

Annual report 2015

Annual accounts

- Income statement - USD**
- Balance sheet - USD**
- Cash flow statement - USD**
- Notes**

Auditors' report

Report from the Board of Directors 2015

Nature and location of business

Oceanic Champion AS is a shipowning company in the Norfield group which is a ship-owner and operator in the offshore seismic segment.

The company was incorporated in February 2013 and acquired the vessel "Oceanic Champion" in April in connection with a refinancing of the Norfield group. The "Oceanic Champion" is employed on a long term bareboat contract with the seismic operator CGG until 06/2020.

To finance the acquisition the company secured a fixed interest USD bond loan in the amount of MUSD 70 repayable over seven years; i.e. before the expiry of the bareboat contract.

The main office is at Austevollshella in Austevoll Municipality. Oceanic Champion AS is owned 100 % by the Norfield group.

Going concern

The accounts have been prepared on the assumption of going-concern pursuant to Section 3-3 of the Accounting Act.

Report on the annual accounts

The annual result for 2015 was MUSD -15.0 against MUSD 4.4 in 2014. The book value of the vessel at 76,5 MUSD is substantiated by the long term bareboat charter in combination with broker estimates. This year's loss is related to a new valuation of the ship completed with impairment of USD 18.9. The result is allocated from retained earnings.

Total assets as of 31.12.2015 were MUSD 86.1 (MUSD 109.3), while total equity was MUSD 34.6 (MUSD 49.6). This gives an equity ratio of 40% (45%).

Cash and cash equivalents as of 31.12.2015 were MUSD 6.3 (MUSD 4.8), whereof MUSD 6.2 is in "escrow account as collateral for the bond loan.

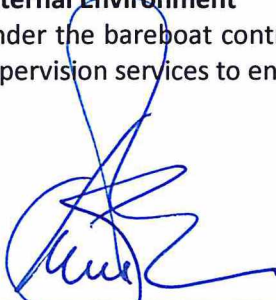
The company is taxed under the Norwegian tonnage tax system.

Working environment, personnel and equal opportunities

The company had no personnel directly employed either ashore or onboard during 2015. The board consists of three men.

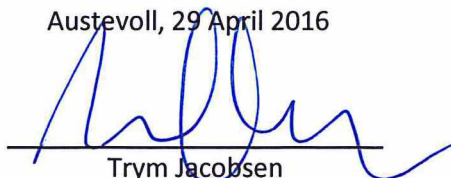
External Environment

Under the bareboat contract CGG has full responsibility for the operation of the vessel. The company hires supervision services to ensure that the CGG operation is performed in compliance with the contract.



Stein Pettersen
Chairman

31 December 2015
Austevoll, 29 April 2016



Trym Jacobsen
Boardmember



Tor Østervold
Boardmember/CEO

Oceanic Champion AS

Income statement - USD

	Note	2015	2014
Revenue			
Bareboat income		<u>14 039 805</u>	<u>14 039 805</u>
Operating expenses			
Depreciation of tangible fixed assets	3	5 536 780	4 387 884
Write-down on tangible and intangible fixed assets	3	18 900 000	0
Other operating expenses	2	<u>101 703</u>	<u>110 619</u>
Total operating expenses		<u>24 538 483</u>	<u>4 498 503</u>
Operating result		<u>-10 498 678</u>	<u>9 541 302</u>
Financial income and expenses			
Interest income from group companies		11 540	11 898
Financial income		19 376	30 820
Other financial expenses		<u>4 577 119</u>	<u>5 192 621</u>
Net financial items		<u>-4 546 203</u>	<u>-5 149 903</u>
Ordinary result before tax		<u>-15 044 881</u>	<u>4 391 399</u>
Tax on ordinary result	8	<u>1 492</u>	<u>3 581</u>
Net profit or loss for the year		<u>-15 046 373</u>	<u>4 387 818</u>
Allocated as follows			
Transferred to other equity	9	<u>-15 046 373</u>	<u>4 387 818</u>

Oceanic Champion AS

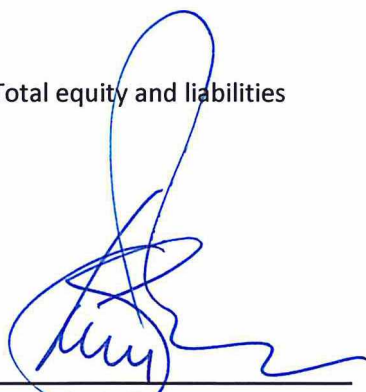
Balance sheet - USD pr. 31. Desember USD

	Note	2015	2014
Fixed assets			
<i>Tangible assets</i>			
Vessel	3, 5	<u>76 484 423</u>	<u>100 921 203</u>
Total tangible assets		<u>76 484 423</u>	<u>100 921 203</u>
<i>Financial assets</i>			
Other financial assets	5	<u>1 383 826</u>	<u>1 706 278</u>
Total financial assets		<u>1 383 826</u>	<u>1 706 278</u>
Total fixed assets		<u>77 868 249</u>	<u>102 627 481</u>
Current assets			
<i>Receivables</i>			
Trade receivables		1 192 422	1 192 422
Other receivables	7	<u>716 903</u>	<u>682 128</u>
Total accounts receivable		<u>1 909 325</u>	<u>1 874 550</u>
Cash and cash equivalents	4, 5	<u>6 273 294</u>	<u>4 817 102</u>
Total current assets		<u>8 182 619</u>	<u>6 691 652</u>
Total assets		<u>86 050 868</u>	<u>109 319 133</u>

Oceanic Champion AS

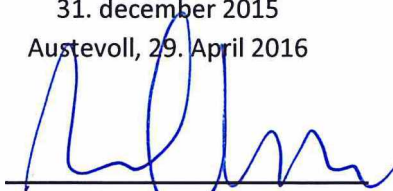
Balance sheet - USD pr. 31. Desember USD

	Note	2015	2014
Equity			
<i>Paid-in capital</i>			
Share capital	9, 10	<u>42 905 259</u>	<u>42 905 259</u>
Total paid-in capital		<u>42 905 259</u>	<u>42 905 259</u>
<i>Retained earnings</i>			
Other equity	9	<u>-8 352 291</u>	<u>6 694 082</u>
Total retained earnings		<u>-8 352 291</u>	<u>6 694 082</u>
Total equity		<u>34 552 968</u>	<u>49 599 341</u>
Liabilities			
<i>Long-term liabilities</i>			
Bond loan	5	<u>50 000 000</u>	<u>58 000 000</u>
Total long term liabilities		<u>50 000 000</u>	<u>58 000 000</u>
<i>Current liabilities</i>			
Trade creditors		7 406	3 802
Tax payable	8	1 605	1 768
Other short-term liabilities	7	<u>1 488 889</u>	<u>1 714 222</u>
Total current liabilities		<u>1 497 900</u>	<u>1 719 792</u>
Total liabilities		<u>51 497 900</u>	<u>59 719 792</u>
Total equity and liabilities		<u>86 050 868</u>	<u>109 319 133</u>



Stein Pettersen
Chairman

31. december 2015
Austevoll, 29. April 2016



Trym Jacobsen
Boardmember



Tor Østervold
Boardmember

Oceanic Champion AS

Cash flow statement - USD

	Note	2015	2014
Cash flow from operating activities			
Profit/(loss) before taxes		-15 044 881	4 391 399
Taxes paid		-1 657	-1 813
Depreciation		5 536 780	4 387 884
Impairment of fixed assets		18 900 000	0
Changes in trade receivables and trade payables		3 604	-613 031
Changes in other current balance sheet items		62 345	-581 075
Net cash flow from operating activities		<u>9 456 191</u>	<u>7 583 364</u>
Cash flow from financing activities			
Repayment of long term loans		<u>-8 000 000</u>	<u>-8 000 000</u>
Net cash flow from financing activities		<u>-8 000 000</u>	<u>-8 000 000</u>
Net change in cash and cash equivalents		1 456 191	-416 636
Cash at 01.01		<u>4 817 103</u>	<u>5 233 739</u>
Cash at 31.12		<u>6 273 294</u>	<u>4 817 103</u>

Oceanic Champion AS

Notes to the accounts for 2015

Note - 1 Accounting Principles

Oceanic Champion AS was incorporated 26 February 2013 and acquired the vessel Oceanic Champion from its sister company, Norfield Shipping AS in April 2013. Oceanic Champion AS is domiciled in Austevoll, Norway.

The financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles. The financial statement have functional and presentation currency in USD.

Bareboat income

Operation income from the chartering of vessels is recognized at the time of delivery. Earnings recognized in line with accrued revenues. The percentage of freight revenue relating to future charter is recorded as accrued income and recognized thereafter as the charter is delivered.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Long-term loans are recognized at nominal value at the time of delivery.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is made on expected loss.

Foreign currency translation

Foreign currency transactions are translated using the year end exchange rates.

Vessel and equipment

Tangible assets are capitalized and depreciated over the estimated useful life. Direct maintenance costs are expensed as incurred, while improvements are capitalized and depreciated along with the asset. If the recoverable amount of the asset is less than its carrying value it is written down to its recoverable amount. The recoverable amount is the higher of net selling price and value in use.

Depreciation of the fleet is calculated using the straight-line method over a useful life of 20-25 years. The amortization period and method are reviewed annually.

Docking / classification cost of vessels are capitalized and recognized as depreciation until the next docking / classification . Other maintenance are charged to operations immediately . In cases where the completed works include additions or improvements that represent quality of a significant duration , the costs associated with this will be capitalized on the ship and depreciated over the remaining useful life.

Damage repairs, less deductible, are capitalized and classified as current assets pending reimbursement from insurance underwriters.

Income tax

The company was incorporated in 2013 and entered into the tonnage tax system from inauguration.

Companies taxed under this regime is not taxed for the shipping operation profit. A positive net financial

Oceanic Champion AS

Notes to the accounts for 2015

result will however be taxable. To qualify for the tonnage tax system certain criteria has to be met and violations from such compliance can lead to exclusion therefrom.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placements with maturity of three months or less.

Note 2 - Wage costs, number of employees, remuneration and auditor's fee

The company has no employees and has not paid directors' remuneration for 2015. The vessel is chartered on a bareboat charter contract.

Auditor fee has been divided as follows

	2015	2014
Audit fee	8 836	5 960
Other services	0	11 060
Total	<u>8 836</u>	<u>17 020</u>

VAT is not included in above figures.

Note 3 - Tangible assets

	Oceanic Champion
Acquisition cost 01.01.	108 600 000
Acquisition cost 31.12.	108 600 000
Acc.depreciation 31.12.	-13 215 577
Acc.write-downs 31.12.	-18 900 000
Net carrying amount at 31.12.	76 484 423
Depreciation for the year	5 536 780
Write-downs for the year	18 900 000
Useful economic life	25
Amortization plan	Linear

The book value of the vessel at 76,5 MUSD is substantiated by the long term bareboat charter in combination with broker estimates.

Depreciation is changed due to a valuation of the company's ships. Depreciation is based on contract value and it is amortized over the remaining contract period and the ship has an estimated remaining useful life of 18 years at year end.

Note 4 - Bank deposit

Oceanic Champion AS

Notes to the accounts for 2015

Escrow accounts		6 231 021
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Note 5 - Long-term and secured debt

	2015	2014
<i>Financial transactions costs</i>		
Other financial transaction costs	1 383 826	1 706 278
<i>Long term secured debt</i>		
Bonds	50 000 000	58 000 000
<i>Pledged assets</i>		
Ship	76 484 423	100 921 203
Escrow accounts	6 231 021	4 791 265
Total	<u>82 715 444</u>	<u>105 712 468</u>

Capitalized financing costs amortized in line with the repayment of bonds.

The bond has agreed fixed interest rate of 8% per year. The loan is repayable as follows:
2016 MUSD 9 - 2017 MUSD 10 - 2018 MUSD 10 - 2019 MUSD 14 - 2020 MUSD 7

Note 6 - Financial expenses

	2015	2014
Interest cost bond loan	4 254 667	4 868 889
Financial cost related to bond loan	322 452	322 452
Other interest cost	0	1 280
Total	<u>4 577 119</u>	<u>5 192 621</u>

Note 7 - Intercompany balance group company

	2015	2014
<i>Receivables</i>		
Norfield Shipping AS	600 057	588 518
Norfield AS	112 188	91 111
Total	<u>712 245</u>	<u>679 629</u>

Intercompany loans has been calculated with interests throughout the year based on market rates for Nibor and Libor loans.

Note 8 - Tax

The Company is subject to tonnage tax rules and the basis for tax calculation is in Norwegian kroner. The balance is converted to USD at the closing rate.

	2015	2014
<i>Income tax expenses</i>		
Tonnage tax	1 492	3 581
Total income tax expense	<u>1 492</u>	<u>3 581</u>

Oceanic Champion AS

Notes to the accounts for 2015

<i>Tax base estimation</i>	2015	2014
Net financial income /expenses	<u>-777 650</u>	<u>-538 325</u>
Tax base	<u>-777 650</u>	<u>-538 325</u>
<i>Temporary differences outlined</i>	2015	2014
Loss carryforwards	<u>-1 573 344</u>	<u>-943 165</u>
Total temporary differences	<u>-1 573 344</u>	<u>-943 165</u>
Deferred income tax liability 25 % (27% in 2014)	-393 336	-254 655

Total loss carryforwards is NOK 13.859.589 converted to USD 1.573.344. Deferred tax assets are not listed due to the uncertainties with regard to utilization.

Note 9 - Owners equity

	Share capital	Other equity	Total
Owners equity 01.01.	42 905 259	6 694 082	49 599 341
Profit for the year	0	-15 046 373	-15 046 373
Owners equity 31.12.	42 905 259	-8 352 291	34 552 968

Note 10 - Share capital and shareholder information

Share capital:

	Number of shares	Face value	Total NOK
Ordinary shares	245 816 970	1 NOK	245 816 970

Shareholders per 31.12:

	Ordinary shares	Ownership share	Voting rights
Norfield AS	238 442 460	97 %	97 %
Norfield Shipping AS	7 374 510	3 %	3 %
Total	245 816 970	100 %	100 %

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Oceanic Champion AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Oceanic Champion AS, which comprise the balance sheet as at 31 December 2015, and the income statement, showing a loss of USD 15.046.373 and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Oceanic Champion AS as at 31 December 2015, and of 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.

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 proposal for the coverage of the loss 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.

Bergen, 9 May 2016
Deloitte AS

Bjarne Ryland (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]