

# **Smedvig Asset Allocation AS**

## **Annual Report 2017**

### **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 five employees. As the work environment is considered satisfactory, the company has not implemented any specific measures to improve the working environment. Sickness absence in 2017 was 55 days, corresponding to 4,5 % of the total working hours. 20 of these were long-term absence. No injuries, material damages or accidents have occurred during 2017.

### **Gender diversity**

The Company's Board of Directors consists of one female and 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**

The company does not conduct research and development.

### **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 2017 (2016) was NOK 31 049 269 (NOK 30 604 348). The Company's accounts show a net income before tax of NOK 15 450 733 (NOK 10 926 269) and a net income of NOK 11 588 072 (NOK 8 191 537).

As of 31 December 2017 the Company's equity and subordinated loan capital was NOK 11 950 827, of which was core capital 100 % and additional capital 0 %. The equity and subordinated loan capital was 45,91 % of the basis for calculation in accordance with CRD IV as of 31 December 2017.

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

### Financial risk

In the Board of Directors' opinion, the company is able to fulfill its financial obligations as they mature. The nature of the business means that the company receive advance payments from current agreements on discretionary portfolio management / investment advice. At the same time, the company has a number of costs due for payment on a continuous basis. The company's liquidity management shall, as far as possible, ensure that available liquidity is sufficient to meet the liabilities at maturity.

In that the company, does not invest in financial instruments, the company is not exposed to market risk.

The company has floating interest on bank deposits and debt, and is subject to fluctuations in loan and deposit rates.

### Business risk

In the Board of Directors' opinion, the company's risk profile is easy-to-understand and in line with the nature and scope of the business. Management Risk, Regulatory Risk and Compliance Risk are identified as the areas in which the company is exposed to the largest risk. In the opinion of the Board, the company has implemented the work processes, ICT solutions and risk mitigation measures that are necessary to carry out the company's operations in a sound, secure and appropriate way.

### 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 investment advisory 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 11 588 072, should be allocated as follows:

Dividends	NOK	10 000 000
Transfer to other equity	NOK	1 588 072

Stavanger, 9 March 2018

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  
**Marit Salte**  
Board member

# Smedvig Asset Allocation AS

## Profit and loss account 2017

	Note	2017	2016
<b>Operating revenues</b>			
Revenues	1	31 049 269	30 604 348
<b>Operating revenues</b>		<b>31 049 269</b>	<b>30 604 348</b>
<b>Operating expenses</b>			
Salaries	5 - 6	-6 879 297	-6 759 006
Depreciations	2	-126 170	-169 325
Other expenses	7 - 8	-8 723 113	-12 874 033
<b>Operating expenses</b>		<b>-15 728 580</b>	<b>-19 802 364</b>
<b>Operating profit/(loss)</b>		<b>15 320 689</b>	<b>10 801 984</b>
<b>Financial income</b>			
Interest income		143 757	181 101
<b>Financial income</b>		<b>143 757</b>	<b>181 101</b>
<b>Financial expenses</b>			
Interest expenses		-632	-4 768
Loss on currency exchange		-13 082	-52 048
<b>Financial expenses</b>		<b>-13 714</b>	<b>-56 816</b>
<b>Profit before taxes</b>		<b>15 450 732</b>	<b>10 926 269</b>
Tax expenses	4	-3 862 660	-2 734 732
<b>Profit for the year</b>		<b>11 588 072</b>	<b>8 191 537</b>
<b>Provisions:</b>			
Dividend	3	-10 000 000	-10 000 000
Other equity	3	-1 588 072	1 808 463
<b>Provisions</b>		<b>-11 588 072</b>	<b>-8 191 537</b>

# Smedvig Asset Allocation AS

## Balance Sheet as per 31 December 2017

	Notes	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<u>Intangible assets</u>			
Deferred tax asset	4	75 810	86 825
<b>Intangible assets</b>		<b>75 810</b>	<b>86 825</b>
<u>Tangible assets</u>			
Office equipment	2	93 960	220 130
<b>Tangible assets</b>		<b>93 960</b>	<b>220 130</b>
<b>Fixed assets</b>		<b>169 770</b>	<b>306 955</b>
<b>Current assets</b>			
<u>Receivables</u>			
Debtors		0	3 150
Other short-term receivables		1 114 682	1 261 540
<b>Receivables</b>		<b>1 114 682</b>	<b>1 264 690</b>
<u>Bank deposits</u>			
Bank deposits	12 - 14	27 126 746	25 285 922
<b>Bank deposits</b>		<b>27 126 746</b>	<b>25 285 922</b>
<b>Current assets</b>		<b>28 241 428</b>	<b>26 550 612</b>
<b>ASSETS</b>		<b>28 411 198</b>	<b>26 857 567</b>

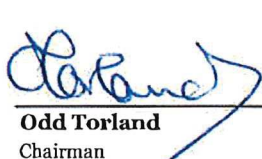



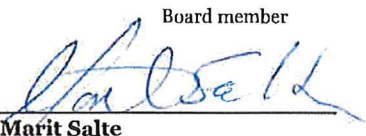


**Smedvig Asset Allocation AS**  
**Balance Sheet as per 31 December 2017**

	Notes	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<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
<b>Paid in capital</b>		<b>5 302 251</b>	<b>5 302 251</b>
<u>Retained earnings</u>			
Other equity	3	6 724 386	5 136 314
<b>Retained earnings</b>		<b>6 724 386</b>	<b>5 136 314</b>
<b>Equity</b>	3	<b>12 026 637</b>	<b>10 438 565</b>
<b>Liabilities</b>			
<u>Short-term liabilities</u>			
Dividend payable	3	10 000 000	10 000 000
Accounts payable	8	57 618	1 045 758
Taxes payable	4	3 851 645	2 716 267
Public duties payable		661 422	596 715
Accruals		689 499	864 883
Other short-term liabilities		1 124 377	1 195 379
<b>Short-term liabilities</b>		<b>16 384 561</b>	<b>16 419 002</b>
<b>Liabilities</b>		<b>16 384 561</b>	<b>16 419 002</b>
<b>EQUITY AND LIABILITIES</b>		<b>28 411 198</b>	<b>26 857 567</b>

Stavanger, 9 March 2018

On the Board of Smedvig Asset Allocation AS:

 <b>Odd Torland</b> Chairman	 <b>Gudleik Njå</b> Board member	 <b>Stephan L. Jervell</b> Board member
 <b>John T. Olsen</b> Chief Executive Officer	 <b>Marit Salte</b> Board member	

## Smedvig Asset Allocation AS

### Cash Flow from operating activities

	2017	2016
<b>Supplied Current assets/used on activities:</b>		
Net cash from the year's activities <sup>‘‘</sup>	11 725 257	8 379 327
Change in creditors	-988 140	448 288
Change in other accruals	-175 384	-1 076 934
Dividend	-10 000 000	-8 000 000
Change in other short term assets and liabilities	1 279 091	-270 588
<b>Cash from operating activities</b>	<b>1 840 824</b>	<b>-519 907</b>
<b>Net increase of cash</b>	<b>1 840 824</b>	<b>-519 907</b>
<b>Cash at 1 January</b>	<b>25 285 922</b>	<b>25 805 829</b>
<b>Cash at 31 December</b>	<b>27 126 746</b>	<b>25 285 922</b>
<b>‘‘ This total is a result from:</b>		
Net income	11 588 072	8 191 537
Ordinary depreciation	126 170	169 325
Change of deferred tax	11 015	18 465
<b>Net cash from the year's activities</b>	<b>11 725 257</b>	<b>8 379 327</b>

# Smedvig Asset Allocation AS

2017

## **Note 1 Accounting Principles**

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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 2017.

### **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

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## Note 2 Fixed assets

	<i>Cars, inventory etc</i>	<i>Total</i>
Acquisition cost 1 January	2 911 889	2 911 889
Additions	0	0
Disposals	0	0
<b>Acquisition cost 31 December</b>	<b>2 911 889</b>	<b>2 911 889</b>
Accumulated depreciation 31 December	2 817 929	2 817 929
<b>Book value 31 December</b>	<b>93 960</b>	<b>93 960</b>
Annual depreciation	126 170	126 170
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	5 136 314	10 438 565
<b><i>This year's change in equity:</i></b>				
Dividend			-10 000 000	-10 000 000
Profit for the year			11 588 072	11 588 072
<b>Share Capital 31 December</b>	<b>1 000 000</b>	<b>4 302 251</b>	<b>6 724 386</b>	<b>12 026 637</b>

	<i>Number of A shares</i>	<i>Number of B shares</i>	<i>Total number of shares</i>	<i>Interest</i>
<b><i>Shareholder(s):</i></b>				
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 %
Odd Torland	0	100	100	0,0100 %
Marit Salte	0	50	50	0,0050 %
Peter T. Smedvig	0	25	25	0,0025 %
John Thore Olsen	0	25	25	0,0025 %
<b>Total</b>	<b>999 000</b>	<b>1 000</b>	<b>1 000 000</b>	<b>100 %</b>

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

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## Note 4 Tax

	2017	2016
<b>Tax payable is calculated as follows</b>		
Profit before taxes	15 450 732	10 926 269
Permanent differences	-93	12 659
Change in temporary differences	-44 059	-73 859
<b>Basis for tax payable</b>	<b>15 406 580</b>	<b>10 865 069</b>
Tax 25 %	3 851 645	2 716 267
<b>Tax payable on this year's net income</b>	<b>3 851 645</b>	<b>2 716 267</b>
<b>This year's tax cost is calculated as follows:</b>		
Tax payable 25 %	-3 851 645	-2 716 267
Change of deferred tax	-11 015	-18 465
<b>This year's total tax cost</b>	<b>-3 862 660</b>	<b>-2 734 732</b>
<b>Current tax in the balance sheet is calculated as follows:</b>		
Tax payable on this year's net profit	3 851 645	2 716 267
<b>Tax payable</b>	<b>3 851 645</b>	<b>2 716 267</b>
<b>The basis for the deferred tax asset is calculated as follows:</b>		
Reserves in fixed assets	-303 241	-347 300
Total	-303 241	-347 300
Basis for deferred tax / (tax asset) 25 %	-303 241	-347 300
<b>Deferred tax / (tax asset) 25 %</b>	<b>-75 810</b>	<b>-86 825</b>
<b>Relation between tax cost and tax calculated as average nominal tax rate on net income before tax</b>		
Tax calculated as nominal tax rate on net profit before tax	-3 862 683	25 %
Effect of deferred tax	23	25 %
<b>Tax expense in income statement</b>	<b>-3 862 660</b>	

# Smedvig Asset Allocation AS

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## Note 5 Salary and other benefits

	2017	2016
Salary	4 796 501	4 913 873
Social security premiums	811 466	875 099
Pensions	365 894	353 239
Other benefits	905 436	616 795
<b>Salary costs</b>	<b>6 879 297</b>	<b>6 759 006</b>

Average number of employees 5 5

## Remuneration to the managing director and the Board

	Managing Director	Board of Directors
Salary	1 624 810	300 000
Other benefits	175 775	0
<b>Total</b>	<b>1 800 585</b>	<b>300 000</b>

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

	2017	2016
Audit fee incl. VAT	82 625	88 028
Additional services incl. VAT	81 629	78 548
Service provided by closely related companies incl. VAT	18 750	0
<b>Total</b>	<b>183 004</b>	<b>166 576</b>

## 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.

	2017	2016
Other expenses: Management Fee Smedvig AS	880 750	868 643
IT-cost Smedvig AS	888 601	872 658
Rent to Løkkeveien 103 AS	668 350	663 777
Accounts Payable: Løkkeveien 103 AS	0	245 727
Smedvig Eiendom AS	0	16 932

# Smedvig Asset Allocation AS

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## 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 2016 and 2017 the company has calculated capital requirements in accordance with CRD IV regulations:

Risk Group	CRD IV - 2017		CRD IV - 2016	
	Book value	Weighted value	Book value	Weighted value
0 %	0	0	0	0
10 %	0	0	0	0
20 %	27 126 746	5 425 349	25 285 922	5 057 184
50 %	0	0	0	0
100%	1 284 452	1 284 452	1 571 645	1 571 645
Operational risk		19 322 393		20 104 688
<b>Total</b>	<b>28 411 198</b>	<b>26 032 194</b>	<b>26 857 567</b>	<b>26 733 517</b>
Non weighted assets				
Intangibles	0		0	
<b>Total Assets</b>	<b>28 411 198</b>		<b>26 857 567</b>	
<b>Risk weighted basis for calculation</b>		<b>26 032 194</b>		<b>26 733 517</b>
<b>Equity and subordinated loan capital</b>				
Equity		12 026 637		10 438 565
Subordinated loan capital		0		0
Deduction for intangibles		-75 810		-86 825
<b>Equity and subordinated loan capital</b>		<b>11 950 827</b>		<b>10 351 740</b>
<b>Percent capital coverage</b>		<b>45,91 %</b>		<b>38,72 %</b>
<b>Minimum requirement</b>		<b>8,00 %</b>		<b>8,00 %</b>
		<b>NOK</b>	<b>Exchange rate</b>	<b>EUR</b>
Equity and subordinated loan capital as at 31 December 2017		11 950 827	9,839	1 214 688

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 2017 is fulfilled.

## Note 11 Capital requirements based on fixed cost

According to Kapitalkravforskriften §41-2 and rundskriv 10/2014 from Finanstilsynet the Company is required to have equity and subordinated loan capital which at any time is no less than 25% of the calculated fixed cost.

Fixed cost	2017	2016
Operating revenue	31 049 269	30 604 348
-profit before taxes	-15 450 732	-10 926 269
-variable employee cost	-243 989	-355 686
<b>Total fixed cost</b>	<b>15 354 548</b>	<b>19 322 393</b>
<b>25% of fixed cost</b>	<b>3 838 637</b>	<b>4 830 598</b>

# Smedvig Asset Allocation AS

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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 asset				75 810		
Fixed assets				93 960		
Debtors	0					
Other short term receivable			1 114 682			
Bank deposits	27 126 746					
<b>Total assets</b>	<b>27 126 746</b>	<b>0</b>	<b>1 114 682</b>	<b>169 770</b>	<b>0</b>	<b>0</b>
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not agreed
Accounts payable	57 618					
Public duties payable		661 422				
Tax			3 851 645			
Dividend		10 000 000				
Accrual		689 499				
Other short term liabilities			1 124 377			
<b>Total debt</b>	<b>57 618</b>	<b>11 350 921</b>	<b>4 976 022</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash exposure on balance sheet items</b>	<b>27 069 128</b>	<b>-11 350 921</b>	<b>-3 861 340</b>	<b>169 770</b>	<b>0</b>	<b>0</b>

## 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						75 810
Fixed assets						93 960
Debtors						0
Other short term receivables						1 114 682
Bank deposits		27 126 746				
<b>Total assets</b>	<b>0</b>	<b>27 126 746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 284 452</b>
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest rate exposure not included
Accounts payable	0					57 618
Public duties payable						661 422
Accruals						689 499
Other short term liabilities						1 124 377
<b>Total debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 532 916</b>
<b>Net interest rate exposure on balance sheet items</b>	<b>0</b>	<b>27 126 746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1 248 464</b>

## Note 14 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 253,139.