

Annual Accounts 2020

Smedvig Asset Allocation AS

Org.nr. 988 318 574

SMEDVIG 

Smedvig Asset Allocation AS

Annual Report 2020

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 license to provide active management and investment advice was returned 6 July 2020. On the same day (6 July 2020), Smedvig Asset Allocation AS received a license from Finanstilsynet for the management of alternative investment funds pursuant to section 2-2, first paragraph, of the Act on the Management of Alternative Investment Funds.

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, five full time and one student working part time. As the work environment is considered satisfactory, the Company has not implemented any specific measures to improve the working environment. Sickness absence in 2020 was 33 days, corresponding to 2,51 % of the total working hours. None of these were long-term absence. No injuries, material damages or accidents have occurred during 2020.

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 2020 (2019) was NOK 32 851 066 (NOK 32 727 592). The Company's accounts show a net income before tax of NOK 15 825 382 (NOK 15 548 205) and a net income of NOK 11 868 758 (NOK 11 657 686).

As of 31 December 2020 the Company's equity and subordinated loan capital was NOK 14 724 442.

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 agreement on management of alternative investment funds. 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 an authorization for management of alternative investment funds, and has entered into a long-term management agreement that ensures a good foundation for future operations.

The Company's operations and future activities are not impacted by Covid-19.

Appropriation of profits

The Board of Directors suggests that the profit, NOK 11 868 758, should be allocated as follows:

Dividends	NOK 10 000 000
Transfer to other equity	NOK 1 868 758

Stavanger, 03.03.2021

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	2020	2019
Operating income			
Revenues		32 851 066	32 727 592
Total Operating income		<u>32 851 066</u>	<u>32 727 592</u>
Operating expenses			
Personnel expenses	2	8 616 474	7 750 885
Other operating expenses	2, 3	8 482 538	9 722 053
Total Operating expenses		<u>17 099 012</u>	<u>17 472 938</u>
Operating profit / (loss)		<u>15 752 054</u>	<u>15 254 654</u>
Financial income			
Interest income		132 597	333 893
Other financial income		33 187	27 310
Total Financial Income		<u>165 785</u>	<u>361 202</u>
Financial expenses			
Interest expenses		1 264	27 820
Other financial expenses		91 192	39 831
Total Financial expenses		<u>92 456</u>	<u>67 651</u>
Profit before taxes		<u>15 825 382</u>	<u>15 548 205</u>
Tax expenses	6	<u>-3 956 624</u>	<u>-3 890 519</u>
Profit for the year	5	<u>11 868 758</u>	<u>11 657 686</u>
Brought forward			
Allocated to dividend	5	10 000 000	10 000 000
(To) / from other equity	5	1 868 758	1 657 686
Net brought forward		<u>11 868 758</u>	<u>11 657 686</u>

Smedvig Asset Allocation AS

Balance sheet

ASSETS	Note	2020	2019
Fixed assets			
Intangible assets			
Deferred tax assets	6	<u>34 060</u>	<u>48 657</u>
Total intangible assets		<u>34 060</u>	<u>48 657</u>
Total fixed assets		<u>34 060</u>	<u>48 657</u>
Current assets			
Debtors			
Other short-term receivables	9, 10	<u>641 104</u>	<u>1 213 765</u>
Total receivables		<u>641 104</u>	<u>1 213 765</u>
Cash and bank deposits			
Cash and bank deposits	7, 9, 10	<u>32 287 435</u>	<u>29 609 451</u>
Total cash and bank deposits		<u>32 287 435</u>	<u>29 609 451</u>
Total current assets		<u>32 928 539</u>	<u>30 823 216</u>
ASSETS		<u>32 962 599</u>	<u>30 871 873</u>

Smedvig Asset Allocation AS

Balance sheet

EQUITY AND LIABILITIES	Note	2020	2019
Equity			
Paid-up equity			
Share capital	4, 5	1 000 000	1 000 000
Other paid-up equity	5	4 302 251	4 302 251
Total paid-up equity		<u>5 302 251</u>	<u>5 302 251</u>
Retained earnings			
Other equity	5	9 456 251	7 587 493
Total retained earnings		<u>9 456 251</u>	<u>7 587 493</u>
Total equity		<u>14 758 502</u>	<u>12 889 744</u>
Liabilities			
Short-term liabilities			
Trade creditors	3, 9, 10	527 401	1 165 190
Tax payable	6, 9, 10	3 942 027	3 869 666
Public duties payable	9, 10	515 571	593 817
Dividend	5, 9, 10	10 000 000	10 000 000
Other short-term liabilities	9, 10	3 219 098	2 353 457
Total short-term liabilities		<u>18 204 097</u>	<u>17 982 130</u>
Total liabilities		<u>18 204 097</u>	<u>17 982 130</u>
EQUITY AND LIABILITIES		<u>32 962 599</u>	<u>30 871 873</u>

Stavanger, 03.03.2021

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

	2020	2019
Cash flows from operating activities		
Net cash from the year's activities 1)	11 883 355	11 678 539
Change in accounts payable	-637 789	333 854
Change in other short-term assets and liabilities	1 432 418	-550 507
Net cash flows from operating activities	<u>12 677 984</u>	<u>11 461 886</u>
Cash flows from financing activities		
Dividend	-10 000 000	-12 000 000
Net cash flows from financing activities	<u>-10 000 000</u>	<u>-12 000 000</u>
Net change in cash and cash equivalents	<u>2 677 984</u>	<u>-538 114</u>
Cash and cash equivalents at the beg. of the period	<u>29 609 451</u>	<u>30 147 565</u>
Cash and cash equivalents at the end of the period	<u>32 287 435</u>	<u>29 609 451</u>

1) This total is a result from:

Annual net profit	11 868 758	11 657 686
Change in deferred tax	14 597	20 853
Net cash from the year's activities	<u>11 883 355</u>	<u>11 678 539</u>

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 2020.

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 2 Salary costs and benefits, remuneration to the Chief Executive, Board and Auditor

Salary costs	2020	2019
Salaries and remunerations	6 366 371	5 716 495
Employment tax and financial tax	1 175 521	1 170 588
Pension costs	360 452	342 772
Other benefits	714 130	521 031
Total	8 616 474	7 750 885

In 2020 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	1 975 911	0
Pension costs	110 044	0
Other remuneration	194 109	300 000
Total	2 280 064	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	2020	2019
Audit fees expensed	64 969	132 086
Audit-related services	31 530	217 491
Legal fees for services received from Deloitte Advokater	0	115 500

Note 3 Inter-company items between companies in the same group

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

	2020	2019
Other expenses:		
Management fees Smedvig AS	957 900	930 000
IT-services Smedvig AS	943 133	1 020 787
Rent to Løkkeveien 103 AS	1 014 808	1 037 789
Rent to Smedvig Eiendom AS - company cabins	136 425	135 522
Accounts payable:		
Løkkeveien 103 AS	231 489	228 540
Smedvig AS	125 390	978

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

Note 4 Shareholders

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

	Total	Face value	Entered
Ordinary shares	999 000	1,0	999 000
B-shares	1 000	1,0	1 000
Total	1 000 000		1 000 000

Ownership structure

Shareholders in % at year end:

	Ordinary	B-shares	Total	Owner interest
Smedvig & Co Ltd	999 000		999 000	99,900
Anna Margaret Smedvig		650	650	0,065
Julia Smedvig Hagland		150	150	0,015
Odd Torland		100	100	0,010
Marit Salte		50	50	0,005
John Thore Olsen		25	25	0,003
Peter Thomas Smedvig		25	25	0,003
Total number of shares	999 000	1 000	1 000 000	100,000

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

Name	Position	Ordinary	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
Total number of shares		0	175	175

Share class A has full voting and dividend rights. Share class B has no voting rights and limited dividend rights.

Note 5 Equity capital

	Share capital	Other paid-up equity	Other equity	Total equity
As at 01.01.2020	1 000 000	4 302 251	7 587 493	12 889 744
This year's change in equity:				
Profit for the year			11 868 758	11 868 758
Dividend			-10 000 000	-10 000 000
As at 31.12.2020	1 000 000	4 302 251	9 456 251	14 758 502

Note 6 Tax

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	3 942 027	3 869 666
Changes in deferred tax assets	14 597	20 853
Tax expense on ordinary profit/loss	3 956 624	3 890 519
Taxable income:		
Ordinary result before tax	15 825 382	15 548 205
Permanent differences	1 112	13 869
Changes in temporary differences	-58 389	-83 412
Taxable income	15 768 106	15 478 662
Payable tax in the balance:		
Payable tax on this year's result	3 942 027	3 869 666
Total payable tax in the balance	3 942 027	3 869 666

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

	2020	2019	Difference
Tangible assets	-136 240	-194 628	-58 389
Total	-136 240	-194 628	-58 389
Basis for deferred tax assets	-136 240	-194 628	-58 389
Deferred tax assets (25 %)	-34 060	-48 657	-14 597

Note 7 Bank deposits

Bank deposits, cash etc. include withholding tax of NOK 302 993.

Note 8 Required Capital

The Company is subject to equity and subordinated loan capital requirements in accordance with the Regulations on alternative investment funds.

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 2019 the Company has calculated capital requirements in accordance with CRD IV regulations and in 2020 in accordance with AIF regulations.

Equity and subordinated loan capital	AIF - 2020	CRD IV - 2019
Equity	14 758 502	12 889 744
Subordinated loan capital	0	0
Deduction for intangibles	-34 060	-48 657
Equity and subordinated loan capital	14 724 442	12 841 087

Calculation of required capital	2020
Basis of calculation:	
Assets under management (EUR)	815 150 761 €
Assets under management exceeding MEUR 250	565 150 761 €
Required capital:	
Startcapital required (EUR)	125 000 €
0,02% of assets under management exceeding MEUR 250	113 030 €
Required equity and subordinated loan capital (EUR)	238 030 €

The Company's authorization was changed in 2020 and there are thus no comparative figures for 2019.

	EUR	FX rate	NOK
Required equity and subordinated loan capital in NOK as at 31.12.2020	238 030	10,4703	2 492 247

Fixed cost	2020	2019
Operating revenue	32 851 066	32 727 592
-profit before taxes	-15 825 382	-15 548 205
-variable employee cost	-1 030 831	-373 673
Total fixed cost	15 994 852	16 805 714
25% of fixed cost	3 998 713	4 201 429

The Company is authorized to render alternative investment funds. In accordance with the Norwegian Alternative Investment Fund Act the Company is required to have equity and subordinated loan which is at least a fourth of fixed cost or required capital.

The required equity and subordinated loan capital was fulfilled as at 31.12.2020.

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	641 104	0	0	0
Bank deposits	32 287 435	0	0	0	0	0
Total assets	32 287 435	0	641 104	0	0	0

	Within 1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	over 5 yr	Maturity not agreed
Accounts payables	-527 401	0	0	0	0	0
Public duties payables	0	-504 891	0	0	0	0
Tax	0	0	-3 942 027	0	0	0
Dividend	0	-10 000 000	0	0	0	0
Other short term debt	0	0	-3 229 778	0	0	0
Total debt	-527 401	-10 504 891	-7 171 805	0	0	0

Net cash exposure on balance sheet items	31 760 034	-10 504 891	-6 530 702	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	641 104
Bank deposits	0	32 287 435	0	0	0	0
Total assets	0	32 287 435	0	0	0	641 104

	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	-527 401
Public duties payables	0	0	0	0	0	-504 891
Other short term debt	0	0	0	0	0	-3 229 778
Total debt	0	0	0	0	0	-4 262 070

Net interest exposure on balance sheet items	0	32 287 435	0	0	0	-3 620 966
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Note 11 Other matters

COVID-19 Virus

The Company has assessed the situation as a result of the coronavirus and what consequences it may have for the Company.

The Company's operations have so far not been particularly affected. Additional risk assessments have been carried out and discussed with the Company's board of Directors. It has been concluded that during 2020 there has been no need to implement risk-reducing measures beyond the use of a home office for the Company's employees.

During the year, there have been large fluctuations in the financial markets. For the year as a whole, it was a good year in the financial markets and the Company's revenues were higher than budgeted. The Company's liquidity and solvency have strengthened throughout the year. Given the Company's Investment Management Agreement, which ensures a minimum income independent of the movements in the financial markets, fluctuations in the financial markets have little effect on the Company's liquidity and solvency.