

Smedvig Asset Allocation AS

Annual Report 2015

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 2015 was 30 days, corresponding to 2,42 % of the total working hours. None of these was long-term absence. No injuries, material damages or accidents have occurred during 2015.

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.

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 2015 (2014) was NOK 31 425 784 (NOK 28 808 263). The Company's accounts show a net income before tax of NOK 11 197 298 (NOK 9 210 121) and a net income of NOK 8 165 605 (NOK 6 718 565).

As of 31 December 2015 the Company's equity and subordinated loan capital was NOK 12 247 028, of which 100 % was core capital and 0 % additional capital. The equity and subordinated loan capital was 46,72 % of the basis for calculation in accordance with Basel II as of 31 December 2015.

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 8 165 605, should be allocated as follows:

Dividends	NOK	8 000 000
Transfer to other equity	NOK	165 605

Stavanger, 10 March 2016

The Board of Smedvig Asset Allocation AS



Odd Torland
Chairman



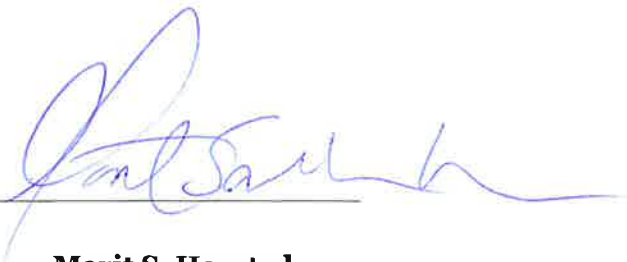
Stephan L. Jervell
Board member



Gudleik Njå
Board member



John Thore Olsen
Chief Executive Officer



Marit S. Hovstad
Board member

Smedvig Asset Allocation AS

Profit and loss account 2015

	Note	2015	2014
Operating revenues			
Revenues	1	31 425 784	28 808 263
Operating revenues		31 425 784	28 808 263
Operating expenses			
Salaries	5 - 6	-6 281 926	-6 293 551
Depreciations	2	-190 161	-749 161
Other expenses	7 - 8	-13 916 083	-12 802 301
Operating expenses		-20 388 170	-19 845 013
Operating profit/(loss)		11 037 614	8 963 250
Financial income			
Interest income		236 613	319 061
Financial income		236 613	319 061
Financial expenses			
Interest expenses		-10 962	-5 011
Loss on currency exchange		-65 967	-67 179
Financial expenses		-76 929	-72 190
Profit before taxes		11 197 298	9 210 121
Tax expenses	4	-3 031 693	-2 491 556
Profit for the year		8 165 605	6 718 565
Provisions:			
Dividend	3	-8 000 000	-6 000 000
Other equity	3	-165 605	-718 565
Provisions		-8 165 605	-6 718 565

Smedvig Asset Allocation AS
Balance Sheet as per 31 December 2015

	Notes	2015	2014
ASSETS			
Fixed assets			
<u>Intangible assets</u>			
Deferred tax asset	4	105 290	159 998
Intangible assets		105 290	159 998
<u>Tangible assets</u>			
Office equipment	2	389 455	217 320
Tangible assets		389 455	217 320
Fixed assets		494 745	377 318
Current assets			
<u>Receivables</u>			
Debtors		12 106	11 432
Other short-term receivables		1 127 572	1 082 853
Receivables		1 139 678	1 094 285
Bank deposits			
Bank deposits	12 -14	25 805 829	22 709 291
Bank deposits		25 805 829	22 709 291
Current assets		26 945 507	23 803 576
ASSETS		27 440 252	24 180 894

Smedvig Asset Allocation AS
Balance Sheet as per 31 December 2015

	Notes	2015	2014
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 in capital		5 302 251	5 302 251
<u>Retained earnings</u>			
Other equity	3	6 944 777	6 779 172
Retained earnings		6 944 777	6 779 172
Equity	3	12 247 028	12 081 423
Liabilities			
<u>Short-term liabilities</u>			
Dividend payable	3	8 000 000	6 000 000
Accounts payable	8	597 470	1 045 228
Taxes payable	4	2 976 985	2 600 795
Public duties payable		511 875	643 654
Accruals		1 941 817	643 464
Other short-term liabilities		1 165 077	1 166 330
Short-term liabilities		15 193 224	12 099 471
Liabilities		15 193 224	12 099 471
EQUITY AND LIABILITIES		27 440 252	24 180 894

Stavanger, 10 March 2016

On the Board of Smedvig Asset Allocation AS:

 Odd Torland Chairman	 Gudleik Nja Board member	 Stephan L. Jervell Board member
 John T. Olsen Chief Executive Officer	 Marit S. Hovstad Board member	

Smedvig Asset Allocation AS
Cash Flow from operating activities

	2015	2014
Supplied Current assets/used on activities:		
Net cash from the year's activities ¹⁾	8 410 474	7 358 487
Change in creditors	-447 758	-191 850
Change in other accruals	1 298 353	-535 211
Dividend	-6 000 000	-6 000 000
Change in other short term assets and liabilities	197 765	671 232
Cash from operating activities	3 458 834	1 302 658
Cash flows from investing activities		
Capital expenditure on fixed assets	-362 296	0
Net cash from investment activities	-362 296	0
Net increase of cash	3 096 538	1 302 658
Cash at 1 January	22 709 291	21 406 633
Cash at 31 December	25 805 829	22 709 291
¹⁾ This total is a result from:		
Net income	8 165 605	6 718 565
Ordinary depreciation	190 161	749 161
Change of deferred tax	54 708	-109 239
Net cash from the year's activities	8 410 474	7 358 487

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 2015.

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.

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Note 2 Fixed assets

	<i>Cars, inventory etc</i>	<i>Total</i>
Acquisition cost 1 January	2 549 593	2 549 593
Additions	362 296	362 296
Disposals	0	0
Acquisition cost 31 December	2 911 889	2 911 889
Accumulated depreciation 31 December	2 522 434	2 522 434
Book value 31 December	389 455	389 455
Annual depreciation	190 161	190 161
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	6 779 172	12 081 423
<i>This year's change in equity:</i>				
Dividend			-8 000 000	-8 000 000
Profit for the year			8 165 605	8 165 605
Share Capital 31 December	1 000 000	4 302 251	6 944 777	12 247 028

	<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.

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Note 4 Tax

	2015	2014
Tax payable is calculated as follows		
Profit before taxes	11 197 298	9 210 121
Non deductible costs	0	17 863
Change in temporary differences	-171 427	404 591
Basis for tax payable	11 025 871	9 632 575
Tax 27 %	2 976 985	2 600 795
Tax payable on this year's net income	2 976 985	2 600 795
This year's tax cost is calculated as follows:		
Tax payable 27 %	-2 976 985	-2 600 795
Change of deferred tax	-54 708	109 239
This year's total tax cost	-3 031 693	-2 491 556
Current tax in the balance sheet is calculated as follows:		
Tax payable on this year's net profit	2 976 985	2 600 795
Tax payable	2 976 985	2 600 795
The basis for the deferred tax asset is calculated as follows:		
Reserves in fixed assets	-421 159	-592 586
Total	-421 159	-592 586
Basis for deferred tax / (tax asset) 25 % / 27 %	-421 159	-592 586
Deferred tax / (tax asset) 25 % / 27 %	-105 290	-159 998
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	-3 023 270	27 %
Effect of a reduction in nominal tax rate on deferred tax	-8 423	2 %
Tax expence in income statement	-3 031 693	

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Note 5 Salary and other benefits

	2015	2014
Salary	4 561 858	4 546 971
Social security premiums	693 707	719 482
Pensions	292 863	344 631
Other benefits	733 498	682 467
Salary costs	6 281 926	6 293 551

Average number of employees 5 5

Remuneration to the managing director and the Board

	Managing Director	Board of Directors
Salary	1 716 979	300 000
Other benefits	172 144	0
Total	1 889 123	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

	2015	2014
Audit fee incl. VAT	120 000	99 875
Additional services incl. VAT	34 934	55 988
Service provided by closely related companies incl. VAT	4 000	5 250
Total	158 934	161 113

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.

	2015	2014
Other expenses: Management Fee Smedvig AS	837 500	548 125
IT-cost Smedvig AS	615 060	675 000
Rent to Løkkeveien 103 AS	624 756	612 500
Accounts Payable: Løkkeveien 103 AS	208 476	218 200
Smedvig AS	121 895	74 098
Smedvig Eiendom AS	19 996	59 000

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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 2014 and 2015 the company has calculated capital requirements in accordance with Basel II regulations:

Risk Group	Basel II - 2015		Basel II - 2014	
	Book value	Weighted value	Book value	Weighted value
0 %	0	0	0	0
10 %	0	0	0	0
20 %	25 805 829	5 161 166	22 709 291	4 541 858
50 %	0	0	0	0
100%	1 634 423	1 634 423	1 471 603	1 471 603
Operational risk		19 418 688		17 200 330
Total	27 440 252	26 214 277	24 180 894	23 213 791
Non weighted assets				
Intangibles	0		0	
Total Assets	27 440 252		24 180 894	
Risk weighted basis for calculation		26 214 277		23 213 791
Equity and subordinated loan capital				
Equity		12 247 028		12 081 423
Subordinated loan capital		0		0
Deduction for intangibles		0		0
Equity and subordinated loan capital		12 247 028		12 081 423
Percent capital coverage		46,72 %		52,04 %
Minimum requirement		8,00 %		8,00 %
	NOK		Exchange rate	EUR
Equity and subordinated loan capital as at 31 December 2015	12 247 028		9,558	1 281 378

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 2015 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.

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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				105 290		
Fixed assets				389 455		
Debtors	12 106		1 127 572			
Other short term receivable						
Bank deposits	25 805 829					
Total assets	25 817 935	0	1 127 572	494 745	0	0

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not agreed
Accounts payable	597 470					
Public duties payable		511 875				
Tax			2 976 985			
Dividend		8 000 000				
Accrual		1 941 817				
Other short term liabilities			1 165 077			
Total debt	597 470	10 453 692	4 142 062	0	0	0
Net cash exposure on balance sheet items	25 220 465	-10 453 692	-3 014 490	494 745	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						105 290
Fixed assets						389 455
Debtors						12 106
Other short term receivables						1 127 572
Bank deposits		25 805 829				
Total assets	0	25 805 829	0	0	0	1 634 423

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest rate exposure not included
Accounts payable	0					597 470
Public duties payable						511 875
Accruals						1 941 817
Other short term liabilities						1 165 077
Total debt	0	0	0	0	0	4 216 239
Net interest rate exposure on balance sheet item	0	25 805 829	0	0	0	-2 581 816

Note 14 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 251,140.

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, 2015, and the income statement, showing a profit of NOK 8.165.605 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, 2015,

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the 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, March 10th, 2016
Deloitte AS

Ommund Skailand
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]