

Smedvig Asset Allocation AS

Annual Report 2008

Unauthorized translation

The Company's Business

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

The Company's registered office is in Stavanger.

Review of going concern

The annual accounts are based on a going concern assumption.

Work Environment

At the turn of the year the company had three employees. As the work environment is considered good, the company has not implemented any specific measures to improve the working environment. No injuries, material damages or accidents have occurred during 2008.

Gender diversity

The Company's management consists of 50% women and 50% men. The Company's Board of Directors consists of three male Directors. Both Board and Management are committed to meet the public expectation to improve gender equality.

Natural Environment

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

Research and Development

No research and development activities have been carried out by the company this year.

The Annual Accounts

In the Board of Directors' opinion the Annual Accounts give a true and fair view of the Company's debt, financial position, and net income.

The operating revenue for 2008 (2007) was NOK 24 567 828 (NOK 18 104 579). The Company's accounts show a net income before tax of NOK 9 445 822 (NOK – 4 141 654) and a net income of NOK 6 799 946 (NOK – 4201 001).

The Company's future activities

In accordance with the Norwegian Securities Trading Act Section 9-13 1st Paragraph Smedvig Asset Allocation has been given authorization to have an initial capital balance in Norwegian Kroner corresponding to EUR 125 000. The company must ensure that the required minimum equity and subordinated loan capital is at all times fulfilled. The

company's equity and subordinated loan capital shall at all times be at least 8 percent of the basis for calculation of credit risk, market risk, and operational risk.

As of 31 December 2008 the Company's equity and subordinated loan capital was NOK 8 545 000, of which 100% was core capital and 0% additional capital. The equity and subordinated loan capital was 38,9 % of the basis for calculation in accordance with Basel II as of 31 December 2008.

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

Appropriation of profits

The Board of Directors suggests that the profit, NOK 6 799 946, be allocated as follows:

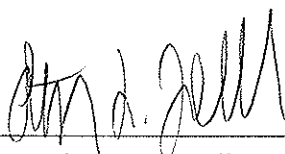
Dividends	4 000 000
Transfer to other equity	2 799 946

Stavanger, 28 January 2009

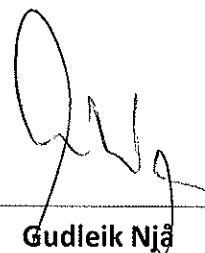
The Board of Smedvig Asset Allocation AS



Odd Torland
Chairman



Stephan L. Jervell
Board member



Gudleik Njå
Board member



John Thore Olsen
Chief Executive Officer

Smedvig Asset Allocation AS

Profit and loss account 2008

	2008	2007
Operating revenues		
Revenues	24 500 000	18 104 579
Other operating income	67 828	
Operating revenues	24 567 828	18 104 579
Operating expenses		
Salaries	-3 397 541	-3 161 217
Depreciations	-19 578	-985
Other expenses	-12 338 444	-14 529 492
Operating expenses	-15 755 563	-17 691 694
Operating profit/(loss)	8 812 265	412 885
Financial income		
Interest income	635 093	534 097
Unrealised gain on financial current assets	8 700	
Other financial income		17 354
Financial income	643 793	551 451
Financial expenses		
Realised loss on financial current assets		-4 273 665
Interest expenses	-10 236	-862 325
Financial expenses	-10 236	-5 135 990
Net income	9 445 822	-4 171 654
Tax expenses	-2 645 876	-29 347
Profit/(loss) for the year	6 799 946	-4 201 001
Provisions:		
Dividend	-4 000 000	
Other equity	-2 799 946	4 201 001
Provisions	-6 799 946	4 201 001

Smedvig Asset Allocation AS

Balance Sheet as per 31 December 2008


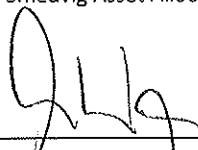
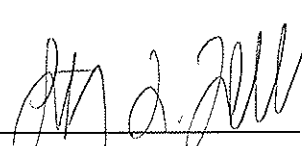
	<i>2008</i>	<i>2007</i>
ASSETS		
Fixed assets		
<u>Intangible assets</u>		
Deferred tax		727 569
Intangible assets	0	727 569
<u>Tangible assets</u>		
Office equipment	212 325	16 746
Tangible assets	212 325	16 746
Fixed assets	212 325	744 315
Current assets		
<u>Receivables</u>		
Debtors	41 867	612 304
Other short-term receivables	844 074	225 088
Receivables	885 941	837 392
<u>Bank deposits</u>		
Bank deposits	15 478 381	15 258 337
Bank deposits	15 478 381	15 258 337
Current assets	16 364 322	16 095 729
ASSETS	16 576 647	16 840 044

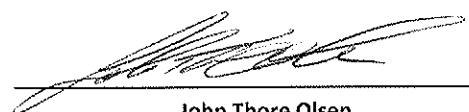
Smedvig Asset Allocation AS
Balance Sheet as per 31 December 2008

	2008	2007
EQUITY AND LIABILITIES		
Equity		
<u>Paid up equity</u>		
Share capital	1 000 000	1 000 000
Other restricted equity	4 302 251	4 302 251
Paid up capital	5 302 251	5 302 251
<u>Retained earnings</u>		
Other equity	3 242 362	442 416
Retained earnings	3 242 362	442 416
Equity	8 544 613	5 744 667
Liabilities		
<u>Long-term liabilities</u>		
Deferred tax	11 911	
Long-term liabilities	11 911	0
<u>Short-term liabilities</u>		
Dividend	4 000 000	
Creditors	468 315	3 907 336
Tax payable	1 906 396	
Public duties payable	286 697	213 478
Allocations	384 507	3 629 140
Other short-term liabilities	974 208	3 345 423
Short-term liabilities	8 020 123	11 095 377
Liabilities	8 032 034	11 095 377
EQUITY AND LIABILITIES	16 576 647	16 840 044

Stavanger, 28 January 2009

On the Board of Smedvig Asset Allocation AS:

 Odd Torland Chairman	 Gudeik Njå Board member	 Stephan Lange Jervell Board member
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John Thore Olsen
Chief Executive Officer

Smedvig Asset Allocation AS

Cash flows

	2008	207
Supplied Current assets/used on activities:		
Net cash from the year's activities ¹⁾	3 559 004	102 996
Increased creditors	-3 439 021	3 907 336
Change of other accruals	-3 244 633	-966 529
Change of other short term assets and liabilities	3 559 851	-1 280 969
Cash from operating activities	435 201	1 762 834
Cash flows from investing activities		
Capital expenditure on fixed assets	-215 157	-17 731
Purchase of securities		112 216 826
Sale of securities		
Net cash from investment activities	-215 157	112 199 095
Cash flows from financing activities		
Paid in share capital		
Debt borrowing		
Payment of debt	0	-100 000 000
Net cash provided by (used in) financing activities	0	-100 000 000
Net increase of cash	220 044	13 961 929
Cash at 1 January	15 258 337	1 296 408
Cash at 31 December	15 478 381	13 961 929
¹⁾ This total is a result from:		
Net income	6 799 946	-4 201 001
Ordinary depreciation	19 578	985
Dividend	-4 000 000	4 273 665
Change of deferred tax	739 480	29 347
Net cash from the year's activities	3 559 004	102 996

Smedvig Asset Allocation AS

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Note 1 Accounting Principles

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

The Annual Accounts consist of Income Statement, Balance Sheet, and notes and is prepared in accordance with the Companies' Act, Accounting Act, and generally accepted accounting principles for small companies in Norway as of 31 December 2007

Accounting Principles

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

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

Revenue and cost recognition (matching)

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

Assets and Liabilities

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

Deferred tax and tax cost

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

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Note 2 Fixed assets

	<i>Cars, inventory etc</i>
Acquisition cost 1 January	0
Additions	17 731
Disposals	215 157
Acquisition cost 31 December	232 888
Accumulated depreciation 31 December	20 563
Book value 31 December	212 325
Annual depreciation	19 578
Depreciation time	Up to 5 years
Depreciation method	Linear

Note 3 Ownership

	<i>Share capital</i>	<i>Other paid-in equity</i>	<i>Other equity</i>	<i>Total</i>
Share capital 1 January	1 000 000	4 302 251	442 416	5 744 667
<i>This year's change in equity:</i>				
Dividend			-4 000 000	-4 000 000
Net loss			6 799 946	6 799 946
Share Capital 31 December	1 000 000	4 302 251	3 242 362	8 544 613

	<i>No. of A shares</i>	<i>No. of B shares</i>	<i>Total no. of shares</i>	<i>Interest</i>
<i>Shareholder(s):</i>				
Peter T. Smedvig	0	75	75,00	0,0075 %
Anna Margaret Smedvig	0	500	500,00	0,0500 %
Petter Hagland	0	150	150,00	0,0150 %
Julia Hagland	0	150	150,00	0,0150 %
Odd Torland	0	75	75,00	0,0075 %
Marit S. Hovstad	0	25	25,00	0,0025 %
John Thore Olsen	0	25	25,00	0,0025 %
Smedvig & Co. Ltd	999 000	0	999000,00	99,9000 %
Total	999 000	1000	1000000,00	100 %

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Note 4 Tax

	2008	2007
Payable tax is calculated as follows		
Net loss before tax	9 445 822	-4 171 654
Permanent differences	3 738	4 276 465
Applied tax loss carry forward	-42 541	
Received Group Contribution	-2 598 462	-104 811
Basis for payable tax	6 808 557	0
Tax 28%	1 906 396	0
Payable tax on this year's net income	1 906 396	0
This year's tax cost is calculated as follows:		
Change of deferred tax	-739 480	29 347
This year's total tax cost	-739 480	29 347
Current tax in the balance sheet is calculated as follows:		
Change of deferred tax	739 480	
Payable tax on this year's net profit	1 906 396	0
Payable tax	2 645 876	0
The basis for deferred tax asset is calculated as follows:		
Reserves in fixed assets	42 541	
Tax loss carry forward		-2 598 462
Total	42 541	-2 598 462
Basis for deferred tax asset	42 541	-2 598 462
Deferred tax asset	11 911	-727 569
Relation between tax cost and tax calculated as average nominal tax rate on net income before tax		
Tax calculated as nominal tax rate on net profit before tax	-2 644 830	28 %
Effect of permanent differences	-1 047	28 %
Tax cost in the income statement	-2 645 877	28 %

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Note 5 Salary and other benefits

	<i>2008</i>	<i>2007</i>
Salary	2 878 220	1 756 528
Social security premiums	381 193	378 790
Pensions	10 297	28 746
Other benefits	127 831	997 153
Salary costs	3 397 541	3 161 217

From 1 July 2007 the company has had 2 employees

Remuneration to the managing director and the Board

	<i>Managing Director</i>	<i>Board of Directors</i>
Salary and other benefits	1 345 446	300 000
Total	1 345 446	300 000

Note 6 Pensions

The company fulfills the requirement to statutory pension scheme

Note 7 Auditors' fees

	<i>2008</i>	<i>2007</i>
Audit fee	287 200	45 000
Additional services	73 084	35 813

Note 8 Related parties

The company has signed an IT and a general management agreement with Peders Smedvig AS
The company leases premises from Løkkeveien 103 AS

	<i>2008</i>	<i>2007</i>
Operating cost: Management fee to Peder Smedvig AS	968 760	106 400
Operating cost: Fee for IT managemen to Peder Smedvig AS	106 400	
Rent: Løkkeveien 103	507 219	
Interest cost: Themelios AS		421 776
Interest cost: HKS AS		178 309
Interest cost: Petrus AS		71 919
Accounts Payable: Løkkeveien 103 AS		71 366
Other Short Term Debt: Peder Smedvig AS	367 179	178 565

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Note 9 Segments

Segments

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

Consequently, no further information on segment or geographical distribution of revenue is given.

Note 10 Required Capital

From 2007 on the company is subject to equity and subordinated loan capital requirements in accordance with the provision on capital requirements. Consequently, no numbers for 2006 is required.

Smedvig Asset Allocation has no subordinated loan capital. For 2008 the company has calculated the required capital both in accordance with the Basel II requirements as outlined below:

Risk Group	Basel II - 2008		Basel II - 2007	
	Book value	Weighted value	Book value	Weighted value
0 %	212 325	0	16 746	0
10 %	0	0	0	0
20 %	15 478 381	3 095 676	15 258 337	3 051 667
50 %	0	0	0	0
100%	885 941	885 941	837 392	837 392
Operational risk		18 003 000		17 125 000
Sum Total	16 576 647	21 984 617	16 112 475	21 014 059
Non weighted assets				
Intangibles	0		727569	
Total Assets	16 576 647		16 840 044	
Risk weighted basis for calculation		21 984 617		21014059
Equity and subordinated loan capital				
Equity		8 544 613		5 744 667
Subordinated loan capital		0		0
Deduction for intangibles		0		727 569
Equity and subordinated loan capital		8 544 613		5 017 098
Percent capital coverage		38,9 %		23,9 %
Minimum requirement		8,0 %		8,0 %

	NOK	Exchange rate	EUR
Equity and subordinated loan capital as at 31 December 2008	8 544 613	9,865	866 154

The company has been granted a licence to render asset management services and pursuant to the Norwegian Securities Trading Act Section 2-3 have a total of equity and subordinated loan capital corresponding to EUR 125 000. This requirement is fulfilled as at 31 December 2008.

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Note 11 Financial Market risk

Liquidity risk

Liquidity risk is the risk that the company may not be able to fulfil financial obligations on time. The nature of the operations implies that fees from active contracts for rendering discretionary asset management services are received after the services have been rendered. The company also have costs payable on a current basis. This may imply a risk that there may not be sufficient cash available for current obligations. The company's cash management shall, as far as possible, secure that available cash is sufficient to meet obligations when payment is due.

Market risk

The company has not invested and shall not invest in securities. Therefore, it has no exposure to market risk

Interest risk

The company's interest terms are current and therefore subject to interest fluctuations.

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Note 12 Maturity of receivables and payables

The tables indicate when receivables and payables are expected to mature

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not agreed
Deferred tax						212 325
Fixed assets						
Debtors	41 867					
Other short term receivable	844 074					
Cash in bank	15 478 381					
Total assets	16 364 322	0	0	0	0	212 325
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not agreed
Creditors	468 315					
VAT etc	286 697					
Accruals	1 906 396		1 906 396			
	384 507					
Other short term payables	653 058		321 150			
Total debt	3 698 973	0	2 227 546	0	0	0
Net cash exposure on balance sheet items	12 665 349	0	-2 227 546	0	0	212 325
Note 13 Period of fixed interest rates						

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

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest rate exposure not included
Deferred tax						212 325
Fixed assets						
Debtors				41 867		
Other short term liabilities						844 074
Cash in bank	15 478 381					
Total assets	15 478 381	0	0	41 867	0	1 056 399
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest rate exposure not included
Creditors	648 315					
VAT etc				286 697		
Accruals						384 507
Other short term payables	178 565					285 889
Total debt	835 484	0	0	286 697	0	670 396
Net interest rate exposure on balance sheet items	14 642 897	0	0	-244 830	0	386 003