

# **NORDIC OMEGA PLC**

(an investment company with variable capital incorporated with limited liability in Ireland with registered number 408248).

## **Annual Report and Termination Audited Financial Statements**

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

# **NORDIC OMEGA PLC**

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# **NORDIC OMEGA PLC**

## **Directors of the Company**

Mr. Jim Cleary \*  
Mr. Mike Kirby \*\*  
Ms. Anna Måbäck \*\* (Appointed 15<sup>th</sup> February 2017)  
Mr. Yngve Torvanger Jordal \*\* (Resigned 15<sup>th</sup> February 2017)

\*(independent non-executive Director)

\*\* (non-executive Director)

## **REGISTERED OFFICE**

25/28 North Wall Quay  
Dublin 1  
Ireland

## **SECRETARY**

**Goodbody Secretarial Limited**  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

## **Management and Administration**

### **ALTERNATIVE INVESTMENT FUND MANAGER**

**Pareto Asset Management AS**  
Dronning Mauds gate 3  
P.O. Box 1810 Vika  
0123 Oslo  
Norway

## **DEPOSITARY**

**SMT Trustees (Ireland) Limited**  
Block 5  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

## **ADMINISTRATOR**

**SMT Fund Services (Ireland) Limited**  
Block 5  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

# **NORDIC OMEGA PLC**

## **Management and Administration**

*(Continued)*

### **PRIME BROKER AND SUB-CUSTODIAN**

#### **Morgan Stanley and Co International plc**

Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **AUDITORS**

#### **Grant Thornton**

24-26 City Quay  
Dublin 2  
Ireland

### **LEGAL ADVISORS TO THE COMPANY**

#### **A & L Goodbody**

International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

### **SPONSORING BROKER**

#### **A & L Listing Limited**

International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

# **NORDIC OMEGA PLC**

## **Report of the Directors**

**For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)**

The Directors present their annual report and financial statements for the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018 (date of termination) for Nordic Omega Plc (the “Company”).

### **Audit Committees**

The Directors have decided not to form an Audit Committee, as per section 167 of the Companies Act 2014, as amended by the Companies (Accounting) Act 2017 (the “Act”), as there are currently three non-executive Directors of which one is an independent Director of the Company.

### **Principal Activity**

The Company’s sole objective is the collective investment of its funds in property of any kind with the aim of spreading investment risk and affording its Shareholders the benefit of the results of the management of its funds.

### **Results**

The financial position and results for the financial period are set out on pages 13 and 14.

### **Review of the Development of the Business and Future Developments**

Please see the Alternative Investment Fund Manager’s Report on page 9 for further details on the performance of the Company. General information of the Company is disclosed in Note 1.

### **Dividends and Retention**

No dividends were declared or paid during the financial period (31<sup>st</sup> December 2016: NOKNil).

### **Significant Events during the Financial Period**

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Omega plc (the “Company”) with Pareto Nordic Omega, a sub-fund of Pareto plc, an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No.257 of 2013), as amended, with segregated liability between sub-funds). As a result, the Directors decided to terminate the Company with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) of the Company being transferred into Pareto Nordic Omega.

Ms. Anna Måbäck replaced Mr. Yngve Torvanger Jordal as a Director of the Company on 15<sup>th</sup> February 2017.

### **Events since the Statement of Financial Position Date**

There were no events subsequent to the financial period end, which require disclosures in the financial statements.

### **Directors**

The Directors of the Company who served during the financial period ended 31<sup>st</sup> May 2018 are listed on page 3.

### **Directors’ and Secretary’s Interests**

None of the Directors or the Secretary (including family interests) had any interest in the Redeemable Participating Shares of the Company, as defined by the Act at the beginning, during or end of the financial period.

# **NORDIC OMEGA PLC**

## **Report of the Directors**

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

*(Continued)*

### **Transactions Involving Directors**

Directors' interests in transactions with the Company during the financial period ended 31<sup>st</sup> May 2018 are disclosed in Note 14.

### **Risk Management Objectives and Policies**

The Company seeks to provide investors with capital appreciation by investing in equities, collective investment schemes, debt securities and derivatives, primarily in the Nordic countries. Investment in the Company carries with it a degree of risk including but not limited to the risks referred to in Note 6 of these financial statements. Information about the financial risk management objectives and policies of the Company are also disclosed in Note 6.

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with company law and regulations. Company law requires the Directors to prepare financial statements giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on a termination basis.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable to ensure that the financial statements and Report of the Directors comply with the Act and with the AIF Rulebook and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors have appointed the Depositary to hold the assets in safekeeping for the Shareholders. The Directors have appointed the Administrator in order to ensure that those requirements are complied with. The books and accounting records are maintained at the address of the Administrator at Block 5, Harcourt Centre, Harcourt Road, Dublin 2.

# NORDIC OMEGA PLC

## Report of the Directors

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

*(Continued)*

### Connected Parties

The Board of Directors is satisfied that all transactions with connected parties have been carried out at an arm's length basis and in the best interest of Shareholders during the financial year as required by Chapter 2, Part 1, Section viii of the AIF Rulebook as issued by the Central Bank of Ireland. The Board of Directors is satisfied that there are arrangements in place, to ensure that the obligations as noted above are applied to all transactions with connected parties.

### Corporate Governance Code

The Board of Directors voluntarily complies with the Corporate Governance Code (the "Code") for Irish Domiciled Collective Investment Schemes as published by Irish Funds ("IF").

In respect of the composition of the Board of Directors, this states the following:

It is important that there is a good balance of skills and expertise on the Board, and it is strongly recommended that at least one Director be an employee, partner or director of the promoter or Investment Manager.

Ms. Anna Måbäck is not an employee, partner or director of the promoter or Investment Manager. However, the Board believe that Ms. Måbäck possesses all the necessary skills and experience to make an effective Director in respect of the Company. In addition, the Board note that appointing someone who is not an employee, partner or director of the Investment Manager provides a level of independence that would not be present if an employee, partner or director of the Investment Manager was to assume the role.

Otherwise, the Board of Directors has assessed the measures included in the IF Code as being consistent with its corporate governance practices and procedures for the financial period.

### Statement on Relevant Audit Information

- so far as the Directors are aware, there is no relevant audit information of which the statutory auditors are unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information.

### Auditors

The auditors Grant Thornton will continue in office in accordance with Section 383 (2) of the Act.

On behalf of the Board of Directors



Date: 27/8/18



# NORDIC OMEGA PLC

## Statement of Depositary's Responsibilities

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

Sections 1385 to 1415 of the Companies Act 2014, as amended Companies (Accounting) Act 2017 (the "Act"), requires the Depositary to take reasonable care so as to ensure that Nordic Omega plc (the "Company") is managed in accordance with the Act and the Memorandum and Articles of Association. In particular, the Depositary must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Company has been managed in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and the Act;
- take into its custody or under its control, all the assets of the Company and hold them in safekeeping for the Shareholders in accordance with the Act and the Memorandum and Articles of Association;
- satisfy itself that the valuation of the shares of the Company and that the sale, issue, repurchase, redemption and cancellation of shares of the Company are being carried out in accordance with the Act and the Memorandum and Articles of Association.

To enable the Depositary to fulfill its responsibilities under the Act and the Memorandum and Articles of Association, the Depositary is required to keep proper records.

## Depositary's Report

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

SMT Trustees (Ireland) Limited, as Depositary for Nordic Omega plc (the "Company"), has enquired into the conduct of the Company during the financial period. In our opinion the Company has been managed in all material respects:

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Company's Memorandum and Articles of Association and the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by Sections 1385 to 1415 of the Companies Act 2014, as amended Companies (Accounting) Act 2017 ("the Act"); and
- otherwise in accordance with the provisions of the Memorandum and Articles of Association and Sections 1385 to 1415 of the Act.

  
SMT Trustees (Ireland) Limited



Date: 27/08/18



# NORDIC OMEGA PLC

## Alternative Investment Fund Manager's Report

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

Nordic Omega plc (the "Company") gained 7.1 per cent (share class B NOK) during the period from 1<sup>st</sup> January 2017 until closure on the 20<sup>th</sup> April 2018. The Nordic equity markets developed mostly favourably, driven by increases in both earnings and multiples.

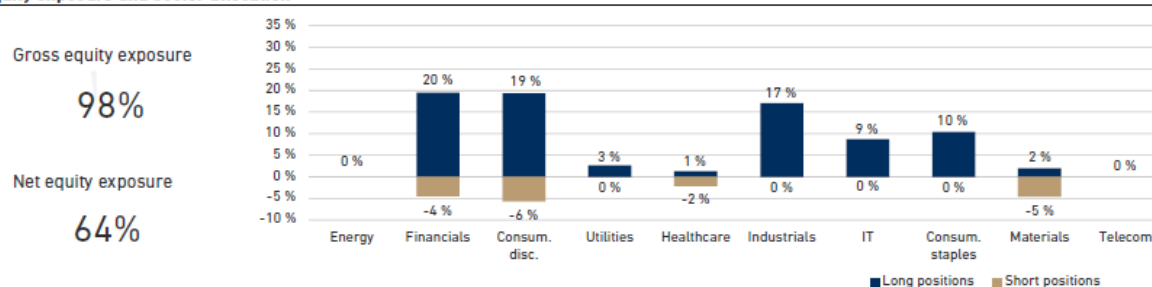
The Norwegian krone traded with high volatility against the euro and the Swedish krona, and appreciated strongly in 2018 until closure, creating major headwind for the Company's value since non-Norwegian positions are not hedged.

We started to reduce the net exposure to equities in the spring of 2016. We were primarily anxious about the upcoming tightening of the extremely accommodating monetary policy, which has benefitted equities along many different paths. The net exposure at the end of the period was close to 60 per cent. In spite of the limited net exposure, the Company's return was almost in line with that of the Nordic index in Norwegian kroner (MSCI Nordic Total Return), thanks to good performance of some of our core long positions.

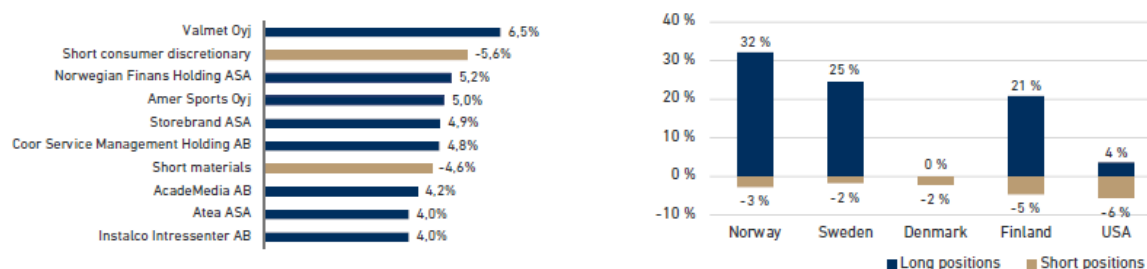
Since inception in November 2005 until the merger with Pareto Nordic Omega in April 2018, Nordic Omega plc class B NOK increased 183.2 per cent in value, an annualised return of 8.77 per cent.

Key portfolio data as at 31<sup>st</sup> March 2018:

### Equity exposure and sector allocation



### Top ten holdings and geographical distribution



Oslo, July 30 2018  
Christian Nygaard

# Independent auditor's report to the members of Nordic Omega Plc

## Opinion

We have audited the financial statements of Nordic Omega Plc, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares and Statement of Cash Flows for the financial period ended 31 May 2018, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including International Financial Reporting Standards (IFRSs) as adopted by the European Union (Generally Accepted Accounting Practice in Ireland).

In our opinion, Nordic Omega Plc's financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the assets, liabilities and financial position of the company as at 31 May 2018 and of financial performance and cash flows for the financial period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act, 2014 and the Companies (Accounting) Act 2017

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor 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 Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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.

## Conclusions relating to departure from going concern basis of accounting

In forming our opinion on the financial statements, which is not modified, we have considered the presentation of the financial statements on the non-going concern, or break-up, basis, the adjustments arising from this presentation, and the adequacy of the disclosures made in notes 1 and 2 to the financial statements. The non-going concern basis has been adopted as a result of the amalgamation of Nordic Omega plc (the "Company") with Pareto Nordic Omega, a sub-fund of Pareto plc, an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No.257 of 2013), as amended, with segregated liability between sub-funds). As a result, the Directors decided to terminate the Company with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) of the Company being transferred into Pareto Nordic Omega.

## Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## Independent auditor's report to the members of Nordic Omega Plc

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 we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Matters on which we are required to report by the Companies Act 2014 & the Companies (Accounting) Act 2017**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements. Based solely on the work undertaken in the course of our audit, in our opinion, the directors' report has been prepared in accordance with the requirements of the Companies Act 2014 and the Companies (Accounting) Act 2017.\*

### **Matters on which we are required to report by exception**

Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Under the Companies Act 2014 and Companies (Accounting) Act 2017 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of those Acts have not been made. We have no exceptions to report arising from this responsibility.

### **Responsibilities of management and those charged with governance for the financial statements**

As explained more fully in the directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including IFRS as adopted by the European Union, and for such internal control as they determine 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **Responsibilities of the auditor for the audit of the financial statements**

The auditor's 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 their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

## Independent auditor's report to the members of Nordic Omega Plc

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. The auditor will 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 their 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 [group and] 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 [group and] company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the [group or] 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 matter that achieves a true and fair view.

The auditor communicates 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 may be identified during the audit.

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Niamh Meenan

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Audit Firm

Date: 27 August 2018

# NORDIC OMEGA PLC

## Statement of Financial Position

As at 31<sup>st</sup> May 2018

(date of termination)

|  | Notes | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|--|-------|-------------------------------------|--|
| <b>Assets</b>  |       |                                     |  |
| Cash and cash equivalents  | 7     | 830,552                             | 71,972,960                               |
| Financial assets at fair value through profit or loss  | 3     | -                                   | 280,300,294                              |
| Receivables  | 8     | -                                   | 15,826                                   |
| <b>Total Assets</b>  |       | <b>830,552</b>                      | <b>352,289,080</b>                       |
| <b>Liabilities</b>   |       |                                     |  |
| Due to broker  | 7     | -                                   | 1,339,237                                |
| Financial liabilities at fair value through profit or loss   | 3     | -                                   | 41,818,292                               |
| Payables   | 9     | 830,552                             | 3,094,965                                |
| <b>Total Liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b> |       | <b>830,552</b>                      | <b>46,252,494</b>                        |
| <b>Net Assets attributable to Holders of Redeemable Participating Shares</b>                               |       | <b>-</b>                            | <b>306,036,586</b>                       |

The accompanying notes and schedules form an integral part of these financial statements.

Signed on behalf of the Board of Directors



Date: 27/8/18



# NORDIC OMEGA PLC

## Statement of Comprehensive Income

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

|  | Notes | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016*<br>NOK |
|--|-------|-------------------------------------|---|
| <b>Income</b>  |       |                                     |   |
| Interest on cash and cash equivalents  | 2     | 334,730                             | 187,417                                   |
| Dividends on investments   | 2     | 11,694,793                          | 7,760,740                                 |
| Withholding taxes on dividends   | 2     | (2,857,614)                         | (661,172)                                 |
| Other income   | 2     | 225,144                             | 43,601                                    |
| Net gain on financial assets and liabilities at fair value through profit or loss                        | 12    | <u>36,117,985</u>                   | <u>15,094,456</u>                         |
| Total income   |       | <u>45,515,038</u>                   | <u>22,425,042</u>                         |
| <b>Expenses</b>  |       |                                     |   |
| Interest on cash and cash equivalents  | 2     | (910,142)                           | (639,902)                                 |
| Dividends paid on securities sold short  | 2     | (2,801,319)                         | (1,343,748)                               |
| Alternative Investment Fund Manager fees   | 11    | (9,012,285)                         | (5,903,662)                               |
| Depository fees  | 11    | (203,931)                           | (191,019)                                 |
| Administration fees  | 11    | (492,832)                           | (370,391)                                 |
| Directors' fees  | 11    | (538,056)                           | (226,983)                                 |
| Performance fees   | 13    | (6,572,569)                         | (1,511,529)                               |
| Audit fees   |       | (179,427)                           | (126,752)                                 |
| Legal fees   |       | (1,117,718)                         | (157,761)                                 |
| Other fees and expenses  |       | <u>(804,035)</u>                    | <u>(1,104,821)</u>                        |
| Total expenses   |       | <u>(22,632,314)</u>                 | <u>(11,576,568)</u>                       |
| <b>Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations</b> |       | <u><b>22,882,724</b></u>            | <u><b>10,848,474</b></u>                  |

The accompanying notes and schedules form an integral part of these financial statements.

\* For the financial year ended 31<sup>st</sup> December 2016.



# NORDIC OMEGA PLC

## Statement of Changes in Net Assets attributable to Holders of Redeemable Participating Shares

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

|  | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016*<br>NOK |
|--|-------------------------------------|---|
| <b>Net Assets attributable to Holders of Redeemable Participating Shares at beginning of financial period/year</b> | <b><u>306,036,586</u></b>           | <b><u>274,787,689</u></b>                 |
| Redeemable Participating Shares issued   | 92,574,277                          | 61,752,454                                |
| Redeemable Participating Shares redeemed   | (420,986,675)                       | (41,197,921)                              |
| Equalisation credit  | <u>(506,912)</u>                    | <u>(154,110)</u>                          |
| (Decrease)/increase in Net Assets from Shareholder transactions  | <u>(328,919,310)</u>                | <u>20,400,423</u>                         |
| Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations                  | <u>22,882,724</u>                   | <u>10,848,474</u>                         |
| <b>Net Assets attributable to Holders of Redeemable Participating Shares at end of financial period/year</b>       | <b><u><u>-</u></u></b>              | <b><u><u>306,036,586</u></u></b>          |

The accompanying notes and schedules form an integral part of these financial statements.

\* For the financial year ended 31<sup>st</sup> December 2016.

# NORDIC OMEGA PLC

## Statement of Cash Flows

For the financial period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> May 2018  
(date of termination)

|   | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016*<br>NOK |
|---|-------------------------------------|---|
| <b>Cash flows from operating activities</b>   |                                     |   |
| Increase in Net Assets attributable to Holders of Redeemable Participating Shares from operations | 22,882,724                          | 10,848,474                                |
| Changes in operating assets and liabilities:  |                                     |   |
| Decrease in financial assets at fair value through profit or loss                                 | 280,300,294                         | 27,450,853                                |
| Decrease/(increase) in receivables  | 15,826                              | (11,484)                                  |
| Decrease in due to broker   | (1,339,237)                         | (10,918,611)                              |
| Decrease in financial liabilities at fair value through profit or loss                            | (41,818,292)                        | (8,887,262)                               |
| Decrease in payables  | (2,264,413)                         | (13,191,249)                              |
| Net cash provided by operating activities   | 257,776,902                         | 5,290,721                                 |
| <b>Cash flows from financing activities</b>   |                                     |   |
| Proceeds from Redeemable Participating Shares issued  | 92,574,277                          | 61,752,454                                |
| Payments for Redeemable Participating Shares redeemed   | (420,986,675)                       | (41,197,921)                              |
| Equalisation credit   | (506,912)                           | (154,110)                                 |
| Net cash (used in)/provided by financing activities   | (328,919,310)                       | 20,400,423                                |
| Net (decrease)/increase in cash and cash equivalents  | (71,142,408)                        | 25,691,144                                |
| Cash and cash equivalents at beginning of financial period/year                                   | 71,972,960                          | 46,281,816                                |
| <b>Cash and cash equivalents at end of financial period/year</b>                                  | <b>830,552</b>                      | <b>71,972,960</b>                         |
| <b>Supplementary information:</b>   |                                     |   |
| Interest received   | 334,730                             | 175,932                                   |
| Interest paid   | (910,142)                           | (590,833)                                 |
| Dividends received (net of withholding tax)   | 8,837,179                           | 7,099,568                                 |
| Dividends paid  | (2,801,319)                         | (1,326,687)                               |

The accompanying notes form an integral part of these financial statements.

\* For the financial year ended 31<sup>st</sup> December 2016.



# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

### 1. GENERAL INFORMATION

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Omega plc (the “Company”) with Pareto Nordic Omega, a sub-fund of Pareto plc, an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No.257 of 2013), as amended, with segregated liability between sub-funds). As a result, the Directors decided to terminate the Company with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) of the Company being transferred into Pareto Nordic Omega.

The Company was incorporated and registered in Ireland under Sections 1385 to 1415 of the Companies Act 2014 (as amended) and the AIF Rulebook regulations with registered number 408248 as an open-ended investment company with variable capital.

The Company was a multi-class investment company with Class A, Class B, Class C and Class M Shares available for issue. Class A and Class C Shares were denominated in Euro and United States Dollar respectively. Classes B and M were denominated in Norwegian Krone (“NOK”). The assets of the Company comprise a single portfolio with base currency in NOK.

On 16<sup>th</sup> December 2014, the Central Bank of Ireland granted approval to Pareto Asset Management AS, as Alternative Investment Fund Manager (the “AIFM”) previously Pareto Nordic Investments AS, to passport AIFM services into Ireland.

The investment objective of the Company was to obtain capital appreciation, regardless of the equity markets’ direction. The AIFM applied a moderate risk profile, although the risk of the Company may periodically have exceeded the overall equity market risk. The AIFM took long and short positions in equities, fixed-income instruments and also invested in derivatives, primarily in the Nordic countries. The Company commenced trading on 2<sup>nd</sup> December 2005.

### 2. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

#### **Basis of preparation**

The financial statements have been presented in compliance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”) as published by the International Accounting Standards Board and provisions of the Companies Act 2014 and are prepared on a non-going concern basis.

These financial statements were presented in NOK which was the Company’s functional currency. They were prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other assets and liabilities were stated at amortised cost or redemption amount (Redeemable Participating Shares).

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Basis of preparation (continued)**

The estimates and associated assumptions were based on historical experience and various other factors that were believed to be reasonable under the circumstances, the results of which formed the basis of making judgements about the carrying values of assets and liabilities that were not readily apparent from other sources. Actual results may have differed from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates were recognised in the financial period in which the estimate was revised, if the revision affected only that financial period or in the financial period of the revision and future financial periods, if the revision affected both current and future financial periods. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that had the most significant effect on the amounts recognised in the financial statements are described in Note 4.

#### **Financial Assets and Liabilities at fair value through profit or loss**

##### *(i) Classification*

This category has two sub-categories: financial assets and liabilities held for trading and those designated by management as at fair value through profit or loss upon initial recognition.

##### *Financial instruments held for trading*

These included equities, collective investment schemes and contracts for difference. These securities were acquired for generating a profit from short-term fluctuations in price or dealer's margin or were included in a portfolio in which a pattern of short-term profit taking existed.

Derivatives, comprising contracts for difference, were categorised as held for trading as the Company did not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39. All derivatives were carried in assets when amounts were receivable by the Company and in liabilities when amounts were payable by the Company. Realised and unrealised gains and losses are included in the Statement of Comprehensive Income. There were no contracts for difference held at 31<sup>st</sup> May 2018.

##### *Financial instruments designated as at fair value through profit or loss upon initial recognition*

These included financial assets that are not held for trading, such as certain equity instruments. These financial instruments were designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis.

##### *(ii) Recognition*

The Company's trading securities were accounted for on the trade date and were acquired at fair value at the time of acquisition and transaction costs were expensed as incurred and included in the Statement of Comprehensive Income. Realised and unrealised gains and losses on trading securities were calculated on a "first in first out" basis and are included in the Statement of Comprehensive Income.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Financial Assets and Liabilities at fair value through profit or loss (continued)**

##### *(iii) Subsequent measurement*

After initial measurement, the Company measured financial instruments, which were classified as at fair value through profit or loss, at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments was based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non-exchange traded instruments, at the Statement of Financial Position date, without any deduction for estimated future selling costs. Where investments are listed or dealt in more than one market, the Directors, in their absolute discretion, selected the market, which in their opinion constituted the main market for such investments. The Directors delegated the valuation of the investments to the Administrator. The fair value for the investment in the Collective Investment Scheme, represented the final valuation provided by the underlying administrator. Contracts for difference were based on quoted prices of their underlying equities, which were valued at their fair value based on last traded quoted prices.

For all other financial instruments not traded in an active market, the fair value was determined by using appropriate valuation techniques. Valuation techniques included: using recent arm's length market transactions; reference to the current market value of another instrument that was substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. Interest and dividends earned or incurred were accrued in interest and dividend income or expense respectively, according to the terms of contract.

Fair value estimates were made at a specific point in time, based on market conditions and information about the financial instrument. These estimates were subjective in nature and involved uncertainties and matters of significant judgement and therefore, could not be determined with precision. Changes in assumptions could have significantly affected the estimates. The values used may have been different had a ready market existed and these differences could have been material. Realised and unrealised gains and losses on all investments are accounted for through the Statement of Comprehensive Income.

##### *(iv) Derecognition*

The Company derecognised a financial asset when the contractual rights to the cash flows from the financial asset expired or it transferred the financial asset and the transfer qualified for derecognition when either the Company had transferred substantially all the risks and rewards of the financial assets, or the Company had neither transferred nor retained substantially all the risks and rewards of the financial assets, but has transferred control of the financial asset. The Company derecognised a financial liability when the obligation specified in the contract was discharged, cancelled or had expired.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Financial Assets and Liabilities at fair value through profit or loss (continued)**

##### *(v) Offsetting financial instruments*

Financial instruments were offset and the net amount reported in the Statement of Financial Position when there was a legally enforceable right to set off the recognised amounts and there was an intention to settle on net basis or realise the asset and settle the liability simultaneously.

##### *(vi) Transfer between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy were deemed to have occurred at the end of the financial period/year.

#### **Investment in structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company determined that all of its investments in collective investment schemes were investments in unconsolidated structured entities. The Company invested in collective investment schemes whose objectives range from achieving medium to long term capital growth and whose investment strategy did not include the use of leverage. The collective investment schemes were managed by unrelated asset managers and applied various investment strategies to accomplish their respective investment objectives. The collective investment schemes financed their operations by issuing Redeemable Participating Shares which were puttable at the holder's option and entitled the holder to a proportional stake in the respective collective investment schemes net assets. The Company held Redeemable Participating Shares in each of its invested collective investment schemes.

After initial measurement, the Company measured collective investment schemes, which were classified as at fair value through profit or loss at their fair values, which the Directors determined to be the unaudited Net Asset Value ("NAV") on the relevant valuation day, as advised by the administrators of the underlying funds.

The change in fair value of each collective investment scheme has been included in the Statement of Comprehensive Income within "net gain on financial assets and liabilities at fair value through profit or loss".

#### **Cash and cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of the meeting of short-term cash commitments rather than for investments or other purposes.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Cash and cash equivalents (continued)**

SMT Trustees (Ireland) Limited as Depositary appointed Sumitomo Mitsui Trust (UK) Limited as its Custodian. Sumitomo Mitsui Trust (UK) Limited, in turn, appointed Brown Brothers Harriman & Co. (“BBH”) as their sub-custodian and this cash was ultimately held at BBH as Banker. Cash comprises of cash held with Morgan Stanley and Co International plc.

#### **Functional and Presentation Currency**

Items included in the Company’s financial statements are measured using NOK (the functional and presentation currency).

#### **Foreign Currency Translation**

Securities transactions were recorded in the financial statements on the trade date of the transaction and translated into NOK (the presentation currency) at the exchange rate prevailing at the close of business on the trade date. Other foreign currency payments were translated into NOK at the rate of exchange on the transaction date. All assets and liabilities denominated in foreign currencies were translated into the functional currency at the exchange rates ruling at the Statement of Financial Position date. Foreign currency gains or losses arising from trading activities are included in the Statement of Comprehensive Income within “net gain on financial assets and liabilities at fair value through profit or loss”.

#### **Income/(Expense)**

Dividend income and expense is recorded on an ex-date basis gross of any non-recoverable withholding taxes suffered which is disclosed separately in the Statement of Comprehensive Income. Dividend expense relating to equity securities sold short was recognised when the Shareholder’s right to receive the payment is established. Interest income and expense are both accounted for on an accrual basis. Other income relates to a VAT refund.

#### **Expenses**

Expenses are accounted for on an accrual basis.

#### **Redeemable Participating Shares**

Redeemable Participating Shares were redeemable at the Shareholders’ option and were classified as financial liabilities. The liabilities arising from the Redeemable Participating Shares were carried at the redemption amount being the NAV. The Redeemable Participating Shares could have been put back to the Company on any dealing day (monthly) for cash equal to a proportionate share of the Company’s NAV.

#### **Calculation of NAV**

The NAV per share of any class was calculated by determining that proportion of the NAV that is attributable to the relevant class. All shares were issued and redeemed at this price.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

**New standards, amendments or interpretations issued and effective for the financial period beginning 1<sup>st</sup> January 2017**

#### IAS 7 Statement of Cash Flows

IAS 7 requires an entity to present a Statement of Cash Flows as an integral part of its primary financial statements. IAS 7 was amended on 29<sup>th</sup> January 2016, requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for periods beginning on or after 1<sup>st</sup> January 2017. The amendment has no significant impact on the layout and disclosure of the Company's Statement of Cash Flows.

### 3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <b>31<sup>st</sup> May<br/>2018<br/>Fair Value<br/>NOK</b> | <b>31<sup>st</sup> December<br/>2016<br/>Fair Value<br/>NOK</b> |
|---|--|---|
| <b>Financial assets at fair value through profit or loss</b>      |  |   |
| Held for trading:   |  |   |
| - equity securities long  | -  | 253,316,217   |
| - collective investment scheme                                    | -  | 26,774,077  |
| - contracts for difference  | -  | 210,000   |
|   | <hr/>  | <hr/>   |
| Total held for trading  | -  | 280,300,294   |
|   | <hr/>  | <hr/>   |
| Total financial assets at fair value through profit or loss       | -  | <b>280,300,294</b>  |
|   | <hr/>  | <hr/>   |
| <b>Financial liabilities at fair value through profit or loss</b> |  |   |
| Held for trading:   |  |   |
| - equity securities sold short                                    | -  | (41,818,292)  |
|   | <hr/>  | <hr/>   |
| Total financial liabilities at fair value through profit or loss  | -  | <b>(41,818,292)</b>   |
|   | <hr/>  | <hr/>   |

Net changes in fair value on financial instruments at fair value through profit or loss are disclosed in Note 12.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below show financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). There were no investments valued in this manner at 31<sup>st</sup> December 2016. There were no investments held at 31<sup>st</sup> May 2018.

There were no investments held at 31<sup>st</sup> May 2018.

| 31 <sup>st</sup> December 2016                                    | Level 1<br>NOK      | Level 2<br>NOK    | Level 3<br>NOK | Total<br>NOK        |
|---|---------------------|-------------------|----------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b>      |                     |                   |                |                     |
| <i>Financial assets held for trading</i>                          |                     |                   |                |                     |
| Equity securities   | 231,191,217         | 22,125,000        | -              | 253,316,217         |
| Collective investment scheme                                      | -                   | 26,774,077        | -              | 26,774,077          |
| Contracts for difference  | -                   | 210,000           | -              | 210,000             |
|   | <u>231,191,217</u>  | <u>49,109,077</u> | <u>-</u>       | <u>280,300,294</u>  |
| <b>Financial liabilities at fair value through profit or loss</b> |                     |                   |                |                     |
| <i>Financial liabilities held for trading</i>                     |                     |                   |                |                     |
| Equity securities   | (41,818,292)        | -                 | -              | (41,818,292)        |
|   | <u>(41,818,292)</u> | <u>-</u>          | <u>-</u>       | <u>(41,818,292)</u> |

The fair value of listed equity securities as well as publicly traded derivatives were based on quoted market prices or binding dealer price quotations at the reporting date, without any deduction for transaction costs and were therefore included within Level 1.

As at 31<sup>st</sup> December 2016, Norwegian Finans Holdings ASA and DOF Installer ASA were traded in an inactive market and as such were classified as Level 2.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Company used widely recognised valuation models for determining the fair values of contracts for difference. Investments in contracts for difference were valued based on the value of the underlying listed equity and were therefore included within Level 2. The collective investment scheme was priced at the latest available NAV from the underlying administrator and was therefore included within Level 2.

For all other financial instruments, fair value was determined using valuation techniques. Valuation techniques included net present value techniques, comparison to similar instruments for which market observable prices existed and other relevant valuation models.

There were no transfers between Levels during the financial period (31<sup>st</sup> December 2016: None).

#### Collective Investment Schemes

Pareto Likviditet Fund is a Norwegian money market fund, investing in the most highly-rated NOK denominated fixed income securities available with maturities below 12 months and is a UCITS fund.

The Company's maximum exposure to loss from its interests in collective investment schemes was equal to the total fair value of its investments in collective investment schemes. Once the Company has disposed of its shares in a collective investment scheme the Company ceased to be exposed to any risk from that collective investment scheme.

The Company's investment strategy permitted the Company to invest in other collective investment schemes on a regular basis. Total purchases of collective investment schemes during the financial period ended 31<sup>st</sup> May 2018 were NOK10,265,645 (31<sup>st</sup> December 2016: NOK42,328,077). As at 31<sup>st</sup> May 2018 and 31<sup>st</sup> December 2016, there were no capital commitments obligations and no amounts due from collective investment schemes for unsettled purchases.

During the financial period ended 31<sup>st</sup> May 2018, total net gain on investments in collective investment schemes amounted to NOK253,595 (31<sup>st</sup> December 2016: NOK309,813).

#### *Financial instruments not measured at fair value*

The financial instruments not measured at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate fair value.

The following table analyses the Company's assets and liabilities not measured at fair value as at 31<sup>st</sup> May 2018 and 31<sup>st</sup> December 2016 by way of the fair value hierarchy:

|                                 | Level 1<br>NOK | Level 2<br>NOK | Level 3<br>NOK | Total<br>NOK   |
|---------------------------------|----------------|----------------|----------------|----------------|
| <b>31<sup>st</sup> May 2018</b> |                |                |                |                |
| <b>Assets</b>                   |                |                |                |                |
| Cash and cash equivalents       | 830,552        | -              | -              | 830,552        |
| <b>Total</b>                    | <b>830,552</b> | <b>-</b>       | <b>-</b>       | <b>830,552</b> |



# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Financial instruments not measured at fair value (continued)*

|   | Level 1<br>NOK    | Level 2<br>NOK     | Level 3<br>NOK | Total<br>NOK       |
|---|-------------------|--------------------|----------------|--------------------|
| <b>31<sup>st</sup> May 2018 (continued)</b>                           |                   |                    |                |                    |
| <b>Liabilities</b>  |                   |                    |                |                    |
| Other payables  | -                 | 830,552            | -              | 830,552            |
| <b>Total</b>  | -                 | <b>830,552</b>     | -              | <b>830,552</b>     |
| <b>31<sup>st</sup> December 2016</b>                                  |                   |                    |                |                    |
| <b>Assets</b>   |                   |                    |                |                    |
| Cash and cash equivalents   | 71,972,960        | -                  | -              | 71,972,960         |
| Interest receivable   | -                 | 15,826             | -              | 15,826             |
| <b>Total</b>  | <b>71,972,960</b> | <b>15,826</b>      | -              | <b>71,988,786</b>  |
| <b>Liabilities</b>  |                   |                    |                |                    |
| Due to broker   | -                 | 1,339,237          | -              | 1,339,237          |
| Interest payable  | -                 | 49,821             | -              | 49,821             |
| Dividends payable   | -                 | 86,766             | -              | 86,766             |
| Alternative Investment Fund Manager fees payable                      | -                 | 520,041            | -              | 520,041            |
| Depository fees payable   | -                 | 14,828             | -              | 14,828             |
| Administration fees payable   | -                 | 30,263             | -              | 30,263             |
| Audit fees payable  | -                 | 126,747            | -              | 126,747            |
| Performance fees payable  | -                 | 1,469,879          | -              | 1,469,879          |
| Equalisation credit payable to Shareholders                           | -                 | 154,110            | -              | 154,110            |
| Other payables  | -                 | 642,510            | -              | 642,510            |
| Net Assets attributable to Holders of Redeemable Participating Shares | -                 | 306,036,586        | -              | 306,036,586        |
| <b>Total</b>  | -                 | <b>310,470,788</b> | -              | <b>310,470,788</b> |

The assets and liabilities included in the previous tables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### *Financial instruments not measured at fair value (continued)*

Cash and cash equivalents include cash in hand and deposits held with banks and brokers. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value with a maturity of three months or less. As such, Level 1 has been deemed the most appropriate categorisation for the Company's cash and cash equivalents. Receivables represent the contracted amounts and other obligations due to the Company. Due to broker and payables represent the contractual amounts and obligations due by the Company for settlement of expenses and other obligations due by the Company.

The puttable value of Net Assets attributable to Holders of Redeemable Participating Shares was calculated based on the net difference between total assets and all other liabilities of the Company in accordance with the Company's Prospectus. The Redeemable Participating Shares were not traded in an active market. A demand feature was attached to Net Assets attributable to Holders of Redeemable Participating Shares as Shareholders could have redeemed from the Company on any dealing day for cash equal to a proportionate share of the Company's NAV. The fair value was based on the amount payable on demand, discounted from the first date that the amount could have been required to have been paid. The impact of discounting in this instance was not material. As such, Level 2 was deemed to be the most appropriate categorisation for the Company's receivables, due to broker, payables and Net Assets attributable to Holders of Redeemable Participating Shares noted on pages 24 and 25.

### 5. DERIVATIVE CONTRACTS

Under the terms of the contracts for difference, the Company received payment for any gains and made good any losses arising on a holding of underlying shares. The Company also received payment for dividends declared by the issuer of the shares during the term of the contract. In return, the Company paid to the counterparty, interest on the equity notional amount.

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

#### **Risk Management Structure**

The Company's AIFM was responsible for identifying and controlling risks. The Board of Directors supervised the AIFM and were ultimately responsible for the overall risk management approach within the Company.

#### **Risk Measurement and Reporting System**

The Company's risks were measured using a method which reflected both the expected loss likely to arise in normal circumstances and unexpected losses, which were an estimate of the ultimate actual loss based on statistical models. The model made use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

The main risks which arose from the Company's financial instruments are set out below along with a brief overview of how these risks were managed and monitored by the AIFM in accordance with the investment mandate.

#### Market Risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices and includes other price risk, interest rate risk and foreign currency risk. In order to produce part of the Company's return target, the AIFM had to assume market risk. The net exposure to the market was a result of the risk manager's view at any time. Market risk exposure was available real time to the risk managers of the AIFM.

There was no market risk exposure at 31<sup>st</sup> May 2018 as assets equal liabilities. The net equity exposure as at 31<sup>st</sup> December 2016 was 69.1% of the NAV, whereas money market funds and bank deposits accounted for 8.8% and 23.1% respectively of the NAV. The net exposure levels were products of the market price and volume as a share of the total NAV.

#### (i) Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease (or increase in case of short positions) as the result of changes in the levels of equity indices and the value of individual stocks. The trading equity price risk exposure arose from the Company's investment portfolio. The Company managed this risk by diversifying investments into different countries, different sectors and securities. Management's best estimate of the effect on Net Assets attributable to Holders of Redeemable Participating Shares and profit, due to a reasonably possible change in equity indices, with all other variables held constant is shown below. In practice, the actual trading results may have differed from the below sensitivity analysis and the difference could have been material. There were no investments held at 31<sup>st</sup> May 2018. The following weighted net (long minus short) betas were used for 31<sup>st</sup> December 2016; Norway 0.19, Scandinavia ex Norway 0.39 and USA -0.02. The betas were weighted by the value of the correspondent security as a percentage of the net value of all securities in the portfolio that belong to the same market index.

| Market indices                 | Change in equity price    | Effect on Net Assets and profit | Change in equity price         | Effect on Net Assets and profit |
|--------------------------------|---------------------------|---------------------------------|--------------------------------|---------------------------------|
|                                | 31 <sup>st</sup> May 2018 | 31 <sup>st</sup> May 2018       | 31 <sup>st</sup> December 2016 | 31 <sup>st</sup> December 2016  |
|                                | %                         | NOK                             | %                              | NOK                             |
| OSE                            | -                         | -                               | + -10                          | + - 1,531,238                   |
| NYSE                           | -                         | -                               | + -10                          | + - 7,472                       |
| OMX (Finland, Sweden, Denmark) | -                         | -                               | + -10                          | + - 2,421,112                   |

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (i) Equity Price Risk (continued)

##### *Concentration of Equity Price Risk*

There were no investments held as at 31<sup>st</sup> May 2018. The table below analyses the Company's concentration of equity price risk by relevant stock exchange at 31<sup>st</sup> December 2016:

|                                   | Financial assets at fair value<br>through profit or loss | Financial liabilities at fair value<br>through profit or loss |
|-----------------------------------|--|---|
|                                   | NOK  | NOK   |
| OSE                               | 83,198,040   | 8,025,000   |
| NYSE                              | 11,202,922   | 14,829,690  |
| OMX (Finland, Sweden,<br>Denmark) | 158,915,255  | 18,963,602  |
| <b>Total</b>                      | <b>253,316,217</b>                                       | <b>41,818,292</b>   |
|                                   | Underlying financial assets in<br>derivatives            | Underlying financial liabilities in<br>derivatives            |
| OSE Norway                        | 3,510,000  | -   |
| <b>Total</b>                      | <b>3,510,000</b>   | <b>-</b>  |

#### (ii) Interest Rate Risk

Interest rate risk represents the potential losses that the Company may have suffered due to adverse movements in relevant interest rates. The Company may have invested in assets and liabilities that bore interest rate risk. However, there is a cap to the duration of 30 years set as described in the Prospectus. This risk was monitored and managed on a continuous basis by the AIFM. The analysts, who are employed by the AIFM, had online access to the exposure of the Company at any time and they would alert the AIFM if any kind of exposure was near or in breach with the investment restrictions, as outlined in the Prospectus. The risk managers could not have imposed changes to the exposure as long as the AIFM complied with the investment restrictions. The majority of the Company's financial assets were Redeemable Participating Shares and other instruments which neither paid interest nor had a maturity date. As a result, the Company was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash was invested at short-term market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The majority of interest rate exposures arose within the Norwegian Money Market Fund and this risk was managed by the AIFM by continuously monitoring the Money Market Fund's underlying holdings, returns and asset development.

The sensitivity analysis overleaf demonstrated management's best estimate of the sensitivity of income and Net Assets attributable to Holders of Redeemable Participating Shares to reasonably possible changes in interest rates, with all other variables held constant. In practice, the actual trading results may have differed from the sensitivity analysis overleaf and the difference could have been material. The sensitivity of the Statement of Comprehensive Income was the effect of the assumed changes in interest rates on the Net Assets for one year, based on the floating rate trading financial assets and financial liabilities held at 31<sup>st</sup> May 2018 and 31<sup>st</sup> December 2016. The sensitivity of Net Assets was analysed by maturity of the asset.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

The total sensitivity of Net Assets was based on the assumption that there were parallel shifts in the yield curve, while the analysis by maturity band, displayed the sensitivity to non-parallel changes.

For the Company at 31<sup>st</sup> May 2018, if there was an increase or decrease of 0.5% in interest rates, with all other variables held constant, there would have been an increase or decrease in Net Assets attributable to Holders of Redeemable Participating Shares of NOK4,153 (31<sup>st</sup> December 2016: NOK353,169) based on financial period/year end cash balances.

#### Maturity analysis table

The table below analyses the Company's interest rate risk exposure as at 31<sup>st</sup> May 2018. The Company's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

| 31 <sup>st</sup> May 2018  | Less than 1<br>month<br>NOK | Non -<br>interest<br>bearing<br>NOK | Total<br>NOK   |
|--|-----------------------------|-------------------------------------|----------------|
| <b>Assets</b>  |                             |                                     |                |
| Cash and cash equivalents  | 830,552                     | -                                   | 830,552        |
| <b>Total assets</b>  | <b>830,552</b>              | <b>-</b>                            | <b>830,552</b> |
| <b>Total liabilities (excluding Net Assets attributable to Holders of Redeemable Participating Shares)</b> |                             |                                     |                |
| Payables   | -                           | 830,552                             | 830,552        |
| <b>Total liabilities</b>   | <b>-</b>                    | <b>830,552</b>                      | <b>830,552</b> |
| <b>Total Interest Sensitivity Gap</b>  | <b>830,552</b>              | <b>N/A</b>                          | <b>N/A</b>     |

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest Rate Risk (continued)

##### Maturity analysis table (continued)

The table below analyses the Company's interest rate risk exposure as at 31<sup>st</sup> December 2016. The Company's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

| 31 <sup>st</sup> December 2016   | Less than<br>1 month<br>NOK | Non -<br>interest<br>bearing<br>NOK | Total<br>NOK       |
|--|-----------------------------|-------------------------------------|--------------------|
| <b>Assets</b>  |                             |                                     |                    |
| Cash and cash equivalents  | 71,972,960                  | -                                   | 71,972,960         |
| Financial assets at fair value through profit or loss  | -                           | 280,300,294                         | 280,300,294        |
| Receivables  | -                           | 15,826                              | 15,826             |
| <b>Total assets</b>  | <b>71,972,960</b>           | <b>280,316,120</b>                  | <b>352,289,080</b> |
| <b>Total liabilities (excluding Net Assets attributable to<br/>Holders of Redeemable Participating Shares)</b> |                             |                                     |                    |
| Due to broker  | 1,339,237                   | -                                   | 1,339,237          |
| Financial liabilities at fair value through profit or loss   | -                           | 41,818,292                          | 41,818,292         |
| Payables   | -                           | 3,094,965                           | 3,094,965          |
| <b>Total liabilities</b>   | <b>1,339,237</b>            | <b>44,913,257</b>                   | <b>46,252,494</b>  |
| <b>Total Interest Sensitivity Gap</b>  | <b>70,633,723</b>           | <b>N/A</b>                          | <b>N/A</b>         |

#### (iii) Currency Risk

Currency risk represents the potential losses that the Company might suffer due to adverse movements in non-base currency exposures. Some of the Company's assets and liabilities were invested primarily in securities denominated in currencies other than NOK and any income received by the Company from these investments was received in those currencies, some of which may have fallen in value against the NOK. The Company calculated its NAV in NOK, the base currency of the Company, and there was therefore a currency exchange risk, which may have affected the value of shares.

Internal hedges: When the Company assumed exposure in other currencies than NOK, the AIFM bought or sold forward currency contracts to neutralise the currency risk. If exposure changed significantly as a result of price changes of the underlying hedged asset, the forward currency contracts were adjusted correspondingly. However, if the exposure to other currencies than NOK was less significant, the AIFM may have chosen not to adjust the currency hedge in order to avoid excessive transaction volume and cost.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

The currency exposure of the Company (excluding receivables and payables) is set out as follows:

At 31<sup>st</sup> May 2018, there was no currency exposure in the Company.

|                                      | Monetary<br>Assets / Liabilities<br>NOK | Currency<br>Exposure<br>NOK |
|--------------------------------------|---|-----------------------------|
| <b>31<sup>st</sup> December 2016</b> |   |                             |
| <b>Assets</b>                        |   |                             |
| Danish Krone                         | 22,690,979                              | 22,690,979                  |
| Euro                                 | 55,857,853                              | 55,857,853                  |
| Swedish Krona                        | 108,814,842                             | 108,814,842                 |
| United States Dollar                 | 12,009,043                              | 12,009,043                  |
|                                      | <u>199,372,717</u>                      | <u>199,372,717</u>          |
| <b>Liabilities</b>                   |   |                             |
| Danish Krone                         | (1,339,237)                             | (1,339,237)                 |
| Euro                                 | (11,866,603)                            | (11,866,603)                |
| Swedish Krona                        | (7,096,999)                             | (7,096,999)                 |
| United States Dollar                 | (14,829,690)                            | (14,829,690)                |
|                                      | <u>(35,132,529)</u>                     | <u>(35,132,529)</u>         |
|                                      | <u><b>164,240,188</b></u>               | <u><b>164,240,188</b></u>   |

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### (iii) Currency Risk (continued)

The table on page 31 indicates the currencies to which the Company had exposure at 31<sup>st</sup> December 2016 on its trading monetary assets and liabilities. The analysis below discloses management's best estimates of the effect of a reasonably possible movement of the currency rate against the NOK (represents movement from the minimum level of the exchange rate to the maximum level during the financial period ended 31<sup>st</sup> December 2018 and financial year ended 31<sup>st</sup> December 2016) with all other variables held constant on the Statement of Comprehensive Income (due to the fair value of currency sensitive trading monetary assets and liabilities) and Net Assets attributable to Holders of Redeemable Participating Shares. A negative amount in the table below reflects a potential net reduction in profit and loss or Net Assets attributable to Holders of Redeemable Participating Shares, while a positive amount reflects a net potential increase. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be material. Note that the aggregated effect on DKK, EUR, SEK and USD is the sum of the effect on profit and effect on Net Assets attributable to Holders of Redeemable Participating Shares (having opposite prefix).

| Currency | Change in<br>currency rate   | Net effect                   | Change in<br>currency rate        | Net effect                        |
|----------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|
|          | 31 <sup>st</sup> May<br>2018 | 31 <sup>st</sup> May<br>2018 | 31 <sup>st</sup> December<br>2016 | 31 <sup>st</sup> December<br>2016 |
|          | %                            | NOK                          | %                                 | NOK                               |
| DKK      | -                            | -                            | + - 5.5                           | + - 1,178,871                     |
| EUR      | -                            | -                            | + - 5.9                           | + - 2,598,051                     |
| SEK      | -                            | -                            | + - 10.8                          | + - 10,993,301                    |
| USD      | -                            | -                            | + - 2.8                           | + - 79,841                        |

#### Liquidity Risk

Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its investment position in times of high volatility and financial stress at a reasonable price. The main liability of the Company was the redemption of any shares that investors may have sold. Shareholders redeemed their shares every month by 10 a.m. Irish time on the 15<sup>th</sup> business day prior to the 1<sup>st</sup> business day of the following month.

None of the Company's NAVs were subject to special arrangements such as gates or lock-ups and there were no NAV suspensions during the financial period.

The short positions of the Company were highly liquid, and could all be liquidated within a short time period without moving the share price by more than approximately 0.5%, on average, given "normal" market conditions. The Company's long positions consisted to a large extent of smaller and less liquid companies. The long positions were classified into three categories of liquidity; good, medium and weak.



# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

There were no investments held as at 31<sup>st</sup> May 2018. The long equity positions of the Company constituted 82.8% of NAV as at 31<sup>st</sup> December 2016. The AIFM estimated the price impact in order to exit these positions during one, five, and ten working days in a “normal” market environment to be 0.07%, 0.01% and 0.0% respectively. For the Company, the total NAV impact was 0.06%, 0.01% and 0.00%, respectively.

In addition to the liquidity risk for equity exposure, the Company was exposed to liquidity risk related to debt investments. At 31<sup>st</sup> May 2018 and 31<sup>st</sup> December 2016, the Company did not hold any debt instruments. The Pareto Likviditet Money Market Fund carried very marginal liquidity risk.

The tables below and overleaf analyse the Company’s financial assets and liabilities into relevant maturity grouping based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balance, as the impact of discounting is not significant.

| 31 <sup>st</sup> May 2018 | Less than 1<br>Month<br>NOK | 1 - 3<br>Months<br>NOK | Total<br>NOK          |
|---------------------------|-----------------------------|------------------------|-----------------------|
| <b>Assets</b>             |                             |                        |                       |
| Cash and cash equivalents | <u>830,552</u>              | <u>-</u>               | <u>830,552</u>        |
| <b>Total assets</b>       | <u><b>830,552</b></u>       | <u><b>-</b></u>        | <u><b>830,552</b></u> |
| <b>Liabilities</b>        |                             |                        |                       |
| Other payables            | <u>830,552</u>              | <u>-</u>               | <u>830,552</u>        |
| <b>Total liabilities</b>  | <u><b>830,552</b></u>       | <u><b>-</b></u>        | <u><b>830,552</b></u> |

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

| 31 <sup>st</sup> December 2016  | Less than 1<br>Month<br>NOK | 1 - 3<br>Months<br>NOK | Total<br>NOK       |
|---|-----------------------------|------------------------|--------------------|
| <b>Assets</b>   |                             |                        |                    |
| Cash and cash equivalents   | 71,972,960                  | -                      | 71,972,960         |
| Financial assets at fair value through profit or loss                 | 280,300,294                 | -                      | 280,300,294        |
| Receivables   | 15,826                      | -                      | 15,826             |
| <b>Total assets</b>   | <b>352,289,080</b>          | <b>-</b>               | <b>352,289,080</b> |
| <b>Liabilities</b>  |                             |                        |                    |
| Due to broker   | 1,339,237                   | -                      | 1,339,237          |
| Financial liabilities at fair value through profit or loss            | 41,818,292                  | -                      | 41,818,292         |
| Interest payable  | 49,821                      | -                      | 49,821             |
| Performance fees  | 86,766                      | -                      | 86,766             |
| Equalisation credit payable to Shareholders                           | 1,469,879                   | -                      | 1,469,879          |
| Investment Manager fees   | 154,110                     | -                      | 154,110            |
| Administration fees   | 30,263                      | -                      | 30,263             |
| Other payables  | 784,085                     | -                      | 784,085            |
| Net Assets attributable to Holders of Redeemable Participating Shares | -                           | 306,036,586            | 306,036,586        |
| <b>Total liabilities</b>  | <b>46,252,494</b>           | <b>306,036,586</b>     | <b>352,289,080</b> |

#### Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into and cause the Company to incur financial losses. The Company was exposed to credit risk on parties with whom it traded and also bore the risk of settlement default. Cash and trading securities were held with BBH, the Prime Broker and Sub-Custodian, as well as SEB and Pareto Bank ASA.

The AIFM continuously monitored the share of NAV deposited with any one financial institution to ensure that the Company's deposits rested within the limits of the Investment Restrictions. As at 31<sup>st</sup> May 2018, the Company held no investments. All cash held was deposited at Morgan Stanley and Co International plc, which has a credit rating of A+/A-1 (31<sup>st</sup> December 2016: A+/A-1).

Typically, derivative contracts served as components of the Company's investment strategy and were utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Company (the Company did not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Company held or issued may included contracts for difference, futures, over-the-counter ("OTC") options, forward currency contracts and currency swap agreements. There were no open derivative financial instruments held at 31<sup>st</sup> May 2018.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Credit Risk

Securities sold short represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. As a result, short sales created the risk that the Company's ultimate obligation to satisfy the delivery requirements may have exceeded the amount of the proceeds initially received or the liability recorded in the financial statements. Accordingly these securities may have resulted in off-balance sheet risk as the Company's satisfaction of the obligations may have exceeded the amount recognised in the Statement of Financial Position.

Default or bankruptcy of the Prime Broker and Sub-Custodian or the Depositary may have caused the Company's access to its cash and securities to be delayed or limited.

#### Efficient Portfolio Management

Efficient portfolio management refers to transactions that are entered into with the aim of reducing risk, reducing cost or generating additional capital for the Company with an appropriate level of risk, taking into account the risk profile of the Company. The Company did not engage in transactions in financial derivative instruments, stock lending and repurchase contracts for the purposes of the efficient portfolio management of the Company.

All gains and losses from trading in financial assets and liabilities for the financial period ended 31<sup>st</sup> May 2018 and the financial year ended 31<sup>st</sup> December 2016 are included in the Statement of Comprehensive Income.

#### Offsetting and amounts subject to offsetting provisions on the Prime Broker agreements

There were no open derivative contracts held at 31<sup>st</sup> May 2018. As at 31<sup>st</sup> December 2016, the Company was subject to two Prime Broker agreements with SEB and Morgan Stanley and Co International plc. The open derivative asset of the Company was held with SEB and the margin balance maintained by the Company was for the purpose of providing collateral on derivative positions.

The following table presents the Company's financial assets subject to the enforceable Prime Broker master netting agreement. The table is presented by type of financial instrument.

#### Financial assets subject to offsetting agreement with SEB:

|  | Gross<br>Financial<br>Assets | Gross<br>Amounts<br>Set-Off | Net<br>Financial<br>Assets | Amounts<br>Not<br>Set-Off | Collateral<br>Received | Net<br>Amount |
|--|------------------------------|-----------------------------|----------------------------|---------------------------|------------------------|---------------|
| <b>31<sup>st</sup> December<br/>2016</b> | <b>NOK</b>                   | <b>NOK</b>                  | <b>NOK</b>                 | <b>NOK</b>                | <b>NOK</b>             | <b>NOK</b>    |
| Contracts for<br>difference              | 210,000                      | -                           | 210,000                    | -                         | -                      | 210,000       |

There were no derivative positions held as at 31<sup>st</sup> December 2016 that resulted in a financial liability for the Company.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### Offsetting and amounts subject to offsetting provisions on the Prime Broker agreements (continued)

The Company and its counterparty have elected to settle all transactions on a gross basis however each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the Prime Broker master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 2 business days after notice of such failure is given to the party; and
- bankruptcy.

### 7. CASH AND CASH EQUIVALENTS

Cash balances were held as follows:

|                                  | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|----------------------------------|-------------------------------------|--|
| Cash                             | 830,552                             | 42,718,418                               |
| Foreign cash balances            | -                                   | 29,254,542                               |
| <b>Cash and cash equivalents</b> | <b>830,552</b>                      | <b>71,972,960</b>                        |
| Foreign cash balances            | -                                   | (1,339,237)                              |
| <b>Due to broker</b>             | <b>-</b>                            | <b>(1,339,237)</b>                       |

Cash balances were held with BBH, the Prime Broker and Sub-Custodian, as well as SEB and Pareto Bank ASA. There were no amounts relating to margin deposits with brokers, transferred as collateral against securities sold short and derivative positions.

### 8. RECEIVABLES

|                     | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|---------------------|-------------------------------------|--|
| Interest receivable | -                                   | 15,826                                   |
|                     | -                                   | 15,826                                   |

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 9. PAYABLES

|  | Note | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|--|------|-------------------------------------|--|
| Interest payable                         |      | -                                   | 49,821                                   |
| Dividends payable                        |      | -                                   | 86,766                                   |
| Performance fees                         | 13   | -                                   | 1,469,879                                |
| Equalisation credit                      | 13   | -                                   | 154,110                                  |
| Alternative Investment Fund Manager fees |      | -                                   | 520,041                                  |
| Depositary fees                          |      | -                                   | 14,828                                   |
| Administration fees                      |      | -                                   | 30,263                                   |
| Audit fees                               |      | -                                   | 126,747                                  |
| Other payables                           |      | 830,552                             | 642,510                                  |
|  |      | <b>830,552</b>                      | <b>3,094,965</b>                         |

### 10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES

|  | 31 <sup>st</sup> May<br>2018 | 31 <sup>st</sup> December<br>2016 |
|--|------------------------------|-----------------------------------|
| <b>Class B – NOK Share</b>                                   |                              |                                   |
| Number of shares outstanding as at beginning of period/year  | 1,153,401.092                | 1,079,504.433                     |
| Number of shares issued                                      | 306,149.243                  | 238,074.240                       |
| Number of shares redeemed                                    | (1,459,550.335)              | (164,177.581)                     |
| <b>Number of shares outstanding as at end of period/year</b> | <b>-</b>                     | <b>1,153,401.092</b>              |
| <b>Class M – NOK Share</b>                                   |                              |                                   |
| Number of shares outstanding as at beginning of period/year  | 8,594.684                    | 7,815.625                         |
| Number of shares issued                                      | 38,887.266                   | 779.059                           |
| Number of shares redeemed                                    | (47,481.950)                 | -                                 |
| <b>Number of shares outstanding as at end of period/year</b> | <b>-</b>                     | <b>8,594.684</b>                  |

The authorised share capital of the Company was 2 subscriber shares of 1 Euro each and 1,000,000,000,000 shares of no par initially designated as unclassified shares. The subscriber shares did not form part of the NAV of the Company and were thus disclosed in the financial statements by way of this Note only. On a show of hands at a general meeting or class meeting of the Company, every holder holding subscriber shares who was present in person or by proxy had one vote for every full share held. The shares of each class entitle the holders thereof to any dividends that may have been declared in respect of the shares of that class. On the winding up, the liquidator may, subject to the provisions of the Companies Act 2014 (as amended), apply the assets of the Company in such a manner and order as he thinks fit in satisfaction of creditors' claims relating to the Company. There were no rights of pre-emption attaching to the shares of the Company and there were no outstanding options or any special rights relating to any shares.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

*(Continued)*

### 10. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

Effective from 7<sup>th</sup> June 2011, one subscriber share was held by Mr. Yngve Torvanger Jordal, a former Director of the Company on behalf of Pareto Asset Management AS, the other was owned by Vilfredo Kapitalforvaltning AS.

Effective 24<sup>th</sup> April 2017, Subscriber shares were transferred resulting in one subscriber share being held by Pareto Asset Management AS and the other by Finn Øystein Bergh, Chief Investment Officer of Pareto Asset Management AS.

Effective 2<sup>nd</sup> January 2013, the minimum initial subscription and minimum holding amounts required to invest in the Company was reduced from €125,000 or its equivalent in NOK or USD to €100,000 or its equivalent in NOK or USD, pursuant to the change of the Central Bank of Ireland's requirements for schemes marketing solely to professional investors.

The Net Assets attributable to Holders of Redeemable Participating Shares were at all times equal to the NAV of the Company. The Redeemable Participating Shares were in substance a liability of the Company to Shareholders under IAS 32 as they could have been redeemed at the option of the Shareholder and because the subscriber shares were more subordinate.

Class M Shares (Management Share Class) were issued in July 2014. There were no AIFM fees or performance fees payable in respect of these shares.

#### **Capital Management**

As a result of the ability to issue and redeem shares, the capital of the Company could have varied depending on the demand for redemptions from and subscriptions to the Company. The Company's objective for managing capital was to obtain capital appreciation, regardless of the equity market's direction.

Refer to 'Risks Associated With Financial Instruments' (Note 6) for the policies and processes applied by the Company in managing its capital.

### 11. FEES AND EXPENSES

#### **AIFM fees**

The AIFM received out of the assets of the Company an annual fee of 2% of the NAV of the Class B shares (prior to the accrual of performance fees), which may have been increased to 3% per annum on giving reasonable prior notification to Shareholders. Such a fee was accrued monthly and was calculated on each dealing day by reference to the NAV of the Company at the relevant valuation point.

#### **Administration fees**

The Company paid the Administrator an administration fee, which was payable, monthly in arrears, out of the Net Assets of the Company (prior to the accrual of performance fees) equal to 0.10% of the NAV per annum in respect of the first EUR150 million, 0.09% of the NAV per annum from EUR150 million to EUR250 million and 0.08% of the balance of the aggregate Net Assets subject to a minimum of EUR40,000 per annum. The Administrator was also entitled to a transaction charge of EUR20 per movement on the Company share register. The Administrator was also reimbursed by the Company for all fees and properly vouched expenses incurred by the Administrator in the performance of its duties.

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 11. FEES AND EXPENSES (continued)

#### Depository fees

The Company paid the Depository a fee, monthly in arrears, out of the Net Assets of the Company equal to 0.035% of the NAV per annum with no minimum monthly fee. The Depository was reimbursed by the Company for all properly vouched sub-custody (at normal commercial rates) and other reasonable and properly vouched fees and expenses incurred by the Depository in the performance of its duties.

#### Directors' Remuneration

|  | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|--|-------------------------------------|--|
| Fees in respect of qualifying services | 538,056                             | 226,983                                  |
|  | <b>538,056</b>                      | <b>226,983</b>                           |

Effective 1<sup>st</sup> July 2016, the Directors were entitled to remuneration for their services as Directors provided however that the aggregate emoluments of each Director in respect of any twelve month financial period had not exceeded EUR15,000 (plus VAT) as approved at the AGM held on 18<sup>th</sup> November 2016 (prior to 1<sup>st</sup> July 2016: EUR10,000 plus VAT). In addition, the Directors were also entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in discharging their duties as Directors.

Other than shown above, there were no further required disclosures in accordance with Sections 305 and 306 of the Companies Act 2014 (as amended), for the financial period ended 31<sup>st</sup> May 2018 and the financial year ended 31<sup>st</sup> December 2016.

#### Audit fees

Auditor fees amounted to NOK179,427 for the financial period ended 31<sup>st</sup> May 2018 (NOK126,752 for the financial year ended 31<sup>st</sup> December 2016).

#### Other fees and expenses

The Company paid out of the assets of the Company, the fees and expenses payable to the AIFM, Depository, Administrator, Prime Broker and Sub-Custodian and the Directors plus any fees in respect of circulating details of the NAV, stamp duties, taxes, company secretarial fees, brokerage or other expenses of acquiring and disposing of investments and the fees and expenses of the auditors, tax and legal advisors and fees connected with listing on the ISE (prior to the delisting).

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 12. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|--|-------------------------------------|--|
| Total realised gain from:  |                                     |  |
| - Investments and currencies   | 91,949,856                          | 20,331,458                               |
| - Contracts for difference   | -                                   | 958,418                                  |
|  | <u>91,949,856</u>                   | <u>21,289,876</u>                        |
| Total realised loss from:  |                                     |  |
| - Investments and currencies   | (119,053)                           | (1,717,373)                              |
| - Contracts for difference   | (130,000)                           | -  |
|  | <u>(249,053)</u>                    | <u>(1,717,373)</u>                       |
| Total change in unrealised gain from:  |                                     |  |
| - Investments and currencies   | -                                   | 1,175,163                                |
|  | <u>-</u>                            | <u>1,175,163</u>                         |
| Total change in unrealised loss from:  |                                     |  |
| - Investments and currencies   | (55,372,818)                        | (2,941,480)                              |
| - Contracts for difference   | (210,000)                           | (2,711,730)                              |
|  | <u>(55,582,818)</u>                 | <u>(5,653,210)</u>                       |
| <b>Net gain on financial assets and liabilities at fair value through profit or loss</b> | <b><u>36,117,985</u></b>            | <b><u>15,094,456</u></b>                 |

### 13. PERFORMANCE FEES/EQUALISATION

Performance fees attributable to Class B NOK Shares were as follows:

|   | 31 <sup>st</sup> May<br>2018<br>NOK | 31 <sup>st</sup> December<br>2016<br>NOK |
|---|-------------------------------------|--|
| Performance fees paid on redemptions                      | 148,812                             | 41,650                                   |
| Performance fees payable for financial period/year        | 6,423,816                           | 1,555,264                                |
| Performance fees paid by compulsory redemption            | <u>(59)</u>                         | <u>(85,385)</u>                          |
| Performance fees charge for financial period/year         | 6,572,569                           | 1,511,529                                |
| Performance fees paid in financial period/year            | <u>(6,572,569)</u>                  | <u>(41,650)</u>                          |
| <b>Performance fees payable for financial period/year</b> | <b><u>-</u></b>                     | <b><u>1,469,879</u></b>                  |
| <b>Equalisation credit</b>                                | <b><u>506,912</u></b>               | <b><u>154,110</u></b>                    |



# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 13. PERFORMANCE FEES/EQUALISATION (continued)

The AIFM was entitled to be re-imbursed out of the assets of the Company, an annual performance fee in respect of each share. The performance fee was calculated in respect of each calendar period by reference to the difference in the NAV per share from the initial issue price at the valuation point prior to the commencement of that calendar period to the NAV per share as at the last valuation point in that calendar period. The current calendar period is the period from the last valuation point in December 2016 to the last valuation point in May 2018. The performance fee was calculated on each valuation day and was subject to equalisation accounting so that it reflected the increase in value (if any) of each individual Share from the previous high. The performance fee in any Calculation Period is equal to 20% of any appreciation in the NAV per share of the applicable class in respect of each Calculation Period above the Hurdle Rate applied to that share during the Calculation Period. The Hurdle Rate was separately determined for each Calculation Period and was not cumulative and did not accrue from period to period. Thus, any portion of a Hurdle Rate that was not earned for any Calculation Period was recovered in future Calculation Periods before the performance fee was earned. The Hurdle Rate in respect of the shares was calculated at an annual rate of 2% of the NAV which was pro-rated for each month in the Calculation Period during which such shares were in issue. The previous financial period's NAV must have increased by 2% before the 20% performance fee could be applied. The 20% performance fee was only calculated after this 2% hurdle had been reached.

### 14. RELATED PARTY TRANSACTIONS

There were no transactions with related parties other than those in the normal course of business. The AIFM and related companies are deemed to be related parties under IAS 24 "Related Party Disclosures". KB Associates, of which Mr. Mike Kirby, (a Director of the Company) is Managing Principal, provides operations management support to the Company. Fees incurred by KB Associates during the financial period amounted to NOK375,637 (31<sup>st</sup> December 2016: NOK509,760), none of which remained payable at 31<sup>st</sup> May 2018 (31<sup>st</sup> December 2016: NOK197,841).

The authorised share capital of the Company was 2 subscriber shares of 1 Euro each and 1,000,000,000,000 shares of no par initially designated as unclassified shares. Effective 24<sup>th</sup> April 2017, Subscriber shares were transferred resulting in one subscriber share being held by Pareto Asset Management AS and the other by Finn Øystein Bergh, Chief Investment Officer of Pareto Asset Management AS.

Mr. Yngve T. Jordal, held 8,594.68 Class M Shares at 31<sup>st</sup> December 2016. Pareto Wealth Management AS held 67,522.54 Class B - NOK Shares on behalf of clients at 31<sup>st</sup> December 2016. Pareto Asset Management AS manages an AIF feeder fund which was the beneficial owner of 1,085,878.55 Class B NOK Shares at 31<sup>st</sup> December 2016.

During the financial period, Pareto Asset Management AS earned AIFM fees of NOK9,012,285 (31<sup>st</sup> December 2016: NOK5,903,662), none of which remained payable at 31<sup>st</sup> May 2018 (31<sup>st</sup> December 2016: NOK520,041) and performance fees of NOK6,572,569 (31<sup>st</sup> December 2016: NOK1,511,529) of which all was paid before the period end (31<sup>st</sup> December 2016: NOK1,469,879).

There was NOK2,344 of charges incurred by Pareto Asset Management AS on behalf of the Company which were recharged to the Company during the period (31<sup>st</sup> December 2016: NOK152,338).

# NORDIC OMEGA PLC

## Notes to the Financial Statements

31<sup>st</sup> May 2018

(Continued)

### 14. RELATED PARTY TRANSACTIONS (continued)

Pareto AS owns 87.5% of Pareto Asset Management AS (the mother company), the remainder is owned by employees/partners of Pareto Asset Management AS. Pareto AS also owns 15.2% of Pareto Bank ASA. At 31<sup>st</sup> May 2018, the Company had no cash balance with Pareto Bank ASA (31<sup>st</sup> December 2016: NOK5,024,581).

### 15. DIVIDEND POLICY

The Directors could, with the agreement of the Depositary, have decided to declare a dividend. No dividends were declared or paid to Shareholders during the financial period (31<sup>st</sup> December 2016: NOKNil).

### 16. NAV HISTORY

|                            | 31 <sup>st</sup> May<br>2018 | 31 <sup>st</sup> December<br>2016 | 31 <sup>st</sup> December<br>2015 |
|----------------------------|------------------------------|-----------------------------------|-----------------------------------|
| <b>Class B – NOK Share</b> |                              |                                   |                                   |
| Net Asset Value            | NOK-                         | NOK304,847,861                    | NOK273,776,381                    |
| Number of shares           | -                            | 1,153,401.092                     | 1,079,504.433                     |
| NAV per share              | NOK-                         | NOK264.30                         | NOK253.61                         |
| <b>Class M – NOK Share</b> |                              |                                   |                                   |
| Net Asset Value            | NOK-                         | NOK1,188,725                      | NOK1,011,308                      |
| Number of shares           | -                            | 8,594.684                         | 7,815.625                         |
| NAV per share              | NOK-                         | NOK138.31                         | NOK129.40                         |

### 17. EXCHANGE RATES USED IN THIS REPORT

The following exchange rates were used to translate assets and liabilities into one NOK:

|                      | 31 <sup>st</sup> May<br>2018 | 31 <sup>st</sup> December<br>2016 |
|----------------------|------------------------------|-----------------------------------|
| Danish Krone         | -                            | 0.818982                          |
| Euro                 | -                            | 0.110144                          |
| Swedish Krona        | -                            | 1.055404                          |
| United States Dollar | -                            | 0.116175                          |

### 18. SOFT COMMISSION ARRANGEMENTS

The Company does not have any soft commission arrangements (31<sup>st</sup> December 2016: None).

# **NORDIC OMEGA PLC**

## **Notes to the Financial Statements**

**31<sup>st</sup> May 2018**

*(Continued)*

### **19. TAXATION**

Under current Irish law and practice the Company qualified as an investment undertaking under Section 739B of the Taxes Consolidation Act 1997 and was not therefore chargeable to Irish tax on its relevant income or relevant gains. No stamp, transfer or registration tax was payable in Ireland on the issue, redemption or transfer of shares in the Company. Capital gains, distributions and interest on securities issued in countries other than Ireland may have been subject to taxes including withholding taxes imposed by such countries. The Company may not have been able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and other countries. The Company may not, therefore, have been able to reclaim withholding tax suffered by it in particular countries. To the extent that a chargeable event arose in respect of a Shareholder, the Company may have been required to deduct tax in connection with that chargeable event and pay the tax to the Irish Revenue Commissioners. A chargeable event included dividend payments to Shareholders, appropriation, cancellation, redemption, repurchase or transfer of shares, or a deemed disposal of shares every 8 years beginning from the date of acquisition of those shares. Certain exemptions also applied. To the extent that Shareholders had appropriate tax declarations in place with the Company there was no requirement to deduct tax.

### **20. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

Ms. Anna Måbäck replaced Mr. Yngve T. Jordal as a Director of the Company on 15<sup>th</sup> February 2017.

Effective 23<sup>rd</sup> April 2018, the Central Bank of Ireland (the “Central Bank”) approved the amalgamation of Nordic Omega plc (the “Company”) with Pareto Nordic Omega, a sub-fund of Pareto plc, an umbrella company authorised as a qualifying investor alternative investment fund pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No.257 of 2013), as amended, with segregated liability between sub-funds). As a result, the Directors decided to terminate the Company with all assets and liabilities (apart from the liabilities representing the costs of termination and cash to cover same) of the Company being transferred into Pareto Nordic Omega.

### **21. POST BALANCE SHEET EVENTS**

There were no events subsequent to the financial period end, which require disclosure in the financial statements.

### **22. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue, on behalf of the Board of Directors on 27<sup>th</sup> August 2018.

# NORDIC OMEGA PLC

## Appendix 1 (Unaudited) 31<sup>st</sup> May 2018

### **Remuneration Policy and Procedures**

On 16<sup>th</sup> December 2014, Pareto Nordic Investments AS (and subsequently Pareto Asset Management AS) was appointed AIFM to the Company under the AIFM Directive. The AIFM is authorised pursuant to the Norwegian AIFMD regulations.

The remuneration committee of the AIFM has ultimate responsibility for the design and oversight of the remuneration arrangements. The AIFM has implemented a remuneration policy (“the Policy”), which is effective as of January 2015.

The objective of the Policy is to set remuneration at a level that the AIFM’s staff are fairly and responsibly rewarded, in a manner that is appropriately linked to their performance. The policy is also designed to attract, motivate and retain talent. The Policy includes all forms of ‘variable’ and ‘fixed’ remuneration and applies to staff of the AIFM.

The Company’s remuneration policy is regulated by the following legislation:

Norwegian Law:’ Forskrift 1. desember 2010 om godtgjørelsesordninger i finansinstitusjoner, verdipapirforetak og forvaltningsselskaper for verdipapirfond («Forskriften»’

Norwegian Regulator Circular: ‘Finanstilsynets Rundskriv 15/2014 om godtgjørelsesordninger («Rundskrivet»’

Norwegian implementation of AIFMD in Norwegian law:

1) ‘Lov 20. juni 2014 om alternative investeringsfond §§ 1-2 (d) 3-6 (AIF-loven’

2) Forskrift 26. juni 2014 til lov om alternative investeringsfond kapittel 4 (AIF-forskriften)

Guidelines on remuneration policies and practices (MiFID) (ESMA/2013/606)

Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232)

Questions and Answers - Application of the AIFMD (ESMA/2015/1873)

The AIFM has adopted a remuneration policy which is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Alternative Investment Fund’s (“AIFs”) that are managed. The remuneration policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages, and includes measures to avoid conflicts of interest.

The remuneration policy includes special remuneration rules for identified staff (senior management, risk takers and staff engaged in control functions).

Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF concerned and of the overall results of the AIFM, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

Where remuneration is performance related, 50% of the remuneration is deferred over a period of at least three financial years. The variable remuneration, including the deferred portion, is paid only if it is sustainable according to the financial situation of the AIFM as a whole, and justified according to the performance of the business unit, the AIF and the individual concerned.

# NORDIC OMEGA PLC

## Appendix 1 (Unaudited) 31<sup>st</sup> May 2018 (Continued)

Staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The remuneration committee of the AIFM will review the Policy annually or more frequently if required. The Policy is in line with the business strategy and objectives of the AIFM. The AIFM's income is dependent upon assets under management and therefore the profit available for distribution under the Policy is dependent upon the performance of the Company.

Please see below for the total remuneration paid during the period for the entire Company:

Total fixed – NOK36,424,747 (31<sup>st</sup> December 2016: NOK34,403,600)

Total variable – NOK99,249,727 (31<sup>st</sup> December 2016: NOK76,441,535)

Total number - 54 (31<sup>st</sup> December 2016: 53)

Please see below for the total remuneration paid during the period by key personnel:

Total fixed – NOK16,050,000 (31<sup>st</sup> December 2016: NOK8,202,400)

Total variable – NOK49,456,046 (31<sup>st</sup> December 2016: NOK10,850,613)

Total number - 16 (31<sup>st</sup> December 2016: 7)

### Leverage

The table below shows the maximum leverage of the Company throughout the financial period/year:

|                                | Gross Notional Method | Commitment Method |
|--------------------------------|-----------------------|-------------------|
| 31 <sup>st</sup> May 2018      | 0%                    | 0%                |
| 31 <sup>st</sup> December 2016 | 140%                  | 146%              |