

# **Annual Accounts 2018**

## **Smedvig Asset Allocation AS**

Org.nr. 988 318 574

**SMEDVIG** 

# Smedvig Asset Allocation AS

## Annual Report 2018

### **The Company's Business**

Smedvig Asset Allocation AS was on the 17 October 2007 granted a license to render discretionary asset management and investment advisory services in accordance with the Norwegian Securities Trading Act Section 9-1 1st paragraph, ref Section 2-1 1st Paragraph No 4 and 5.

The Company's registered office is in Stavanger.

### **Review of going concern**

The annual accounts are based on a going concern assumption.

### **Work Environment**

At the turn of the year the company had six employees. As the work environment is considered satisfactory, the company has not implemented any specific measures to improve the working environment. Sickness absence in 2018 was 88 days, corresponding to 7,8 % of the total working hours. 66 of these were long-term absence. No injuries, material damages or accidents have occurred during 2018.

### **Gender diversity**

The Company's Board of Directors consists of one female and three male Directors. Both Board and Management are committed to meet the public expectation to improve gender equality.

### **Natural Environment**

The Company's activities are not considered to have any negative impact on the natural environment.

### **Research and development**

The company does not conduct research and development.

### **The Annual Accounts**

In the Board of Directors' opinion the Annual Accounts give a true and fair view of the Company's assets, debt, financial position and net income. The operating revenue for 2018 (2017) was NOK 31 312 150 (NOK 31 049 269). The Company's accounts show a net income before tax of NOK 14 943 440 (NOK 15 450 732) and a net income of NOK 11 205 421 (NOK 11 588 072).

As of 31 December 2018 the Company's equity and subordinated loan capital was NOK 11 162 547, of which was core capital 100 % and additional capital 0 %. The equity and subordinated loan capital was 50,45 % of the basis for calculation in accordance with CRD IV as of 31 December 2018.

The company is also well within the current regulations with regard to capital requirements and capital coverage.

### **Financial risk**

In the Board of Directors' opinion, the company is able to fulfill its financial obligations as they mature. The nature of the business means that the company receive advance payments from current agreements on discretionary portfolio management / investment advice. At the same time, the company has a number of costs due for payment on a continuous basis. The company's liquidity management shall, as far as possible, ensure that available liquidity is sufficient to meet the liabilities at maturity.

The company does not invest in financial instruments, and is thus not exposed to market risk.

The company has floating interest on bank deposits and debt, and is subject to fluctuations in loan and deposit rates.

### Business risk

In the Board of Directors' opinion, the company's risk profile is easy-to-understand and in line with the nature and scope of the business. The areas in which the company is exposed to the largest risk are Management, Compliance and Regulatory terms. In the opinion of the Board, the company has implemented the work processes, ICT solutions and risk mitigation measures that are necessary to carry out the company's operations in a sound, secure and appropriate way.

### The Company's future activities

In the Board's opinion the Company's financial position is good. The Company has been granted a license to render discretionary asset management services and investment advisory services, and it has entered into agreements with clients thus securing a solid foundation for future activities.

### Appropriation of profits

The Board of Directors suggests that the profit, NOK 11 205 421, should be allocated as follows:

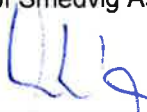
Dividends:	NOK 12 000 000
Transfer to / (from) other equity	NOK -794 579

Stavanger, 04.03.2019

The board of Smedvig Asset Allocation AS



Odd Torland  
chairman of the board



Gudleik Njå  
member of the board



Stephan Lange Jervell  
member of the board



Marit Salte  
member of the board



John Thore Olsen  
general Manager

## Smedvig Asset Allocation AS

### Revenue statement

	Note	2018	2017
Revenues		31 312 150	31 049 269
<b>Operating income</b>		<b><u>31 312 150</u></b>	<b><u>31 049 269</u></b>
Personnel expenses	5	-7 548 848	-6 879 297
Depreciations	1	-93 960	-126 170
Other operating expenses	5, 6	-8 897 943	-8 723 114
<b>Operating expenses</b>		<b><u>-16 540 751</u></b>	<b><u>-15 728 580</u></b>
<b>Operating profit / (loss)</b>		<b><u>14 771 399</u></b>	<b><u>15 320 689</u></b>
Interest income		206 626	143 757
Other financial income		10 485	0
<b>Financial Income</b>		<b><u>217 111</u></b>	<b><u>143 757</u></b>
Interest expenses		-3 739	-632
Other financial expenses		-41 332	-13 082
<b>Financial expenses</b>		<b><u>-45 070</u></b>	<b><u>-13 714</u></b>
<b>Profit before taxes</b>		<b><u>14 943 440</u></b>	<b><u>15 450 732</u></b>
Tax expenses	4	-3 738 019	-3 862 660
<b>Profit for the year</b>	2	<b><u>11 205 421</u></b>	<b><u>11 588 072</u></b>
<b>Brought forward</b>			
Allocated to dividend	2	12 000 000	10 000 000
To / (from) other equity	2	-794 579	1 588 072
<b>Net brought forward</b>		<b><u>-11 205 421</u></b>	<b><u>-11 588 072</u></b>

## Smedvig Asset Allocation AS

### Balance sheet

<b>ASSETS</b>	Note	<b>2018</b>	<b>2017</b>
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Deferred tax assets	4	69 510	75 810
<b>Total intangible assets</b>		<u>69 510</u>	<u>75 810</u>
<b>Tangible assets</b>			
Equipment and other movables	1	0	93 960
<b>Total tangible assets</b>		<u>0</u>	<u>93 960</u>
<b>Total fixed assets</b>		<u>69 510</u>	<u>169 770</u>
<b>Current assets</b>			
<b>Debtors</b>			
Other short-term receivables		671 142	1 114 682
<b>Total receivables</b>		<u>671 142</u>	<u>1 114 682</u>
<b>Cash and bank deposits</b>			
Cash and bank deposits	10, 11, 12	30 147 565	27 126 746
<b>Total cash and bank deposits</b>		<u>30 147 565</u>	<u>27 126 746</u>
<b>Total current assets</b>		<u>30 818 707</u>	<u>28 241 428</u>
<b>TOTAL ASSETS</b>		<u>30 888 217</u>	<u>28 411 198</u>

## Smedvig Asset Allocation AS

### Balance sheet

EQUITY AND LIABILITIES	Note	2018	2017
<b>Equity</b>			
<b>Paid-up equity</b>			
Share capital	2, 3	1 000 000	1 000 000
Other paid-up equity	2	4 302 251	4 302 251
<b>Total paid-up equity</b>		<b>5 302 251</b>	<b>5 302 251</b>
<b>Retained earnings</b>			
Other equity	2	5 929 806	6 724 386
<b>Total retained earnings</b>		<b>5 929 806</b>	<b>6 724 386</b>
<b>Total equity</b>		<b>11 232 057</b>	<b>12 026 637</b>
<b>Liabilities</b>			
<b>Short-term liabilities</b>			
Trade creditors	6	831 336	57 618
Tax payable	4	3 731 719	3 851 645
Public duties payable		541 887	661 421
Dividend	2	12 000 000	10 000 000
Other short-term liabilities		2 551 218	1 813 876
<b>Total short-term liabilities</b>		<b>19 656 160</b>	<b>16 384 561</b>
<b>Total liabilities</b>		<b>19 656 160</b>	<b>16 384 561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30 888 217</b>	<b>28 411 198</b>

Stavanger, 04.03.2019

The board of Smedvig Asset Allocation AS

  
Odd Torland  
chairman of the board

  
Gudleik Njå  
member of the board

  
Stephan Lange Jervell  
member of the board

  
Marit Salte  
member of the board

  
John Thore Olsen  
general Manager

## Smedvig Asset Allocation AS

### Statement of cash flow

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Net cash from the year's activities 1)		11 305 681	11 725 257
Change in accounts receivable		0	3 150
Change in accounts payable		773 718	-988 140
Dividend		-10 000 000	-10 000 000
Change in other short-term assets and liabilities		941 420	1 100 556
<b>Net cash flows from operating activities</b>		<b>3 020 819</b>	<b>1 840 824</b>
<b>Net change in cash and cash equivalents</b>		<b>3 020 819</b>	<b>1 840 824</b>
Cash and cash equivalents at the start of the period		27 126 746	25 285 922
<b>Cash and cash equivalents at the end of the period</b>		<b>30 147 565</b>	<b>27 126 746</b>
<b>1) This total is a result from:</b>			
Annual net profit		11 205 421	11 588 072
Ordinary depreciation		93 960	126 170
Change in deferred tax		6 300	11 015
<b>Net cash from the year's activities</b>		<b>11 305 681</b>	<b>11 725 257</b>

## Accounting Principles

The Annual Accounts, issued by the Board of Directors, must be read in connection with the Directors' Report and the Auditors' Report.

The Annual Accounts consist of Income Statement, Balance Sheet, and notes and is prepared in accordance with the Companies' Act, Accounting Act, and generally accepted accounting principles for small companies in Norway as of 31. desember 2018.

### Accounting Principles

The annual accounts are based on the basic principles of historic cost, comparability, congruence, and prudence, and the classification of assets and liabilities is in accordance with the Accounting Act's definition.

On application of accounting principles and presentation of transactions and other matters emphasis is made on economic substance, not only legal form. Conditional, probable, and quantifiable losses are expensed. The accounting principles are outlined below.

### Revenue and cost recognition (matching)

Revenue is as a main rule recognized when earned. Costs are matched to and recognized together with the revenue to which the costs may be matched. Costs not directly matchable to revenue, are recognized when incurred.

### Assets and Liabilities

Short term assets and debt is valued at the lower/higher of acquisition cost or fair value. Fair value is defined as assumed future sales price reduced by assumed sales costs. Other assets are classified as long term assets. Long term assets are valued at cost. Long term assets subject to wear and tear are depreciated or amortized. If the value is reduced and not expected to be reversed, the long term asset is impaired. Corresponding principles are applied for debt.

### Deferred tax and tax cost

Deferred tax is calculated on the basis of temporary differences between accounting and tax values at the end of the fiscal year. The nominal tax rate is applied. Positive and negative differences are matched within the same time frame. A deferred tax asset exists if temporary differences will give tax deduction in the future. The year's tax cost consists of change of deferred tax/deferred tax asset and payable tax for the year.



## Note 1 Fixed assets

	<b>Plant, equipment etc.</b>
Acquisition cost as at 01.01.2018	2 888 311
<b>Acquisition cost 31.12.2018</b>	<b>2 888 311</b>
Depreciations as at 01.01.2018	-2 794 351
Ordinary depreciation for the year	-93 960
<b>Depreciations as at 31.12.2018</b>	<b>-2 888 311</b>
Book value 01.01.2018	93 960
The year's depreciation and write-downs	93 960
<b>Book value 31.12.2018</b>	<b>0</b>
Economic lifetime	0-5 years
Depreciation plan	Linear

## Note 2 Equity capital

	<b>Share capital</b>	<b>Other paid-in equity capital</b>	<b>Other equity capital</b>	<b>Total equity capital</b>
As at 31.12.2017	1 000 000	4 302 251	6 724 386	12 026 637
<b>This year's change in equity:</b>				
Profit for the year			11 205 421	11 205 421
Dividend			-12 000 000	-12 000 000
<b>As at 31.12.2018</b>	<b>1 000 000</b>	<b>4 302 251</b>	<b>5 929 806</b>	<b>11 232 057</b>

## Note 3 Shareholders

The share capital in Smedvig Asset Allocation AS as of 31.12 consists of the following share classes:

	Total	Face value	Entered
A-shares	999 000	1,00	999 000
B-shares	1 000	1,00	1 000
<b>Total</b>		<b>1 000 000</b>	<b>1 000 000</b>

Ownership structure:

	A-shares	B-shares	Total	Owner interest
Smedvig & Co, Ltd.	999 000	0	999 000	99,9
Anna Margaret Smedvig	0	650	650	0,1
Julia Smedvig Hagland	0	150	150	0
Odd Torland	0	100	100	0
Marit Salte	0	50	50	0
John Thore Olsen	0	25	25	0
Peter Thomas Smedvig	0	25	25	0
<b>Total number of shares</b>	<b>999 000</b>	<b>1 000</b>	<b>1 000 000</b>	<b>100,0</b>

Shares and options owned by the Directors of the Board and the General Manager:

Name	Position	A-shares	B-shares	Total
John Thore Olsen	general manager	0	25	25
Marit Salte	member of the board	0	50	50
Odd Torland	chairman of the board	0	100	100

The A-shares have full voting- and dividend rights. The B-shares have no voting rights and the dividend right is limited.

## Note 4 Tax

<b>This year' s tax expense</b>	<b>2018</b>	<b>2017</b>
Entered tax on ordinary profit/loss:		
Payable tax	3 731 719	3 851 645
Changes in deferred tax advantage	6 300	11 015
<b>Tax expense on ordinary profit/loss</b>	<b>3 738 019</b>	<b>3 862 660</b>
Taxable income:		
Ordinary result before tax	14 943 440	15 450 732
Permanent differences	8 638	-93
Changes temporary differences	-25 200	-44 059
<b>Taxable income</b>	<b>14 926 877</b>	<b>15 406 580</b>
Payable tax in the balance:		
Payable tax on this year's result	3 731 719	3 851 645
<b>Total payable tax in the balance</b>	<b>3 731 719</b>	<b>3 851 645</b>
Calculation of effective tax rate:		
Profit before tax	14 943 440	15 450 732
Calculated tax on profit before tax	3 735 860	3 862 683
Tax effect of permanent differences	2 159	-23
<b>Total</b>	<b>3 738 019</b>	<b>3 862 660</b>
Effective tax rate	25,0 %	25,0 %

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	<b>2018</b>	<b>2017</b>	<b>Difference</b>
Tangible assets	-278 041	-303 241	-25 200
<b>Total</b>	<b>-278 041</b>	<b>-303 241</b>	<b>-25 200</b>
<b>Deferred tax assets (25 %)</b>	<b>-69 510</b>	<b>-75 810</b>	<b>-6 300</b>

## Note 5 Note Salary costs and benefits, remuneration to the chief executive, board and auditor

<b>Salary costs</b>	<b>2018</b>	<b>2017</b>
Salaries	5 395 442	4 971 293
Employment tax	838 337	811 466
Pension costs	392 324	365 894
Other benefits	922 746	730 644
<b>Total</b>	<b>7 548 848</b>	<b>6 879 297</b>

In 2018 the company employed 6 man-years.

### Pension liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of this Act.

<b>Remuneration to leading personnel</b>	<b>Managing Director</b>	<b>Board</b>
Salaries	1 867 480	0
Pension costs	143 310	0
Other remuneration	177 122	300 000
<b>Total</b>	<b>2 187 912</b>	<b>300 000</b>

The Managing Director is covered by a remuneration arrangement that applies to senior executives in the company. The remuneration arrangement is in accordance with official guidelines as of December 1 2010 nr. 1507 about remuneration arrangements.

### Auditor

Audit fees expensed for 2018 amount to NOK 125 111.

In addition there is a fee for other services of NOK 53 579.

Legal fees for services received from Deloitte Advokater amount to NOK 113 925.

## Note 6 Inter-company items between companies in the same group

	<b>2018</b>	<b>2017</b>
<b>Other expences:</b>		
Management fees Smedvig AS	901 890	880 750
IT-services Smedvig AS	899 662	888 601
Rent to Løkkeveien 103 AS	1 031 948	1 085 743
<b>Accounts payable:</b>		
Løkkeveien 103 AS	225 369	0
Smedvig AS	117 836	0
Smedvig Eiendom AS	20 097	0

Smedvig Eiendom AS and Løkkeveien 103 AS is part of Smedvig Group which is 100% owned by companies controlled by members of the Smedvig family.

## Note 7 Segments

### Segments

Management has evaluated which segments that are reportable based on form of distribution, products, and customers. Based on this judgement the conclusion is that segment reporting will give little or no additional information. This also applies for geographical segment reporting since the company only operates in Norway.

## Note 8 Required Capital

The company is subject to equity and subordinated loan capital requirements in accordance with the Regulations on Capital Requirements (Kapitalkravforskriften).

Equity and subordinated loan capital consists of core capital (paid in equity and other reserves) and supplementary capital (subordinated loans). Smedvig Asset Allocation has no subordinated loan capital. For 2016 and 2017 the company has calculated capital requirements in accordance with CRD IV regulations:

Risk Group	CRD IV - 2018		CRD IV - 2017	
	Book value	Weighted value	Book value	Weighted value
0 %	0	0	0	0
10 %	0	0	0	0
20 %	30 147 565	6 029 513	27 126 746	5 425 349
50 %	0	0	0	0
100%	740 652	740 652	1 284 452	1 284 452
Operational risk	0	15 354 548	0	19 322 393
<b>Total</b>	<b>30 888 217</b>	<b>22 124 713</b>	<b>28 411 198</b>	<b>26 032 194</b>
Non weighted assets:				
Intangibles	0		0	
<b>Total assets</b>	<b>30 888 217</b>		<b>28 411 198</b>	
<b>Risk weighted basis for calculation</b>		<b>22 124 713</b>		<b>26 032 194</b>
<b>Equity and subordinated loan capital</b>				
Equity		11 232 057		12 026 637
Subordinated loan capital		0		0
Deduction for intangibles		-69 510		-75 810
<b>Equity and subordinated loan capital</b>		<b>11 162 547</b>		<b>11 950 827</b>
<b>Percent capital coverage</b>		<b>50,45 %</b>		<b>45,91 %</b>
<b>Minimum requirements</b>		<b>8,00 %</b>		<b>8,00 %</b>
		<b>NOK</b>	<b>Exchange rate</b>	<b>EUR</b>
Equity and subordinated loan capital as at 31.12.2018		11 162 547	9,9483	1 122 056

The company is authorized to render active management of investor's portfolios and investment advice in accordance with the Norwegian Securities Trading Act Section 9-1 1st paragraph, cf. Section 2-1 1st paragraph number 4 and 5. In accordance with the Norwegian Securities Trading Act Section 9-13 the company is required to hold equity capital which at any time is no less than EUR 125,000.-. The capital adequacy requirement as of December 31st 2018 is fulfilled.

## Note 9 Capital requirements based on fixed cost

According to Kapitalkravforskriften §41-2 and rundskriv 10/2014 from Finanstilsynet the Company is required to have equity and subordinated loan capital which at any time is no less than 25% of the calculated fixed cost.

Fixed cost	2018	2017
Operating revenue	31 312 150	31 049 269
-profit before taxes	-14 943 440	-15 450 732
-variable employee cost	-420 155	-243 989
<b>Total fixed cost</b>	<b>15 948 555</b>	<b>15 354 548</b>
<b>25% of fixed cost</b>	<b>3 987 139</b>	<b>3 838 637</b>

## Note 10 Maturity of receivables and payables

The tables indicate when receivables and payables are expected to mature.

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Other short term receivables	0	0	671 142	0	0	0
Bank deposits	30 147 565	0	0	0	0	0
<b>Total assets</b>	<b>30 147 565</b>	<b>0</b>	<b>671 142</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Accounts payables	-831 336	0	0	0	0	0
Public duties payables	0	-541 887	0	0	0	0
Tax	0	0	-3 731 719	0	0	0
Dividend	0	-12 000 000	0	0	0	0
Other short term debt	0	0	-2 551 218	0	0	0
<b>Total debt</b>	<b>-831 336</b>	<b>-12 541 887</b>	<b>-6 282 937</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Net cash exposure on balance sheet items</b>	<b>29 316 229</b>	<b>-12 541 887</b>	<b>-5 611 795</b>	<b>0</b>	<b>0</b>	<b>0</b>
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## Note 11 Period of fixed interest rates

The tables show the time until agreed/probable change of interest rate terms.

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Other short term receivables	0	0	0	0	0	671 142
Bank deposits	0	30 147 565	0	0	0	0
<b>Total assets</b>	<b>0</b>	<b>30 147 565</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>671 142</b>

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Accounts payables	0	0	0	0	0	-831 336
Public duties payables	0	0	0	0	0	-541 887
Other short term debt	0	0	0	0	0	-2 551 218
<b>Total debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 924 441</b>

<b>Net interest exposure on balance sheet items</b>	<b>0</b>	<b>30 147 565</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 253 299</b>
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## Note 12 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 276 927.

## Note 13 Contingent liabilities

In 2018, the company received notice of a correction in the tax and the imposition of additional tax related to the incorrect handling of value added tax on fees from the company's international subcontractors. The company has appealed the tax office's notice based on a previously received guidance from the revenue service. If the revenue service does not comply with the complaint, the company may have to pay the previously unpaid value add tax in the order of approximately 1.5 MNOK for the years 2015-2018. The amount is uncertain and there is not made any provision in the financial statement.

To the General Meeting of Smedvig Asset Allocation AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Smedvig Asset Allocation AS showing a profit of NOK 11 205 421. The financial statements comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.



*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (*ISAE*) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 4 March 2019  
Deloitte AS

**Ommund Skailand**

State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*