



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 996 020 355
Organisasjonsform: Aksjeselskap
Foretaksnavn: FARSTAD SHIPPING AALESUND AS
Forretningsadresse: Skansekaia 4A
6002 ÅLESUND

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Idar Johannes Gjerde
Dato for fastsettelse av årsregnskapet: 15.05.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 06.11.2020



Resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	5 739 000	6 690 000
Sum inntekter		5 739 000	6 690 000
Kostnader			
Annen driftskostnad	3, 4, 5	5 282 000	5 117 000
Sum kostnader		5 282 000	5 117 000
Driftsresultat		458 000	1 573 000
Finansinntekter og finanskostnader			
Annen renteinntekt		-12 000	-12 000
Annen finansinntekt		248 000	950 000
Sum finansinntekter		236 000	938 000
Annen finanskostnad		2 000	2 000
Sum finanskostnader		2 000	2 000
Netto finans		234 000	936 000
Ordinært resultat før skattekostnad		692 000	2 510 000
Skattekostnad på ordinært resultat	6	6 570 000	1 203 000
Ordinært resultat etter skattekostnad		-5 878 000	1 307 000
Årsresultat		-5 878 000	1 307 000
Årsresultat etter minoritetsinteresser		-5 878 000	1 307 000
Totalresultat		-5 878 000	1 307 000



Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6		6 570 000
Sum immaterielle eiendeler			6 570 000
Sum anleggsmidler		0	6 570 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer	8	12 205 000	12 925 000
Sum fordringer		12 205 000	12 925 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	11	48 238 000	59 784 000
Sum bankinnskudd, kontanter og lignende		48 238 000	59 784 000
Sum omløpsmidler		60 443 000	72 709 000
SUM EIENDELER		60 443 000	79 279 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7, 10	100 000	100 000
Annen innskutt egenkapital	7, 10		
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	7	2 178 000	8 056 000
Sum opptjent egenkapital		2 178 000	8 056 000



Balanse

Beløp i: NOK	Note	2016	2015
Sum egenkapital		2 278 000	8 156 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	5	10 049 000	12 611 000
Sum avsetninger for forpliktelser		10 049 000	12 611 000
Annen langsiktig gjeld			
Sum langsiktig gjeld		10 049 000	12 611 000
Kortsiktig gjeld			
Leverandørgjeld		2 044 000	334 000
Annen kortsiktig gjeld	8, 9	46 072 000	58 177 000
Sum kortsiktig gjeld		48 116 000	58 511 000
Sum gjeld		58 165 000	71 123 000
SUM EGENKAPITAL OG GJELD		60 443 000	79 279 000



Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 26.11.2014	Vår dato 16.12.2014
Telefon 22 07 73 25/22 66 11 14	Deres referanse Vivian Larsgård- Ingebritgsen	Vår referanse 2014/882549

FARSTAD SHIPPING AALESUND AS
Postboks 1301 , Sentrum
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad Shipping Ålesund AS, org.nr. 996 020 355

- Vi viser til deres brev av 26. november 2014, samt tilleggsopplysninger i e-post, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Farstad Shipping Ålesund AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad Shipping Ålesund AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Farstad Shipping Ålesund AS er heleid av Farstad Shipping ASA. Selskapet driver med utleie av mannskap og leverer tjenester til selskaper i konsernet som har konsentrert sine aktiviteter til markedene i Nordvest-Europa, Brasil, Australia og Asia. Med bakgrunn i at selskapet og konsernet opererer i et internasjonalt marked, med internasjonale kunder og med internasjonale eksterne kredittinstitusjoner, er det ønskelig å kunne utarbeide årsregnskapet og årsberetningen på engelsk. Forretningsspråket til morselskapet er engelsk. All kommunikasjon med kunder og kredittinstitusjoner foregår i hovedsak på engelsk. Med bakgrunn i dette søkes det om at årsregnskapet og årsberetningen utarbeides på engelsk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er 100 % eiet av et selskap som benytter engelsk som forretningsspråk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

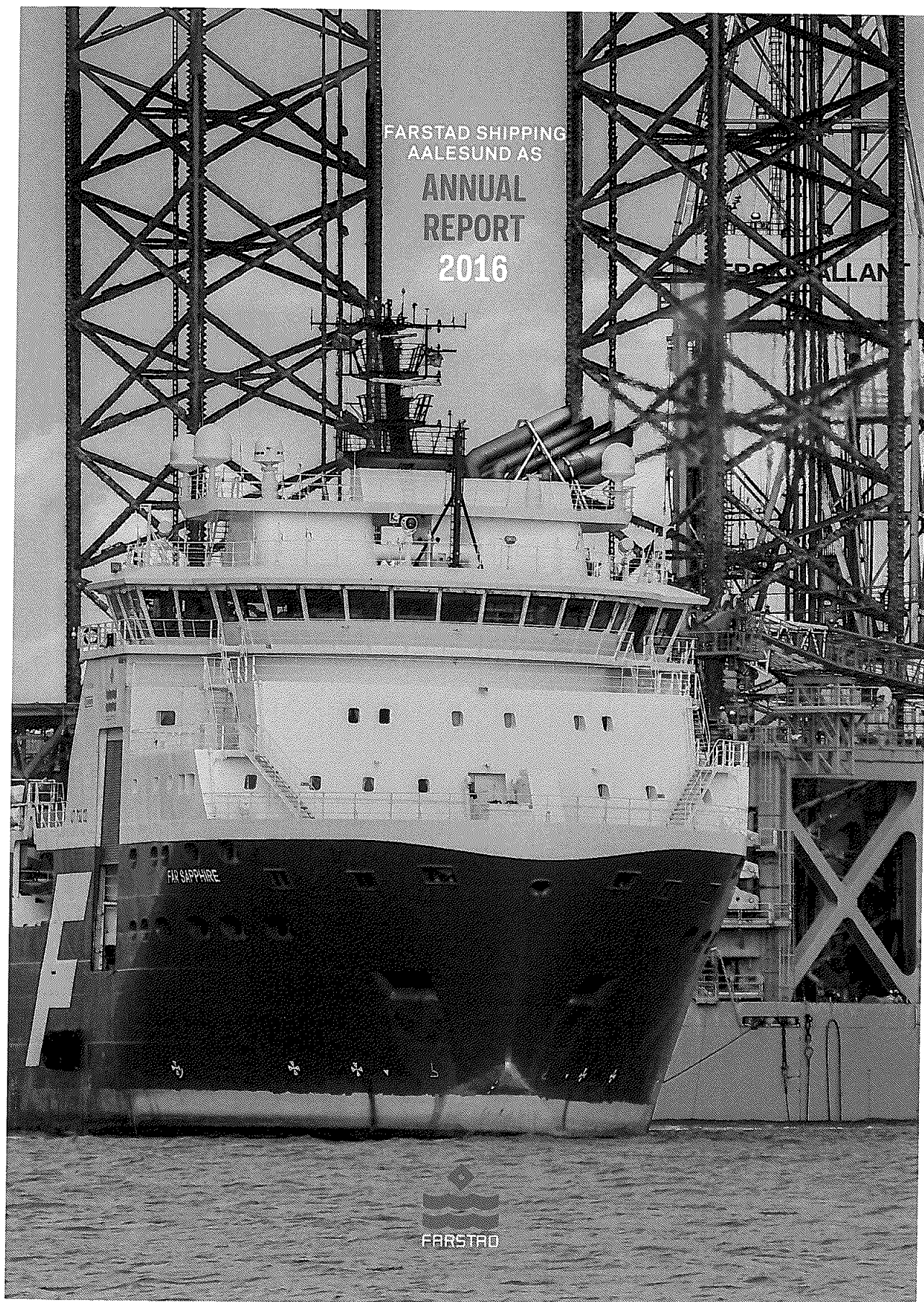
Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

Farstad Shipping Aalesund AS was established on 30 September 2010 in order to run shipping operation and other business associated with this. The company is 100 % controlled by Farstad Shipping ASA and its head office is in Aalesund.

The company operates to remunerate crew onboard the vessels in Farstad Shipping ASA. Average number of employees in the company was 404 in 2016 and the administration is managed by Farstad Shipping ASA.

HEALTH, SAFETY AND ENVIRONMENT

Farstad Shipping Aalesund's goal within health, environment and safety is to carry out our operations without damages to people, environment and equipment. The company works actively on several levels to make employees aware of this goal. All employees of the company are at all times obligated to follow our procedures and instructions based on our governing documents. This is vital in order to obtain safe, efficient and environmentally friendly operation of our vessels in accordance with national and international requirements and regulations.

The company is focused on learning and exchanging experiences across the fleet, based on all types of incidents both with and without damage. Considerable resources are invested in order to create safer workplaces and improve the working environment. In order to create safer workplaces, causal analyses are performed in connection with events entailing high risk of injuries and incidents with major accident potential. We also focus on developing the safety culture through awareness work and leadership development. The Board believes the work done to prevent damage to the environment is satisfactory.

Lost time injuries and unwanted events

The measuring indicators used by the company are the lost time injury frequency (LTIF) and total recordable case frequency (TRCF). Both frequencies are measured as the number of injuries per one million working hours, measured 24 hours a day so that recreational injuries are included. At the end of 2016 the LTIF was 0.36 compared to 0.29 in 2015. The TRCF frequency was 1.45 compared to 1.43 in 2015.

The outer environment

Farstad Shipping Aalesund maintains a pollution free operation that complies with national regulations and all relevant industry standards and guidelines.

Absence due to illness

Absence due to illness for employees on board our vessels had a slightly negative development compared to last year. In 2016 absence due to illness was 4.71 % (4.67% in 2015).

Gender equality

The company is conscious of preventing gender-based discrimination. The principle of equal pay for equal work applies in wage determination. Only relevant qualifications like education, experience, results and other professional criteria are to form the basis with regard to hiring, training, compensation and promotion. At the end of the year, 22 out of the company's total staff of 404 were women.

FINANCIAL STATEMENT

Operating income for 2016 was NOK 5,7 million (NOK 6,7 million in 2015). Operating result was NOK 0,5 million in 2016 (NOK 1,6 million in 2015.) The operating margin for the company was 8 % in 2016 (23,5% in 2015.) The company has an equity ratio of 3,8 % (10,3 % in 2015) and a challenging liquidity situation. The reduction in operating margin and equity ratio reflects the challenging market situation within the company and Farstad Shipping ASA group.

The annual accounts show a loss after tax of MNOK 5,878. The Board has approved the total loss to be transferred to Other Equity.



EVENTS AFTER YEAR-END

Restructuring of the Farstad Shipping ASA Group

On 6 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shiplease AS (a subsidiary of Ocean Yield ASA), had entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

The Farstad Restructuring consists of the following elements:

- (i) Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt") Farstad Shipping's senior lenders, bondholders and F-Shiplease AS have completed a capital increase for conversion of debt as follows:
 - a) Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752 million new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.
 - b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equalling the net present value of such future interest payments), and the NOK 271 million claim was converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
 - c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, was converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.
 - d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 161 million claim against Farstad Shipping ASA (equalling the sum of the NOK 70 million "amortisation" element and the net present value of the "interest" element being NOK 91 million). The NOK 70 million "amortisation" element of the claim was converted into 56 million new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim was converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- (ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue").

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million in share issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and Bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity Issues were NOK 0.35 per share.

Share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 the company's share capital was reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million has been allocated to retained earnings. Following the equity issues that was completed by 23 March, the nominal share capital has been increased to approximately NOK 243 million.



(iii) The existing financing agreements of Farstad Shipping group was amended (the "Farstad Amended Financing Terms").

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) were amended and harmonised, including by adding the following features:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) was reduced to 10% of the original profile from 1 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;
- b) A cash sweep mechanism has been introduced;
- c) In addition to certain financial covenants, restrictions has been introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;
- d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);
- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secured debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities has been reclassified as non-current liabilities. Total NOK 8,174 million are reclassified from current to Non-current liabilities following the Farstad Shipping ASA Restructuring.

Business combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad Family Companies") and Tyrholm & Farstad AS, have agreed to work for a combination of Solstad Offshore ASA ("Solstad Offshore"), Farstad Shipping ASA and Deep Sea Supply Plc ("Deep Sea Supply") following completion of the Farstad Restructuring, creating a world class OSV company (the "Combination").

The combination is proposed to be structured as follows:

(i) Deep Sea Supply and Farstad Shipping ASA will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping ASA will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping ASA merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

(ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.

(iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.



(iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.

(v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March.

However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.

The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.

Based on the financial restructuring of Farstad Shipping ASA group, as well as the proposed business combination with Solstad Offshore and Deep Sea Supply, the board believes that the embedded financial risk in Farstad, has been reduced substantially. Longer term, both the company and the OSV industry as a whole is dependent upon improving market terms to return to sustainable earnings and debt servicing capacity.

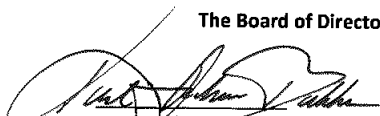
GOING CONCERN

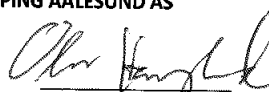
The Board confirms that the 2016 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. Based on the financial restructuring of the group completed during Q1 2017, the Board confirms that this assumption is appropriate.

Aalesund, 31 December 2016

15 May 2017

The Board of Directors of FARSTAD SHIPPING AALESUND AS


Karl-Johan Bakken
Chairman of the Board / General Manager


Olav Haugland
Member of the Board


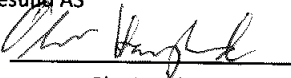


PROFIT AND LOSS			
FARSTAD SHIPPING AALESUND AS (NOK 1 000)			
	Note	2016	2015
Operating income:			
Other income	2	5 739	6 690
Total operating Income		5 739	6 690
Operating expenses:			
Administration	3, 4, 5	5 282	5 117
Total operating expenses		5 282	5 117
Operating result (EBIT)		458	1 573
Financial items:			
Financial income		248	950
Financial expenses		2	2
Realised agio (disagio)		-12	-12
Net financial income and expenses		234	936
Tax and results:			
Pre tax profit		692	2 510
Tax	6	6 570	1 203
Profit for the year		-5 878	1 307



BALANCE SHEET			
FARSTAD SHIPPING AALESUND AS (NOK 1 000)			
	Note	2016	2015
ASSETS			
FIXED ASSETS			
Deferred tax asset	6	0	6 570
Total fixed assets		0	6 570
CURRENT ASSETS			
Other short-term receivables	8	12 205	12 925
Cash and cash equivalents	11	48 238	59 784
Total current assets		60 443	72 709
Total assets		60 443	79 279
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7, 10	100	100
Other equity	7	2 178	8 056
Total equity		2 278	8 156
NON-CURRENT LIABILITIES			
Pension liabilities	5	10 049	12 611
Total non-current liabilities		10 049	12 611
CURRENT LIABILITIES			
Accounts payable		2 044	334
Other current liabilities	8, 9	46 072	58 177
Total current liabilities		48 116	58 511
Total liabilities		58 165	71 123
Total equity and liabilities		60 443	79 279

Ålesund, 15.05.2017
The board of Farstad Shipping Aalesund AS

 Karl Johan Bakken Chairman of the board/General Manager	 Olav Haugland Member of the board
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CASH FLOW STATEMENT		
FARSTAD SHIPPING AALESUND AS (NOK 1 000)		
	2016	2015
Cash flow from operations		
Profit before income taxes	692	2 510
Change in trade debtors	-26	-
Change in trade creditors	1 710	-2 003
Differences in expensed pensions and payments in/out of the pension scheme	-2 562	-16 178
Effect of exchange fluctuations	-	-
Change in other provisions	-11 360	-4 599
Net cash flow from operations	-11 546	-20 270
Net change in cash and cash equivalents	-11 546	-20 270
Cash and cash equivalents at the beginning of the period	59 784	80 054
Cash and cash equivalents at the end of the period	48 238	59 784



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD SHIPPING AALESUND AS

NOTE 1 ACCOUNTING PRINCIPLES

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

Estimates

Areas that involve judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are pension commitments.

Revenue and expense recognition principles

Revenues in the company consist entirely of affiliate earnings for the staffing services delivered to Farstad Shipping ASA. The costs in the company consist entirely of administrative costs, included payment for services purchased from Farstad Shipping ASA to operate the company. Expenses related to salaries for employees sailors are netted since this is entirely recharged to the buyer of staffing services.

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 25 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Pensions

The company pension plan is a defined benefit plan and is valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value. The company has according to NRS 6 Pension costs declared the option to use IAS 19 for the recognition of the defined benefit plan.

Changes in the pension obligations due to changes in pension plans are recognised over the estimated average remaining service period. The accumulated effect of changes in estimates and in financial and actuarial assumptions (actuarial gains or losses) are recognized through retained earnings. The net pension cost for the period is classified as payroll expense. Net pension cost and actuarial gains and losses are recharged to ship-owing companies, and presented net in the financial statements.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Government grants

Government grants are not recorded until it is reasonably certain that the company will meet the conditions stipulated in connection with the receipt of the grants and that the grants will be received. Government grants are recorded as deductions from the cost that the grants are meant to cover.

Cash flow statement

The company uses the indirect model when presenting its cash flow statement. The statement's line for cash and cash equivalents includes bank deposits, other deposits and marketable securities.

Events after the balance sheet date

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date, but which will affect the company's position in the future, are stated if significant.

NOTE 2 OPERATING INCOME

Other income	2016	2015
	5 739	6 690
Total income	5 739	6 690

Other income in the company is a 2% provision of the total crew costs for the year.

NOTE 3 GOVERNMENT GRANTS

Net pay scheme at NOR-vessels	2016	2015
	41 849	62 680
Refund scheme for temporary and work experience positions for sailors in training	792	991
Government grants for the reduction of crew costs	42 640	63 671



NOTES TO THE ACCOUNTS (NOK 1 000)
FARSTAD SHIPPING AALESUND AS

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

	2016	2015
Payroll expenses		
Wages and salaries	221 313	254 663
Social security costs	40 369	48 078
Pension costs	19 321	22 751
Other contributions	5 872	9 005
Total payroll expenses	286 876	334 497
Recharged to shipowner	-286 876	-334 497
Net payroll expenses for the year	-	-

Payroll expenses for the company are related to crew leased to ship-owned companies in Farstad Shipping ASA group. The company has no employees in the administration. Administration fee paid to Farstad Shipping ASA was NOK 5 196 in 2016 (NOK 5 017 in 2015). Average number of employees in the company was 404 in 2016 (570 in 2015).

Expensed audit fee

	2016	2015
Statutory audit	48	50
Other assurance services	-	-
Tax advisory fee	30	49
Other assistance (to be specified)	-	-
Total audit fees	78	99

VAT is not included in the audit fee.

NOTE 5 PENSIONS

Defined benefits scheme

The company pension schemes are treated in accordance with Farstad Shipping ASA standard for pensions expenses (NRS 6/IAS 19.) The pension scheme in Norway is in accordance with the requirements of the law.

The year's pension costs:	2016	2015
Current service cost	9 668	10 845
Interest cost on pension liability	242	249
Expected return on the plan assets	-	-
Administration cost	392	387
Employers' national insurance contributions from pension costs	1 397	1 564
Net actuarial gains / losses for the year	-	-
Net pensions costs	11 700	13 046

Change in estimates to other comprehensive income (OCI) during period	2016	2015
Change in discount rate	-1 609	-4 544
Change in other financial assumptions	-	-2 161
Change in mortality table	-	-
Change in other financial assumptions funds	-95	-178
Experience in defined benefit obligation	-2 579	-6 235
Experience in assets	-1 429	-5 385
Investment management cost	544	860
OCI (gains)/losses during period in the ships owned company	-5 168	-17 642

Pension liability and pension plan assets:

Reconciliation of the present value of the pension obligation:	2016	2015
Present value of plan assets at beginning of the year	103 777	108 021
Employers' national insurance contributions	-1 149	-958
Current service cost	11 307	12 128
Interest cost on pension liability	2 565	2 461
Actuarial gains and losses	-4 188	-12 940
Benefits paid	-5 116	-5 073
Present value of the pension obligation at December 31st	107 196	103 640

Reconciliation of fair values of pension plan assets:	2016	2015
Present value of plan assets at beginning of the year	91 028	79 232
Expected return on the plan assets	1 965	1 543
Actuarial gains and losses	980	4 702
Employer contributions	8 152	10 624
Administration cost	-	-
Benefits paid	-5 116	-5 073
Fair values of pension plan assets at December 31st	97 010	91 028

Net pension liability	-10 049	-12 611
Unrecognized estimate variances	-	-
Net pension liability at December 31st	-10 049	-12 611



NOTES TO THE ACCOUNTS (NOK 1 000)
FARSTAD SHIPPING AALESUND AS

	2016	2015
Changes in net pension liability during the year:		
Net pension liability at beginning of the year	-12 748	-28 789
Net pension cost for the year	-11 907	-13 046
Contributions	9 301	11 582
OCI gains/(losses) during period	5 168	17 642
Net pension liability at December 31st	-10 186	-12 611
Expected contributions for next year	10 488	13 668

Major categories of plan assets

The pension obligations have been placed in various investments through external assurance companies or pension funds, and where each company or fund responsible for the administration of the invested amount of all corresponding transactions regarding the pension scheme. The allocation per 31.12 was:

	2016	2015
Equities	7 %	9 %
Bonds/securities	44 %	52 %
Money market funds	24 %	25 %
Property/Other	26 %	15 %

Calculations of pension costs and net pension obligations are based on the following assumptions:

	2016	
	Benefit expense	Benefit obligation
Discount rate	2,50 %	2,60 %
Rate of compensation increase	2,50 %	2,50 %
Rate of pension increase	2,25 %	2,25 %
Mortality	K2013 BE	K2013 BE
	2015	
	Benefit expense	Benefit obligation
Discount rate	2,30 %	2,50 %
Rate of compensation increase	2,75 %	2,50 %
Rate of pension increase	2,50 %	2,25 %
Mortality	K2013 BE	K2013 BE

NOTE 6 TAXES

Calculation of deferred tax/deferred tax benefit

	2016	2015
Temporary differences		
Pension	-10 049	-12 611
Net temporary differences	-10 049	-12 611
Tax losses carried forward	-15 539	-13 668
Basis for deferred tax	-25 588	-26 280
Deferred tax	-6 141	-6 570
Deferred tax benefit not shown in the balance sheet	6 141	-
Deferred tax in the balance sheet	-	-6 570
Basis for income tax expense, changes in deferred tax and tax payable		
Result before taxes	692	2 510
Permanent differences	-	-
Basis for the tax expense for the year	692	2 510
Change in temporary differences	-2 562	-16 178
Basis for payable taxes in the income statement	-1 870	-13 668
Change in tax losses carried forward	1 870	13 668
+/- Group contributions received/given	-	-
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense		
Payable tax on this year's result	-	-
Adjustment in respect of priors	-	-
Total payable tax	-	-
Change in deferred tax	-6 570	-1 203
Tax expense	-6 570	-1 203
Payable taxes in the balance sheet		
Payable tax in the tax charge	-	-
Tax effect of group contribution	-	-
Payable tax in the balance sheet	-	-

The Company has not recognised a deferred tax asset in the financial statement, due to uncertainty related to future taxable income.



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD SHIPPING AALESUND AS

NOTE 7 EQUITY

Equity changes for the year	Share capital	Other equity	Total
Equity 01.01.	100	8 056	8 156
Profit for the year	-	-5 878	-5 878
Equity 31.12.	100	2 178	2 278

NOTE 8 BALANCE WITH GROUP COMPANIES, ETC.

	2016	2015
Current liabilities		
Farstad Shipping ASA	5 665	4 846
Farstad Offshore AS	621	2 589
Farstad Construction AS	609	274
Farstad Marine AS	59	-
Farstad Supply AS	3 811	14 630
Farstad Shipping Pte Ltd.	68	-
Total	10 833	22 339
Short-term receivables		
Farstad Shipping ASA	4 141	1 350
Farstad Supply AS	-	-
Farstad Construction AS	-	-
Farstad Offshore AS	-	-
Farstad Shipping Pte Ltd	-	-
Farstad Shipping (Indian Pacific) Pty. Ltd.	-	127
Total	4 141	1 477

NOTE 9 OTHER CURRENT LIABILITIES

	2016	2015
Public duties payable and vacation pay	34 904	35 839
Other current liabilities	11 168	22 339
Total current liabilities	46 072	58 177

NOTE 10 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of TNOK 100 consists of 1 000 shares with nominal value of NOK 100 each. All shares are owned by Farstad Shipping ASA, Ålesund.

The parent company Farstad Shipping ASA has its registered offices in Skansekaia 4A, 6002 Ålesund, where the consolidated accounts including this company can be obtained.

NOTE 11 CASH AND CASH EQUIVALENTS

Restricted funds amounting NOK 11.0 mill. (tax deductions)

NOTE 12 EVENTS AFTER YEAR END

Closing of the restructuring

On 08 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shiplease AS (a subsidiary of Ocean Yield ASA), have entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

Farstad Restructuring consist of the following elements:

- Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt")

Farstad Shipping group's senior lenders, bondholders and F-Shiplease AS have completed a capital increase for conversion of debt as follows:

- Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752,000,000 new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.
- The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equaling the net present value of such future interest payments), and the NOK 271 million claim is converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD SHIPPING AALESUND AS

- c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, is converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.
- d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 181, million claim against Farstad Shipping ASA (equaling the sum of the NOK 70,000,000 "amortisation" element and the net present value of the "interest" element being NOK 91). The NOK 70 million "amortisation" element of the claim is converted into 56,000,000 new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim is converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- (ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue")

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million share in issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was only subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity Issue was NOK 0.35 per share.

- (iii) The existing financing agreements of Farstad Shipping ASA is amended (the "Farstad Amended Financing Terms")

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) is amended and harmonised, including by adding the following features:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) is reduced to 10% of the original profile from 01 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;
- b) A cash sweep mechanism will be introduced;
- c) In addition to certain financial covenants, restrictions will be introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;
- d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);
- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secure debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities is reclassified as non-current liabilities. Total NOK 8,174 million is reclassified from current to Non-current liabilities after the Farstad Shipping ASA Restructuring.

Farstad Shipping ASA's share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 Farstad Shipping ASA's share capital is reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million is allocated to retained earnings.

Part of the debt conversions to equity in Farstad Shipping ASA, a nominal value of total NOK 2 417 million were converted to equity at the conversion price of NOK 1.25 per share. The fair value of the debt conversions to equity is measured to only NOK 0.35 per shares. Therefore, NOK 0.05 per share is recognised as share capital, NOK 0.30 per share is recognised as additional paid-in capital and NOK 0.90 per share is recognised over the income statement and ends up in retained earnings. This gives the total amount of NOK 97 million in share capital, NOK 580 million in paid in capital and total amount of NOK 1 740 in income statement in Q1 2017.

For the rest of the debt conversions to equity, a nominal value of total NOK 362 million, the conversion price per share is NOK 0.35. NOK 0.05 per share is recognised as share capital and NOK 0.30 per share is recognised as additional paid-in capital, total amount of NOK 52 million in share capital and NOK 310 million in paid in capital in Q1 2017.

For the F-Shiplease lease agreements, a part of the lease payments will be deferred from Q1 2017 and until Q4 2021. Commencing in Q1 2022, the lease payments will revert to the original levels and in addition, all deferred payments will become repayable in linear instalments of 20% per year, with a bullet repayment of deferred payments in Q4 2023. The maturity dates of the leases remain unchanged, being March and June 2025, and a new cash sweep mechanism is introduced in the leases. All the changes to the leases agreements results in a reclassification of the leases from financial lease to operational lease. Non-current assets is derecognised with NOK 1,095 million, current liabilities is derecognised with NOK 48,9 million and non-current liabilities are derecognised with NOK 1,015 million. Even after the amendments of the lease agreements, the agreements are considered as onerous contracts, with an expected negative net present value of NOK 84 million for both lease agreements, recognised in the income statement in 1Q 2017.

All equity issues was completed 23 March.



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD SHIPPING AALESUND AS

The Farstad Shipping ASA's pro-forma statement of financial position as of 31 December 2016 adjusted for the effects of the Farstad Restructuring is as per below:

(In NOK million)	As of 31 December 2016	Effect of restructuring	Adjusted for restructuring effects
Assets			
Non-Current Assets	11 808,40	-665,1	11 143,30
Current Assets	1 358,80	585	1 943,80
Assets classified as held for sale	370,5		370,5
Total Assets	13 537,70	-80,1	13 457,60
Equity and Liabilities			
Share capital	39	204,2	243,2
Additional paid-in capital	198,4	1 412,40	1 610,80
Retained earnings	749,2	1 497,90	2 247,10
Equity	986,6	3 114,40	4 101,00
Non-current liabilities	1 695,70	6 401,60	8 097,30
Current liabilities	10 855,40	-9 596,10	1 259,30
Total Equity and Liabilities	13 537,70	-80,1	13 457,60

Business Combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad Family Companies") and Tyrholm & Farstad AS, have agreed to work for a combination of Solstad Offshore ASA ("Solstad Offshore"), Farstad Shipping ASA and Deep Sea Supply Plc ("Deep Sea Supply") following completion of the Farstad Restructuring, creating a world class OSV company (the "Combination").

The combination is proposed to be structured as follows:

- (i) Deep Sea Supply and Farstad Shipping will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad Shipping's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

- (ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.
- (iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.
- (iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.
- (v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March. However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.

The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad Shipping Aalesund AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad Shipping Aalesund AS, which comprise the balance sheet as at 31 December 2016, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally



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accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Alesund, 15 May 2017
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

Independent auditor's report - Farstad Shipping Aalesund AS

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