

Smedvig Asset Allocation AS

Annual Report 2013

The Company's Business

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

The Company's registered office is in Stavanger.

Review of going concern

The annual accounts are based on a going concern assumption.

Work Environment

At the turn of the year the company had six employees, 4 full-time employees, 1 employee in a 50 % position and 1 employee in a 20 % position. As the work environment is considered satisfactory, the company has not implemented any specific measures to improve the working environment. Sickness absence in 2013 was 14 days, corresponding to 1.27% of the total working hours. None of these was long-term absence. No injuries, material damages or accidents have occurred during 2013.

Gender diversity

The Company's Board of Directors consists of three male Directors. The company has planned to hire a female Director to the Board in the near future. 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.

The Annual Accounts

In the Board of Directors' opinion the Annual Accounts give a true and fair view of the Company's assets, debt, financial position and net income. The operating revenue for 2013 (2012) was NOK 27 022 818 (NOK 26 515 071). The Company's accounts show a net income before tax of NOK 9 771 371 (NOK 7 534 840) and a net income of NOK 7 038 338 (NOK 5 418 901).

As of 31 December 2013 the Company's equity and subordinated loan capital was NOK 11 362 858, of which 100 % was core capital and 0 % additional capital. The equity and subordinated loan capital was 44,03 % of the basis for calculation in accordance with Basel II as of 31 December 2013.

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

The Company's future activities

In the Board's opinion the Company's financial position is good. The Company has been granted a license to render discretionary asset management services and 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 7 038 338, should be allocated as follows:

Dividends	NOK	6 000 000
Transfer to other equity	NOK	1 038 338

Stavanger, 27 February 2014

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 2013

	Note	2013	2012
Operating revenues			
Revenues	1	27 022 818	26 515 071
Operating revenues		27 022 818	26 515 071
Operating expenses			
Salaries	5 - 6	-5 420 315	-7 007 840
Depreciations	2	-725 312	-617 239
Other expenses	7 - 8	-11 437 336	-11 880 511
Operating expenses		-17 582 963	-19 505 590
Operating profit/(loss)		9 439 855	7 009 481
Financial income			
Interest income		331 693	551 782
Gains on currency exchange		4 438	6 515
Financial income		336 131	558 297
Financial expenses			
Interest expenses		-4 615	-32 938
Loss on currency exchange		0	0
Financial expenses		-4 615	-32 938
Profit before taxes		9 771 371	7 534 840
Tax expenses	4	-2 733 033	-2 115 939
Profit for the year		7 038 338	5 418 901
Provisions:			
Dividend	3	-6 000 000	-7 000 000
Other equity	3	-1 038 338	1 581 099
Provisions		-7 038 338	-5 418 901

Smedvig Asset Allocation AS
Balance Sheet as per 31 December 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
ASSETS			
Fixed assets			
<u>Intangible assets</u>			
Deferred tax asset	4	50 759	0
Intangible assets		50 759	0
<u>Tangible assets</u>			
Office equipment	2	966 480	1 625 411
Tangible assets		966 480	1 625 411
Fixed assets		1 017 239	1 625 411
Current assets			
<u>Receivables</u>			
Debtors		500 000	2 387
Other short-term receivables		1 051 117	1 052 517
Receivables		1 551 117	1 054 904
Bank deposits			
Bank deposits	13 -14	21 406 633	19 119 223
Bank deposits		21 406 633	19 119 223
Current assets		22 957 750	20 174 127
ASSETS		23 974 989	21 799 538

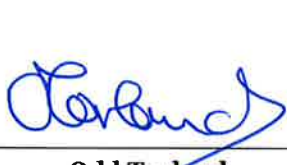
Smedvig Asset Allocation AS

Balance Sheet as per 31 December 2013

	Notes	2013	2012
EQUITY AND LIABILITIES			
<u>Paid up equity</u>			
Share capital (1,000,000 shares à NOK 1)	3	1 000 000	1 000 000
Other paid in equity	3	4 302 251	4 302 251
Paid up capital		5 302 251	5 302 251
<u>Retained earnings</u>			
Other equity	3	6 060 607	5 022 269
Retained earnings		6 060 607	5 022 269
Equity	3	11 362 858	10 324 520
Liabilities			
<u>Provisions for liabilities</u>			
Deferred tax	4	0	12 798
Provisions for liabilities		0	12 798
<u>Short-term liabilities</u>			
Dividend payable	3	6 000 000	7 000 000
Accounts payable	8	1 237 078	184 103
Taxes payable	4	2 799 290	2 104 087
Public duties payable		541 589	746 386
Accruals		1 178 675	468 750
Other short-term liabilities		855 499	958 894
Short-term liabilities		12 612 131	11 462 220
Liabilities		12 612 131	11 475 018
EQUITY AND LIABILITIES		23 974 989	21 799 538

Stavanger, 27 February 2014

On the Board of Smedvig Asset Allocation AS:


Odd Torland
Chairman


Gudleik Njå
Board member


Stephan L. Jervell
Board member


John Thore Olsen
Chief Executive Officer

Smedvig Asset Allocation AS

Cash Flow from operating activities

	2013	2012
Supplied Current assets/used on activities:		
Net cash from the year's activities ¹⁾	700 093	2 049 070
Change in creditors	1 052 975	-1 118 114
Change in other accruals	709 925	-351 928
Change in other short term assets and liabilities	-109 202	-3 955 392
Cash from operating activities	2 353 791	-3 376 364
Cash flows from investing activities		
Capital expenditure on fixed assets	-66 381	-154 178
Net cash from investment activities	-66 381	-154 178
Net increase of cash	2 287 410	-3 530 542
Cash at 1 January	19 119 223	22 649 765
Cash at 31 December	21 406 633	19 119 223
¹⁾ This total is a result from:		
Net income	7 038 338	5 418 901
Ordinary depreciation	725 312	617 239
Dividend	-7 000 000	-4 000 000
Change of deferred tax	-63 557	12 930
Net cash from the year's activities	700 093	2 049 070

Smedvig Asset Allocation AS

2013

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 2013.

Accounting Principles

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

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

Revenue and cost recognition (matching)

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

Assets and Liabilities

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

Deferred tax and tax cost

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

Smedvig Asset Allocation AS

2013

Note 2 Fixed assets

	<i>Cars, inventory etc</i>	<i>Total</i>
Acquisition cost 1 January	2 483 211	2 483 211
Additions	66 381	66 381
Disposals	0	0
Acquisition cost 31 December	2 549 592	2 549 592
Accumulated depreciation 31 December	1 583 112	1 583 112
Book value 31 December	966 480	966 480
Annual depreciation	725 312	725 312
Depreciation time	Up to 5 years	
Depreciation method	Linear	

Note 3 Equity and ownership

	<i>Share capital</i>	<i>Other paid-in equity</i>	<i>Other equity</i>	<i>Total</i>
Equity 1 January	1 000 000	4 302 251	5 022 269	10 324 520
<i>This year's change in equity:</i>				
Dividend			-6 000 000	-6 000 000
Profit for the year			7 038 338	7 038 338
Share Capital 31 December	1 000 000	4 302 251	6 060 607	11 362 858

	<i>Number of A shares</i>	<i>Number of B shares</i>	<i>Total number of shares</i>	<i>Interest</i>
<i>Shareholder(s):</i>				
Smedvig & Co. Ltd	999 000	0	999 000	99,9000 %
Anna Margaret Smedvig	0	650	650	0,0650 %
Julia Smedvig Hagland	0	150	150	0,0150 %
Peter T. Smedvig	0	75	75	0,0075 %
Odd Torland	0	75	75	0,0075 %
Marit S. Hovstad	0	25	25	0,0025 %
John Thore Olsen	0	25	25	0,0025 %
Total	999 000	1 000	1 000 000	100 %

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

Smedvig Asset Allocation AS

2013

Note 4 Tax

	2013	2012
Tax payable is calculated as follows		
Profit before taxes	9 771 371	7 534 840
Non deductible costs	-7 607	25 933
Change in temporary differences	233 702	-46 177
Basis for tax payable	9 997 466	7 514 596
Tax 28%	2 799 290	2 104 087
Tax payable on this year's net income	2 799 290	2 104 087
This year's tax cost is calculated as follows:		
Tax payable 28 %	-2 799 290	-2 104 087
Difference between assessed tax and prior year tax accruals	2 700	1 078
Change of deferred tax	63 557	-12 930
This year's total tax cost	-2 733 033	-2 115 939
Current tax in the balance sheet is calculated as follows:		
Tax payable on this year's net profit	2 799 290	2 104 087
Tax payable	2 799 290	2 104 087
The basis for the deferred tax asset is calculated as follows:		
Reserves in fixed assets	-187 996	45 706
Total	-187 996	45 706
Basis for deferred tax / (tax asset) 27 % / 28 %	-187 996	45 706
Deferred tax / (tax asset) 27 % / 28 %	-50 759	12 798
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	-2 735 983	28 %
Effect of permanent differences	2 130	28 %
Difference between assessed tax and prior year tax accruals	2 700	28 %
Effect on reduced taxrate on deferred tax / (tax asset) 27 %	-1 880	27 %
Tax expence in income statement	-2 733 033	28 %

Smedvig Asset Allocation AS

2013

Note 5 Salary and other benefits

	2013	2012
Salary	4 155 709	5 372 217
Social security premiums	670 769	834 764
Pensions	260 564	243 538
Other benefits	333 273	557 321
Salary costs	5 420 315	7 007 840

Average number of employees 5 5

Remuneration to the managing director and the Board

	Managing Director	Board of Directors
Salary	1 574 103	300 000
Other benefits	166 305	0
Total	1 740 408	300 000

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

Note 6 Pensions

The entity's defined contribution plan is organized in accordance with Norwegian legislation on defined contribution pensions ("lov om innskuddspensjon").

Note 7 Auditors' fees

	2013	2012
Audit fee incl. VAT	120 119	86 000
Additional services incl. VAT	141 299	84 500
Service provided by closely related companies incl. VAT	25 663	91 500
Total	287 081	262 000

Note 8 Related parties

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

	2013	2012
Driftshonorar: Smedvig AS	543 750	499 992
Driftskostnad: IT-drift Smedvig AS	663 750	603 284
Driftskostnad: Husleie til Løkkeveien 103 AS	600 000	873 584
Leverandørgjeld: Løkkeveien 103 AS	191 871	0

Smedvig Asset Allocation AS

2013

Note 9 Segments

Segments

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

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

Note 10 Required Capital

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

Equity and subordinated loan capital consists of core capital (paid in equity and other reserves) and supplementary capital (subordinated loans). Smedvig Asset Allocation has no subordinated loan capital. For 2012 and 2013 the company has calculated capital requirements in accordance with Basel II regulations:

Risk Group	Basel II - 2013		Basel II - 2012	
	Book value	Weighted value	Book value	Weighted value
0 %	0	0	0	0
10 %	0	0	0	0
20 %	21 406 633	4 281 327	19 119 223	3 823 845
50 %	0	0	0	0
100%	2 568 356	2 568 356	2 680 315	2 680 315
Operational risk		18 960 148		18 104 000
Total	23 974 989	25 809 831	21 799 538	24 608 160
Non weighted assets				
Intangibles	0		0	
Total Assets	23 974 989		21 799 538	
Risk weighted basis for calculation		25 809 831		24 608 160
Equity and subordinated loan capital				
Equity		11 362 858		10 324 520
Subordinated loan capital		0		0
Deduction for intangibles		0		0
Equity and subordinated loan capital		11 362 858		10 324 520
Percent capital coverage		44,03 %		41,96 %
Minimum requirement		8,00 %		8,00 %
	NOK		Exchange rate	EUR
Equity and subordinated loan capital as at 31 December 2013	11 362 858		8,424	1 348 938

The company is authorized to render active management of investor's portfolios and investment advice in accordance with the Norwegian Securities Trading Act Section 9-1 1st paragraph, cf. Section 2-1 1st paragraph number 4 and 5. In accordance with the Norwegian Securities Trading Act Section 9-13 the company is required to hold equity capital which at any time is no less than EUR 125,000.-. The capital adequacy requirement as of December 31st 2013 is fulfilled.

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. 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.

Smedvig Asset Allocation AS

2013

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 asset				50 759		
Fixed assets				966 480		
Debtors	500 000					
Other short term receivable			1 051 117			
Cash in bank	21 406 633					
Total assets	21 906 633	0	1 051 117	1 017 239	0	0
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not agreed
Accounts payable	1 237 078					
Public duties payable		541 589				
Tax			2 799 290			
Dividend		6 000 000				
Accrual		1 178 675				
Other short term liabilities			855 499			
Total debt	1 237 078	7 720 264	3 654 789	0	0	0
Net cash exposure on balance sheet items	20 669 555	-7 720 264	-2 603 672	1 017 239	0	0

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 asset						50 759
Fixed assets						966 480
Debtors						500 000
Other short term receivables						1 051 117
Cash in bank			21 406 633			
Total assets	0	0	21 406 633	0	0	2 568 356
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest rate exposure not included
Accounts payable	0					1 237 078
Public duties payable						541 589
Accruals						1 178 675
Other short term liabilities						855 499
Total debt	0	0	0	0	0	3 812 841
Net interest rate exposure on balance sheet items	0	0	21 406 633	0	0	-1 244 485

Note 14 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 237.789,-.

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Smedvig Asset Allocation AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Smedvig Asset Allocation AS, which comprise the balance sheet as at December 31, 2013, and the income statement, showing a profit of NOK 7.038.338 and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Smedvig Asset Allocation AS as at December 31, 2013,

and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, February 27th, 2014
Deloitte AS

Ommund Skailand
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]