

Annual Accounts 2019

Smedvig Asset Allocation AS

Org.nr. 988 318 574

SMEDVIG 

Smedvig Asset Allocation AS

Annual Report 2019

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. As the work environment is considered satisfactory, the company has not implemented any specific measures to improve the working environment. Sickness absence in 2019 was 22 days, corresponding to 1,81 % of the total working hours. None of these were long-term absence. No injuries, material damages or accidents have occurred during 2019.

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 2019 (2018) was NOK 32 727 592 (NOK 31 312 150). The Company's accounts show a net income before tax of NOK 15 548 205 (NOK 14 943 440) and a net income of NOK 11 657 686 (NOK 11 205 421).

As of 31 December 2019 the Company's equity and subordinated loan capital was NOK 12 841 087, of which was core capital 100 % and additional capital 0 %. The equity and subordinated loan capital was 55,51 % of the basis for calculation in accordance with CRD IV as of 31 December 2019.

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.

The company does not invest in financial instruments, and is thus not exposed to market risk.

The company has floating interest on bank deposits, and is subject to fluctuations in 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. The areas in which the company is exposed to the largest risk are Management, Compliance and Regulatory terms. 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

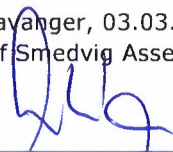
The Board of Directors suggests that the profit, NOK 11 657 686, should be allocated as follows:

Dividends:	NOK -10 000 000
Transfer to other equity	NOK -1 657 686

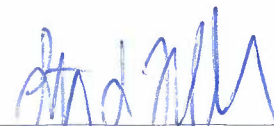
Stavanger, 03.03.2020
The board of Smedvig Asset Allocation AS



Odd Torland
Chairman of the board



Gudleik Njå
Member of the board



Stephan Lange Jervell
Member of the board



Marit Salte
Member of the board



John Thore Olsen
General Manager

Smedvig Asset Allocation AS

Revenue statement

	Note	2019	2018
Operating income			
Revenues		32 727 592	31 312 150
Total Operating income		32 727 592	31 312 150
Operating expenses			
Personnel expenses	4	-7 750 885	-7 548 848
Depreciations		0	-93 960
Other operating expenses	4, 5	-9 722 053	-8 897 943
Total Operating expenses		-17 472 938	-16 540 751
Operating profit / (loss)		15 254 654	14 771 399
Financial income			
Interest income		333 893	206 626
Other financial income		27 310	10 485
Total Financial Income		361 202	217 111
Financial expenses			
Interest expenses		-27 820	-3 739
Other financial expenses		-39 831	-41 332
Total Financial expenses		-67 651	-45 070
Profit before taxes		15 548 205	14 943 440
Tax expenses	3	-3 890 519	-3 738 019
Profit for the year	1	11 657 686	11 205 421
Brought forward			
Allocated to dividend	1	-10 000 000	-12 000 000
(To) / from other equity	1	-1 657 686	794 579
Net brought forward		-11 657 686	-11 205 421

Smedvig Asset Allocation AS

Balance sheet

ASSETS	Note	2019	2018
Fixed assets			
Intangible assets			
Deferred tax assets	3	48 657	69 510
Total intangible assets		48 657	69 510
Total fixed assets		48 657	69 510
Current assets			
Debtors			
Other short-term receivables	9, 10	1 213 765	671 142
Total receivables		1 213 765	671 142
Cash and bank deposits			
Cash and bank deposits	9, 10, 11	29 609 451	30 147 565
Total cash and bank deposits		29 609 451	30 147 565
Total current assets		30 823 216	30 818 707
ASSETS		30 871 873	30 888 217

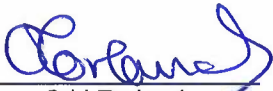
Smedvig Asset Allocation AS

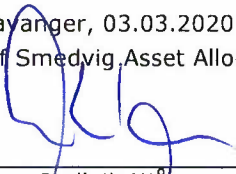
Balance sheet

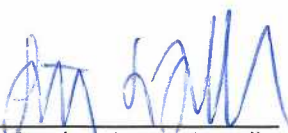
EQUITY AND LIABILITIES	Note	2019	2018
Equity			
Paid-up equity			
Share capital	1, 2	1 000 000	1 000 000
Other paid-up equity	1	4 302 251	4 302 251
Total paid-up equity		5 302 251	5 302 251
Retained earnings			
Other equity	1	7 587 493	5 929 806
Total retained earnings		7 587 493	5 929 806
Total equity		12 889 744	11 232 057
Liabilities			
Short-term liabilities			
Trade creditors	5	1 165 190	831 336
Tax payable	3	3 869 666	3 731 719
Public duties payable		593 817	463 510
Dividend	1	10 000 000	12 000 000
Other short-term liabilities		2 353 457	2 629 594
Total short-term liabilities		17 982 130	19 656 160
Total liabilities		17 982 130	19 656 160
EQUITY AND LIABILITIES		30 871 873	30 888 217


Stavanger, 03.03.2020

The board of Smedvig Asset Allocation AS


 Odd Torland
 Chairman of the board


 Gudleik Njå
 Member of the board


 Stephan Lange Jervell
 Member of the board


 Marit Salte
 Member of the board


 John Thore Olsen
 General Manager

Smedvig Asset Allocation AS

Statement of cash flow

	2019	2018
Cash flows from operating activities		
Net cash from the year's activities 1)	11 678 539	11 305 681
Change in accounts payable	333 854	773 718
Dividend	-12 000 000	-10 000 000
Change in other short-term assets and liabilities	-550 507	941 420
Net cash flows from operating activities	-538 114	3 020 819
Net change in cash and cash equivalents	-538 114	3 020 819
Cash and cash equivalents at the beg. of the period	30 147 565	27 126 746
Cash and cash equivalents at the end of the period	29 609 451	30 147 565

1) This total is a result from:

Annual net profit	11 657 686	11 205 421
Ordinary depreciation	0	93 960
Change in deferred tax	20 853	6 300
Net cash from the year's activities	11 678 539	11 305 681

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. desember 2019.

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.

Note 1 Equity capital

	Share capital	Other paid-in equity capital	Other equity capital	Total equity capital
As at 01.01.2019	1 000 000	4 302 251	5 929 806	11 232 057
This year's change in equity:				
Dividend			-10 000 000	-10 000 000
Profit for the year			11 657 686	11 657 686
As at 31.12.2019	1 000 000	4 302 251	7 587 493	12 889 744

Note 2 Shareholders

The share capital in Smedvig Asset Allocation AS as of 31.12 consists of the following share classes:

	Total	Face value	Entered
A-shares	999 000	1,00	999 000
B-shares	1 000	1,00	1 000
Total		1 000 000	1 000 000

Ownership structure:

	A-shares	B-shares	Total	Owner interest
Smedvig & Co, Ltd.	999 000	0	999 000	99,9
Anna Margaret Smedvig	0	650	650	0,1
Julia Smedvig Hagland	0	150	150	0
Odd Torland	0	100	100	0
Marit Salte	0	50	50	0
John Thore Olsen	0	25	25	0
Peter Thomas Smedvig	0	25	25	0
Total number of shares	999 000	1 000	1 000 000	100,0

Shares and options owned by the Directors of the Board and the General Manager:

Name	Position	A-shares	B-shares	Total
John Thore Olsen	General Manager	0	25	25
Marit Salte	Member of the board	0	50	50
Odd Torland	Chairman of the board	0	100	100

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

Note 3 Tax

This year's tax expense	2019	2018
Entered tax on ordinary profit/loss:		
Payable tax	3 869 666	3 731 719
Changes in deffered tax assets	20 853	6 300
Tax expense on ordinary profit/loss	3 890 519	3 738 019
Taxable income:		
Ordinary result before tax	15 548 205	14 943 440
Permanent differences	13 869	8 638
Changes in temporary differences	-83 412	-25 200
Taxable income	15 478 662	14 926 877
Payable tax in the balance:		
Payable tax on this year's result	3 869 666	3 731 719
Total payable tax in the balance	3 869 666	3 731 719
Calculation of effective tax rate:		
Profit before tax	15 548 205	14 943 440
Calculated tax on profit before tax	3 887 051	3 735 860
Tax effect of permanent differences	3 467	2 159
Total	3 890 519	3 738 019
Effective tax rate	25,0 %	25,0 %

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	2019	2018	Difference
Tangible assets	-194 628	-278 041	-83 412
Total	-194 628	-278 041	-83 412
Deferred tax assets (25 %)	-48 657	-69 510	-20 853

Note 4 Salary costs and benefits, remuneration to the chief executive, board and auditor

Salary costs	2019	2018
Salaries and remunerations	5 716 495	5 309 455
Employment tax and financial tax	1 170 588	1 133 813
Pension costs	342 772	392 324
Other benefits	521 031	713 257
Total	7 750 885	7 548 848

In 2019 the company employed 5,1 man-years.

Pension liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of this Act.

Remuneration to leading personnel	Managing Director	Board
Salaries	1 925 415	0
Pension costs	115 692	0
Other remuneration	198 592	300 000
Total	2 239 699	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.

Auditor

	2019	2018
Audit fees expensed	132 086	125 111
Audit-related services	217 491	53 579
Legal fees for services received from Deloitte Advokater	115 500	113 925

Note 5 Inter-company items between companies in the same group

The company has signed an IT and a general management agreement with Smedvig AS.

	2019	2018
Other expenses:		
Management fees Smedvig AS	930 000	901 890
IT-services Smedvig AS	1 020 787	899 662
Rent to Løkkeveien 103 AS	1 037 789	1 031 948
Accounts payable:		
Løkkeveien 103 AS	228 540	225 369
Smedvig AS	978	117 836
Smedvig Eiendom AS	0	20 097

Smedvig Eiendom AS and Løkkeveien 103 AS is part of Smedvig Group which is 100% owned by companies controlled by members of the Smedvig family.

Note 6 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.

Note 7 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 2018 and 2019 the company has calculated capital requirements in accordance with CRD IV regulations:

Risk Group	CRD IV - 2019		CRD IV - 2018	
	Book value	Weighted value	Book value	Weighted value
0 %	0	0	0	0
10 %	0	0	0	0
20 %	29 609 451	5 921 890	30 147 565	6 029 513
50 %	0	0	0	0
100%	1 262 422	1 262 422	740 652	740 652
Operational risk	0	15 948 555	0	15 354 548
Total	30 871 873	23 132 868	30 888 217	22 124 713
Non weighted assets:				
Intangibles	0		0	
Total assets	30 871 873		30 888 217	
Risk weighted basis for calculation		23 132 868		22 124 713
Equity and subordinated loan capital				
Equity		12 889 744		11 232 057
Subordinated loan capital		0		0
Deduction for intangibles		-48 657		-69 510
Equity and subordinated loan capital		12 841 087		11 162 547
Percent capital coverage		55,51 %		50,45 %
Minimum requirements		8,00 %		8,00 %
		NOK	Exchange rate	EUR
Equity and subordinated loan capital as at 31.12.2019		12 841 087	9,8638	1 301 840

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 2019 is fulfilled.

Note 8 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	2019	2018
Operating revenue	32 727 592	31 312 150
-profit before taxes	-15 548 205	-14 943 440
-variable employee cost	-373 673	-420 155
Total fixed cost	16 805 714	15 948 555
25% of fixed cost	4 201 429	3 987 139

Note 9 Maturity of receivables and payables

The tables indicate when receivables and payables are expected to mature.

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Other short term receivables	0	0	1 213 765	0	0	0
Bank deposits	29 609 451	0	0	0	0	0
Total assets	29 609 451	0	1 213 765	0	0	0

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Accounts payables	-1 165 190	0	0	0	0	0
Public duties payables	0	-593 817	0	0	0	0
Tax	0	0	-3 869 666	0	0	0
Dividend	0	-10 000 000	0	0	0	0
Other short term debt	0	0	-2 353 457	0	0	0
Total debt	-1 165 190	-10 593 817	-6 223 123	0	0	0

Net cash exposure on balance sheet items	28 444 261	-10 593 817	-5 009 358	0	0	0
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Note 10 Period of fixed interest rates

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

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Without interest exposure
Other short term receivables	0	0	0	0	0	1 213 765
Bank deposits	0	29 609 451	0	0	0	0
Total assets	0	29 609 451	0	0	0	1 213 765

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Without interest exposure
Accounts payables	0	0	0	0	0	-1 165 190
Public duties payables	0	0	0	0	0	-593 817
Other short term debt	0	0	0	0	0	-2 353 457
Total debt	0	0	0	0	0	-4 112 464

Net interest exposure on balance sheet items

0	29 609 451	0	0	0	-2 898 698
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Note 11 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 287 181.

To the General Meeting of Smedvig Asset Allocation AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Smedvig Asset Allocation AS showing a profit of NOK 11 657 686. The financial statements comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and 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.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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, 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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 proposed allocation of the result 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, 3 March 2020
Deloitte AS

Ommund Skailand

State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.