

Annual Accounts 2022

Smedvig Asset Allocation AS

Org.nr. 988 318 574

SMEDVIG 



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Smedvig Asset Allocation AS

Annual Report 2022

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 is the appointed manager for Smedvig Funds plc.

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 seven employees, six 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 2022 was 32 days, corresponding to 2,12 % of the total working hours. None of these were long-term absence. No injuries, material damages or accidents have occurred during 2022.

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 2022 (2021) was NOK 28 804 844 (NOK 35 438 286). The Company's accounts show a profit before tax of NOK 5 987 034 (NOK 17 979 794) and a profit of NOK 4 489 958 (NOK 13 484 685).

As of 31 December 2022 the Company's subordinated capital was NOK 17 094 978.

The Company is well within the current regulations with regard to subordinated capital and capital adequacy.

The board members and the general manager are insured with an insurance sum of MNOK 5 for their possible liability to the company and third parties.



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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 receives advance payments of investment management fees from funds under management. 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 rate 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 Investment Management, Compliance and Regulatory conditions. 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.

Appropriation of profits

The Board of Directors suggests that the profit, NOK 4 489 958, should be allocated as follows:

Dividends	NOK	5 000 000
Transfer from other equity	NOK	-510 042

Stavanger, 02.03.2023
The board of Smedvig Asset Allocation AS

Gudleik Njå
Member of the board

Stephan Lange Jervell
Member of the board

Marit Salte
Member of the board

John Thore Olsen
General Manager

Klaus De Vibe
Chairman of the board



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Smedvig Asset Allocation AS

Revenue statement

	Note	2022	2021
Operating income			
Revenues	2	28 804 844	35 438 286
Total Operating income		28 804 844	35 438 286
Operating expenses			
Personell expenses	3	12 252 927	8 525 205
Other expenses	3, 4	10 941 073	8 962 447
Total Operating expenses		23 194 000	17 487 652
Operating profit / (loss)		5 610 844	17 950 634
Financial income			
Interest income		462 903	72 875
Total Financial Income		462 903	72 875
Financial expenses			
Other financial expenses		86 713	43 715
Total Financial expenses		86 713	43 715
Profit before taxes		5 987 034	17 979 794
Tax expenses	5	-1 497 076	-4 495 109
Profit for the year	6	4 489 958	13 484 685
Attributable to			
Ordinary dividend	6	5 000 000	10 000 000
To / (from) other equity	6	-510 042	3 484 685
Total		4 489 958	13 484 685



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Smedvig Asset Allocation AS

Balance sheet

ASSETS	Note	2022	2021
Non-current assets			
Intangible assets			
Deferred tax assets	5	638 168	23 842
Total intangible assets		638 168	23 842
Total non-current assets		638 168	23 842
Current assets			
Debtors			
Accounts receivables	4	0	511 696
Other short-term receivables	8, 9	1 374 564	1 180 407
Total receivables		1 374 564	1 692 102
Cash and cash equivalents			
Cash and cash equivalents	8, 9, 10	30 482 693	37 172 328
Total cash and bank deposits		30 482 693	37 172 328
Total current assets		31 857 257	38 864 430
ASSETS		32 495 425	38 888 272



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Smedvig Asset Allocation AS

Balance sheet

EQUITY AND LIABILITIES	Note	2022	2021
Equity			
Paid-in capital			
Share capital	6, 7	1 000 000	1 000 000
Other paid-up equity	6	4 302 251	4 302 251
Total paid-up equity		5 302 251	5 302 251
Retained earnings			
Other equity	6	12 430 895	12 940 937
Total retained earnings		12 430 895	12 940 937
Total equity		17 733 146	18 243 188
Liabilities			
Provisions			
Provision for liabilities	3, 8, 9	2 485 915	2 312 506
Total provisions		2 485 915	2 312 506
Short-term liabilities			
Trade payables	4, 8, 9	1 005 269	1 582 705
Tax payable	5, 8, 9	2 111 402	4 484 891
Public duties payable	8, 9	789 765	636 386
Dividends	6, 8	5 000 000	10 000 000
Other short-term liabilities	3, 8, 9	3 369 928	1 628 597
Total short-term liabilities		12 276 364	18 332 578
Total liabilities		14 762 279	20 645 084
EQUITY AND LIABILITIES		32 495 425	38 888 272

Stavanger, 02.03.2023
The board of Smedvig Asset Allocation AS

Gudleik Njå
Member of the board

Stephan Lange Jervell
Member of the board

Marit Salte
Member of the board

John Thore Olsen
General Manager

Klaus De Vibe
Chairman of the board



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Smedvig Asset Allocation AS

Statement of cash flow

	2022	2021
Cash flows from operating activities		
Net cash from the year's activities 1)	3 875 632	13 494 903
Change in accounts receivable	511 696	-511 696
Change in accounts payable	-577 436	1 055 304
Change in other short-term receivables and liabilities	-499 527	846 380
Net cash flows from operating activities	<u>3 310 365</u>	<u>14 884 892</u>
Cash flows from financing activities		
Dividend	-10 000 000	-10 000 000
Net cash flows from financing activities	<u>-10 000 000</u>	<u>-10 000 000</u>
Net change in cash and cash equivalents	<u>-6 689 635</u>	<u>4 884 892</u>
Cash and cash equivalents at the beg. of the period	37 172 328	32 287 435
Cash and cash equivalents at the end of the period	<u>30 482 693</u>	<u>37 172 327</u>
1) This total is a result from:		
Net profit or loss	4 489 958	13 484 685
Change in deferred tax	-614 326	10 218
Net cash from the year's activities	<u>3 875 632</u>	<u>13 494 903</u>



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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 2022.

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.

Currency

All balance sheet items denominated in foreign currencies are translated into NOK at the exchange rate prevailing at the balance sheet date.



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Note 2 Sales income

The Company has only one business area.

Note 3 Personell expenses and other benefits

Personell expenses	2022	2021
Salaries and remunerations	9 309 942	6 528 886
Employment tax and financial tax	1 779 508	1 284 288
Pension costs	489 494	400 619
Other benefits	673 983	311 411
Total	12 252 927	8 525 205

In 2022 the Company employed 6,1 man-years.

Auditor	2022	2021
Audit fees expensed	103 188	90 983
Audit-related services	4 536	92 154

Note 4 Inter-company items between companies in the same group

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

	2022	2021
Other expenses:		
Management fees Smedvig AS	1 041 250	996 500
IT-services Smedvig AS	1 238 567	1 002 281
Rent to Løkkeveien 103 AS	-24 416	789 440
Rent to Øvre Strandgate 124 AS	719 069	145 966
Rent to Smedvig Eiendom AS - company cabins	47 216	47 215
Accounts receivable / payable:		
Accounts receivable from Smedvig AS	0	148 962
Accounts receivable from Smedvig Eiendom AS	0	19 536
Accounts payable to Øvre Strandgate 124 AS	161 207	115 967
Accounts payable to Smedvig AS	85 593	402 380
Accounts payable to Smedvig Eiendom AS	0	47 215

Smedvig Eiendom AS, Løkkeveien 103 AS and Øvre Strandgate 124 AS is part of Smedvig AS Group which is 100% owned by companies controlled by members of the Smedvig family.



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Note 5 Tax

This year's tax expense	2022	2021
Entered tax on ordinary profit/loss:		
Payable tax	2 111 402	4 484 891
Changes in deferred tax assets	-614 326	10 218
Tax expense on ordinary profit/loss	1 497 076	4 495 109

Taxable income:		
Result before tax	5 987 034	17 979 794
Permanent differences	1 270	640
Changes in temporary differences	2 457 305	-40 872
Taxable income	8 445 609	17 939 562

Payable tax in the balance:		
Payable tax on this year's result	2 111 402	4 484 891
Total payable tax in the balance	2 111 402	4 484 891

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

	2022	2021	Difference
Tangible assets	-66 758	-95 368	-28 610
Allocations and more	-2 485 915	0	2 485 916
Total	-2 552 673	-95 368	2 457 305
Basis for deferred tax assets	-2 552 673	-95 368	2 457 305
Deferred tax assets (25 %)	-638 168	-23 842	614 326

Deferred tax assets are capitalised based on expectations of future taxable profits.



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Note 6 Equity capital

	Share capital	Other paid-up equity	Other equity	Total equity
As at 01.01.2022	1 000 000	4 302 251	12 940 937	18 243 188
This year's change in equity:				
Profit for the year			4 489 958	4 489 958
Dividend			-5 000 000	-5 000 000
As at 31.12.2022	1 000 000	4 302 251	12 430 895	17 733 146

Note 7 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
Total number of shares		0	75	75

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



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Note 8 Maturity of receivables and payables

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

	Within			Over		Maturity
	1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	5 yr	not agreed
Other short term receivable	0	0	1 374 564	0	0	0
Bank deposits	399 891	0	0	0	0	30 082 802
Total assets	399 891	0	1 374 564	0	0	30 082 802

	Within			Over		Maturity
	1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	5 yr	not agreed
Provision for liabilities	0	0	0	2 485 915	0	0
Accounts payable	1 005 269	0	0	0	0	0
Public duties payable	0	789 765	0	0	0	0
Tax payable	0	0	2 111 402	0	0	0
Dividend	0	5 000 000	0	0	0	0
Other short term debt	0	0	3 369 928	0	0	0
Total debt	1 005 269	5 789 765	5 481 330	2 485 915	0	0

Net cash exposure on						
balance sheet items						
	-605 377	-5 789 765	-4 106 766	-2 485 915	0	30 082 802

The Company has no bad debt provision either this year or last year, nor is there expected any loss on the receivables.

Note 9 Period of fixed interest rates

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

	Within				Over		Without
	1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	5 yr	interest	exposure
Other short term receivable	0	0	0	0	0	0	1 374 564
Bank deposits	0	30 482 693	0	0	0	0	0
Total assets	0	30 482 693	0	0	0	0	1 374 564

	Within				Over		Without
	1 mos	1 - 3 mos	3 - 12 mos	1 - 5 yr	5 yr	interest	exposure
Provision for liabilities	0	0	0	0	0	0	2 485 915
Accounts payable	0	0	0	0	0	0	1 005 269
Public duties payable	0	0	0	0	0	0	789 765
Tax payable	0	0	2 111 402	0	0	0	0
Other short term debt	0	0	0	0	0	0	3 369 928
Total debt	0	0	2 111 402	0	0	0	7 650 877

Net interest exposure on							
balance sheet items							
	0	30 482 693	-2 111 402	0	0	0	-6 276 313



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Note 10 Bank deposits

Bank deposits, cash etc. including tax deductions of NOK 399 891.

Note 11 Capital Requirements

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

Subordinated capital consists of core capital (paid in equity and other reserves) and supplementary capital (subordinated loans). Smedvig Asset Allocation has no subordinated loans.

The Company has calculated capital requirements in accordance with AIF regulations.

Subordinated capital	AIF - 2022	AIF - 2021
Equity	17 733 146	18 243 188
Subordinated loans	0	0
Deduction for intangibles	-638 168	-23 842
Subordinated capital	17 094 978	18 219 346

Calculation of capital requirements	2022	2021
<i>Basis of calculation:</i>		
Assets under management (EUR)	1 474 750 253 €	1 181 667 785 €
Assets under management exceeding MEUR 250	1 224 750 253 €	931 667 785 €
<i>Capital requirement:</i>		
Start capital required (EUR)	125 000 €	125 000 €
0,02% of assets under management exceeding MEUR 250	244 950 €	186 334 €
Required subordinated capital (EUR)	369 950 €	311 334 €

	EUR	FX rate	NOK
Required subordinated capital in NOK as at 31.12.2022	369 950 €	10,5138	3 889 581

Fixed cost	2022	2021
Operating revenue	28 804 844	35 438 286
-profit before taxes	-5 987 034	-17 979 794
-variable employee cost	-2 809 918	-1 016 724
Total fixed cost	20 007 892	16 441 767
25% of fixed cost	5 001 973	4 110 442

The Company has a license to manage alternative investment funds. In accordance with the Norwegian Alternative Investment Fund Act the Company is required to have subordinated capital which is at least a fourth of fixed cost or required capital.

The subordinated capital requirement was fulfilled as at 31.12.2022.



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Note 12 Financial market risk

The Company is able to fulfill its financial obligations as they mature. The nature of the business means that the Company receive advance payments of investment management fees from funds under management. 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.

Note 13 Liquidity risk

The Company has floating interest rate on bank deposits, and is subject to fluctuations in deposit rates.

Note 14 Key figures

	2022	2021
Asset under management (EUR)	1 474 750 253 €	1 181 667 785 €
Asset under management (NOK)	15 505 229 210	11 803 443 171
Profit for the year	4 489 958	13 484 685
Profit for the year in % of assets under management	0,03 %	0,11 %

Note 15 Other matters

The Company has assessed what consequences the Ukraine-war has had and may have on the Company.

The war in Ukraine has had minimal direct impact on the operations of the Company. All operations are in Norway and Ireland so offices and employees are not directly affected. The war has led to increased demands for follow-up of exposure to Russia, Belarus and Ukraine. This has had no impact on the performance of compliance checks. Money laundering controls have been affected by new sanctions against persons and transactions associated with Russia and Belarus. This has been handled in collaboration with the Administrator for Smedvig Funds plc. within existing routines. We have had no exposure to investors in the sanctioned countries. The conflict has had a direct impact on financial markets both in the form of increased uncertainty/volatility in general, contribution to negative market development and restrictions on investments in Russia and Belarus. We have had no direct exposure to Russia, Belarus or Ukraine, but we have had some indirect exposure through third-party funds. Total exposure was minimal, and this has essentially been completely written off during the year. The write-off has affected the result for our customer in 2022. The consequences of the market unrest for the Company have materialized in the form of a negative effect on assets under management and thus a lower income base. This has been offset by currency effects and the inflow of new capital, so the effect on the Company's income is low. General increased cost levels have had an impact on the Company in line with the market in general. The Administration does not expect any new effects from the conflict in the coming period unless there is a significant escalation.



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List of Signatures

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Name	Method	Signed at
Njå, Gudleik	BANKID_MOBILE	2023-03-05 18:06 GMT+01
Olsen, John Thore	BANKID_MOBILE	2023-03-02 15:22 GMT+01
Jervell, Stephan Lange	BANKID	2023-03-02 15:03 GMT+01
Vibe, Klaus De	BANKID_MOBILE	2023-03-02 14:40 GMT+01
Salte, Marit	BANKID	2023-03-02 14:34 GMT+01



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To the General Meeting of Smedvig Asset Allocation AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Smedvig Asset Allocation AS (the Company), which comprise the balance sheet as at 31 December 2022, 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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 a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stavanger, 2 March 2023
Deloitte AS

Ommund Skailand
State Authorised Public Accountant

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