputes.

## 21. Events after the balance sheet date

An amendment to the existing contract with Maersk Oil and Gas has been signed extending the contract with two months. The value of the extension is approximately USD 4.5 million.