



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 441 277
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEP SEA SUPPLY SHIPOWNING III AS
Forretningsadresse: Storgaten 4
4876 GRIMSTAD

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Anders Hall Jomaas
Dato for fastsettelse av årsregnskapet: 30.07.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 03.11.2020



Resultatregnskap

Beløp i: USD	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Freight revenue	9	13 682 000	8 578 000
Other operating income			1 583 000
Sum inntekter		13 682 000	10 161 000
Kostnader			
Depreciation	2	7 539 000	8 905 000
Impairment	2	-10 925 000	26 939 000
Operating expenses vessels	11	10 838 000	6 217 000
Other operating expenses	10	200 000	73 000
Sum kostnader		7 652 000	42 134 000
Driftsresultat		6 030 000	-31 973 000
Write - down of financial assets			574 000
Annen rentekostnad		7 512 000	6 936 000
Other financial expense		-194 000	-372 000
Sum finanskostnader		7 318 000	7 138 000
Netto finans		-7 318 000	-7 138 000
Ordinært resultat før skattekostnad		-1 288 000	-39 111 000
Income tax expense	8	122 000	-1 559 000
Ordinært resultat etter skattekostnad		-1 410 000	-37 552 000
Årsresultat		-1 410 000	-37 552 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-1 410 000	-37 552 000
Sum overføringer og disponeringer		-1 410 000	-37 552 000



Balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuilding contracts	2	169 304 000	163 243 000
Sum varige driftsmidler		169 304 000	163 243 000
Sum anleggsmidler		169 304 000	163 243 000
Omløpsmidler			
Varer			
Inventories	3	664 000	536 000
Sum varer		664 000	536 000
Fordringer			
Trade receivables		3 042 000	2 598 000
Other receivables		52 000	267 000
Konsernfordringer	5	2 192 000	7 132 000
Sum fordringer		5 286 000	9 997 000
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		5 035 000	4 622 000
Sum bankinnskudd, kontanter og lignende		5 035 000	4 622 000
Sum omløpsmidler		10 985 000	15 155 000
SUM EIENDELER		180 289 000	178 398 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	6,7	2 918 000	96 000
Overkurs	6	121 384 000	96 075 000



Balanse

Beløp i: USD	Note	2017	2016
Sum innskutt egenkapital		124 302 000	96 171 000
Opptjent egenkapital			
Other equity	6	-93 787 000	-92 378 000
Sum opptjent egenkapital		-93 787 000	-92 378 000
Sum egenkapital		30 515 000	3 793 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	134 046 000	139 319 000
Langsiktig konserngjeld	5	7 768 000	33 101 000
Sum annen langsiktig gjeld		141 814 000	172 420 000
Sum langsiktig gjeld		141 814 000	172 420 000
Kortsiktig gjeld			
Liabilities to financial institutions	4	5 596 000	0
Other short-term liabilities		2 366 000	2 183 000
Sum kortsiktig gjeld		7 962 000	2 183 000
Sum gjeld		149 776 000	174 603 000
SUM EGENKAPITAL OG GJELD		180 291 000	178 396 000



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 18.03.2016	Vår dato 29.03.2016
Telefon 22078139	Deres referanse Peter R. Elleson	Vår referanse 2016/247372

ADVOKATFIRMAET PRICEWATERHOUSECOOPERS AS
Postboks 447
4664 KRISTIANSAND S

PRICEWATERHOUSECOOPERS
INNKOMMET 31 MAR 2016

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 18. mars 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Deep Sea Supply Management AS	org.nr. 990 397 090
Deep Sea Supply Shipowning AS	org.nr. 986 847 839
Deep Sea Supply BTG AS	org.nr. 914 274 133
Deep Sea Supply Shipowning I AS	org.nr. 914 439 639
Deep Sea Supply Shipowning II AS	org.nr. 914 439 736
Deep Sea Supply Shipowning III AS	org.nr. 914 441 277

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Deep Sea Supply Plc er et børsnotert selskap hjemmehørende på Kypros. Selskapet er morselskap i en konsernstruktur med datterselskaper i en rekke land (Kypros, Brasil, Malaysia, Singapore og Norge). I tillegg eier selskapet 50 % i et joint venture med den brasilianske investeringsbanken BTG Pactual. Joint venture er etablert i Norge med et felles holdingselskap og underliggende skipseiende selskaper. Konsernets hovedaktivitet er å eie og drive ankerhåndterings- og supplyfartøyer. Driften består av utleie av fartøyene på bareboat eller time charter. Konsernets virksomhet er verdensomspennende, med særlig fokus på Brasil, Nordsjøen, Sør-Øst-Asia og Afrika.

Deep Sea Supply Management AS og Deep Sea Supply Shipowning AS er heleid av Deep Sea Supply Plc. Joint venture med BTG Pactual består av holdingselskapet Deep Sea Supply BTG AS, som er eid 50/50 av Deep Sea Supply Plc og BTG. Dette selskapet har tre underliggende

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Sentralbord
800 80 000
Telefaks
22 17 08 60



heleide skipseiende datterselskaper; Deep Sea Supply Shipowning I AS, Deep Sea Supply Shipowning II AS og Deep Sea Supply Shipowning III AS.

Bransjen selskapene tilhører er internasjonal og arbeidsspråket på verdensbasis er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene er eid av utenlandsk selskaper. Eierkretsen er begrenset. Videre er det vektlagt at selskapene driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk språk.



2016/247372 Side 3 av 3

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





To the General Meeting of Deep Sea Supply Shipowning III AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Deep Sea Supply Shipowning III AS showing a loss of USD 1 410 000. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows 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 2017, 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 the Board of Directors' report, but does not include 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 for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - Deep Sea Supply Shipowning III AS

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.

(2)



Independent Auditor's Report - Deep Sea Supply Shipowning III AS



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.

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 coverage of the loss 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.

Other Matters

The Company's financial statements have been submitted after the expiry of the statutory time limit for preparation of financial statements.

This audit report replaces our previous audit report as of 1 July 2018, which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors.

Arendal, 7 August 2018
Pricewaterhousecoopers AS


Svein A Andresen
State Authorised Public Accountant



Deep Sea Supply Shipowning III AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2017	2016
Freight revenue			
Other operating income	9	13 682	8 578
Total revenue		13 682	10 160
Operating expenses vessels	11	-10 838	-6 217
Depreciation	2	-7 539	-8 905
Impairment	2	10 925	-26 939
Other operating expenses	10	-200	-73
Total operating expenses		-7 652	-42 135
Operating profit/ loss		6 030	-31 974
Write - down of financial assets		0	-574
Other interest expenses		-7 512	-6 936
Other financial expense		194	372
Loss before tax		-1 287	-39 112
Income tax expense	8	-122	1 559
Net loss for the year		-1 410	-37 553
<i>Appropriation of loss can be shown here:</i>			
Equity		-1 410	-37 553
Total transfer		-1 410	-37 553



Deep Sea Supply Shipowning III AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2017	2016
Vessels and newbuilding contracts	2	169 304	163 243
Total tangible assets		169 304	163 243
TOTAL FIXED ASSETS		169 304	163 243
Inventories	3	664	536
Trade receivables		3 042	2 598
Receivables group companies	5	2 192	7 132
Other receivables		52	267
Total receivables		5 950	10 532
Cash and bank deposits		5 035	4 622
TOTAL CURRENT ASSETS		10 986	15 154
TOTAL ASSETS		180 290	178 397



Deep Sea Supply Shipowning III AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2017	2016
Share capital	6, 7	2 918	96
Share premium	6	121 384	96 075
Total paid-in equity		124 302	96 171
Other equity	6	-93 787	-92 378
Total retained earnings		-93 787	-92 378
TOTAL EQUITY		30 515	3 793
Liabilities to financial institutions	4	134 046	139 319
Liabilities to group companies	5	7 768	33 101
Total long term liabilities		141 813	172 421
Liabilities to financial institutions	4	5 596	0
Other short-term liabilities		2 366	2 183
Total short term liabilities		7 962	2 183
TOTAL LIABILITIES		149 775	174 603
TOTAL EQUITY AND LIABILITIES		180 290	178 397

Grimstad, 30th July 2018

Lars Peder Solstad
Chairman of the BoardSven Stakkestad
Member of the BoardAnders Hafl Jomsas
Member of the Board



Directors' report 2017

Background and activities

Deep Sea Supply Shipowning III AS ("the Company") was established on 28th of October 2014.

The company is owned 100% by Deep Sea Supply AS.

The company is domiciled in Storgaten 4 Grimstad, Norway.

Financial status

Below is a summary of the financial position of the company.

Revenues and Profit

The Company's revenues were MUSD 13.7 during 2017. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 7.65 out of which MUSD 10.9 were reversal of impairment charges on vessels values.

Net loss for the year after tax was MUSD 1.4.

Equity

The company's total equity at the end of 2017 was MUSD 30.5.



Going concern

The financial statements are prepared on a going concern basis.

On 27th March, the Company and other fellow group companies ("the Group") has entered into a standstill and deferral agreement with its lenders. Reference is made to the stock exchange announcement July 12th, 2018, in which it was informed that Solship Invest 3 AS and its subsidiaries ("SI-3") had entered into an agreement with its major financial creditors to postpone instalment and interest payments until July 20th, 2018. SI-3 has today entered into an agreement with its financial creditors for the financial restructuring of SI-3 (the "Financial Restructuring"). The Financial Restructuring includes a deferral of scheduled instalments, interests and bareboat payments until December 31st, 2019 in a total amount of approximately USD 48 mill. The Financial Restructuring also entails suspension of the majority of financial covenants in the same period.

As part of the Financial Restructuring, SI-3 will be provided a loan from Sterna Finance Ltd. in the amount of USD 27 million, which shall be applied for general corporate purposes in SI-3. Completion of the Financial Restructuring grants SI-3 a sufficient runway to meet the current market challenges.

The Financial Restructuring is subject to customary conditions to be satisfied within August 31st, 2018.

For further information, see press releases via the homepage of the group: www.solstadfarstad.com

Financial risk

Below, we will explain some key risk factors:

Assessment of the company's assets

The value of the vessels could change, due to long-term changes in the market (earnings) for this type of vessels, the cost of newbuilding of vessels etc. This may affect the fair value of the vessels which subsequently lead to further impairment of vessel values.

Market risk

The Company have and will have its fleet in the spot market which means uncertainty about future rate levels and thus the company's revenues and profits. The market was weak throughout 2017 and future development depends on the activity level for the oil companies.

Currency rate risk

One risk is the foreign exchange risk. The Company is exposed to that risk mainly due to the amounts due to and from related parties. The main currencies that the Company is exposed to are Norwegian Kroner (NOK), British pounds (GBP) and Euro (EUR).



Interest rate risk

The Company is exposed to interest rate risk due to bank borrowings and cash at banks. The risk due to cash held at banks is immaterial as the Company does not intend to hold material liquid reserves in fixed deposits.

Liquidity risk

The Company monitors its risk to a shortage of funds by closely monitoring the projected cash flow from operations, financial expenses and investment expenditure. The Company maintains sufficient cash for its daily operations via short term cash deposits at banks.

Health, safety and environment

The company has no employees. The company does not pollute the environment.

Equality

The Board consists of men. The Board strives to gender equality.

Future outlook


During 2017 the Company saw a continued weakening of the global OSV markets. In Brazil, the situation remains difficult with reduced activity and foreign flagged vessels being blocked by vessels with local flag. No improvement in the market situation for OSVs is expected in the short to medium term. The contract coverage for 2017 for the Company is not satisfactory and the Company is currently pursuing several term opportunities, however the competition is fierce and rate levels are low.

The Annual report gives a fair review of the developments and the performance of the business as well as the financial position of Company.


Allocation of profit – Deep Sea Supply AS

Loss after tax is MUSD 1.41 and proposed transferred to other equity.

Grimstad, 30th July 2018


Lars Peder Solstad
Chairman of the Board


Sven Stakkestad
Member of the Board


Anders Hall Jomaas
Member of the Board





Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

Note 1 Accounting principles

Basis of preparation

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Functional and presentation currency

The company uses USD as functional currency and presentation currency.

All amounts in these financial statements are in USD 1 000 unless otherwise stated.

Use of estimates

The preparation of financial statements in compliance with the Norwegian Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Freight revenues

Revenue derived from the charter of vessels is recognized over the charter period on a straight line basis.

Charter contracts are classified as operating leases, revenue derived from charter contracts is recognized in the period over the lease term on a straight line basis. Related services are recognized as revenue in accordance with the services being rendered.

Some charter contracts include mobilization fee, which is paid at the beginning of the charter period. If the fee is to cover upgrades or equipment, the fee is booked as revenue and the relevant capital expenditure is capitalized and depreciated over the charter period on a straight line basis.

Vessels without signed contract in place at discharge have no revenue before a new contract is signed. Charter related expenses incurred for vessels in the idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognized over the rental periods of such charters, as service is performed on a straight line basis.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.



Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

Non-current assets and maintenance costs

Property, plant and equipment are stated at historical cost, less subsequent depreciation and impairment. For vessels purchased, these costs include expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis, taking residual values into consideration, and adjusted for impairment charges, if any. The carrying value of the fixed assets on the balance sheet represents the cost less accumulated depreciation and any impairment charges.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Day-to-day maintenance costs are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations and periodic maintenance of vessels are capitalized and depreciated over the useful lifetime of the parts replaced. The useful lifetime of regular vessels docking expenses will normally be the period until next docking which if it is an intermediate survey is after 30 months and if it is a special survey is after 60 months. When ships are acquired, a proportion of the acquisition cost is separated to periodic maintenance.

Depreciation on vessels and other assets (equipment) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Vessels	20 years
– Deferred maintenance	5 years
– Vehicles	5 years
– Furniture, fittings and equipment	3 years

The assets' residual values and useful lifetime assumptions of fixed-assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges are changed accordingly.

Relocation costs

Relocation costs, for moving a vessel from one geographical location to another when entering a new charter agreement, are capitalized as a separate component for the vessel. The component is depreciated over the charter period on a straight line basis.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present. Reversal of previously recognized impairment is limited to the amount the carrying value of the asset would have been, had the initial impairment charge not taken place.

Inventories

Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value.



Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is taxed under The Norwegian Tonnage Tax Regime and will not be taxed based on its net operating profit. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. Net taxable financial income is taxed according to the shipping tax regime (24 %). Tonnage tax paid under the tonnage tax regime is classified as operational expenses.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.



Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

Note 2 Fixed assets	Vessels and equipment	
	2017	2016
Purchase cost 01.01.	274 778	272 013
Additions	2 676	2 764
Purchase cost 31.12.	277 453	274 778
Accumulated depreciation 31.12.	27 640	20 101
Accumulated impairment 31.12.	80 509	91 433
Net book value 31.12.	169 304	163 243
Depreciation in the year	7 539	8 905
Impairment in the year	-10 925	26 939

Impairment

The most important assumptions in the value in use calculation are a WACC on 8,36 %, and to estimate the rate assumption historical rates for the previous 7 - 10 years are used. The company has used a growth assumption on 0 - 1 % until 2021 and after 2021 they have added an inflation rate adjustment of 2 % to the revenue. The group assumes that the market will be back in a normal situation in 2023. From today until 2023, the market is expected to gradually improve.

As the company has only large PSV's the market has recovered during the last part of 2017, and the market outlook going forward is positive. As a result the company has reversed earlier periods impairment charges on USD 10 925.

Note 3 Inventories	2017	2016
Bunkers	599	536
Spare parts	65	0
Total	664	536

Note 4 Borrowings	2017	2016
Falling due between		
0 - 1 year	5 596	140 640
1 - 2 years	5 596	0
2 - 5 years	129 150	0
Total	140 342	140 640
Amortized cost	-700	-1 321
Total	139 642	139 319

In February 2013 the company entered into a loan facility agreement for the total amount of MUSD 164. The purpose of the loan is financing of the construction of the company's newbuild vessels.

As a part of restructuring the company achieved refinancing for its long - term bank borrowings 21th of June.

Solship Invest 3 AS undertakes to provide financial support to Deep Sea Supply Shipowning III AS to enable the company to meet its liabilities as and when they fall due.



Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

	2017	2016
Liabilities secured by mortgage	139 642	139 319
Balance sheet value of assets placed as security:		
	2017	2016
Vessels	169 304	163 243
Total	169 304	163 243

Note 5 Balance with group companies, etc.

	Other debtors	
	2017	2016
Group companies	2 192	7 132
Total	2 192	7 132

	Other long term liabilities	
	2017	2016
Group companies	-7 768	-33 101
Total	-7 768	-33 101

Transactions with related parties, etc.

Related parties are members of the board, management and other companies within the group.

Deep Sea Supply Management AS has charged management fee of USD 597 and DESS Management Singapore Pte Ltd has charged management fee of USD 803.

The company has not rented out any vessels on a bareboat agreement in 2017.

Intercompany balances are charged with an interest of Libor + 2 % margin.

The calculations are prepared in arrears, quarterly, based on the average balance for the quarter passed.

Note 6 Shareholders' equity

Equity changes in the year	Share capital	Share premium	Other equity	Total
Equity 01.01.	96	96 075	-92 378	3 793
Contribution in kind	2 521	22 610	0	25 131
Not registered capital increase	301	2 699	0	3 000
Profit for the year	0	0	-1 410	-1 410
Equity 31.12.	2 918	121 384	-93 787	30 515

The company has performed a capital increase by conversion of debt the 28th of June and 25th of July.

Note 7 Share capital and shareholder information

The share capital consists of 30 shares, each with a nominal value of NOK 819 412,33.
All shares issued are fully paid in.

Deep Sea Supply Shipowning III AS is owned 100 % by Deep Sea Supply AS.
Deep Sea Supply AS is located in Storgaten 4, 4876 Grimstad.



Deep Sea Supply Shipowning III AS

Notes to the accounts for 2017

Note 8 Taxes

The company entered into the Norwegian shipping tax system as of 23.9.2015.
The company does not pay tonnage tax because of the size of the vessels.

Tax payable based on net financial items is kNOK 1 069.

Note 9 Freight revenue vessels

Geographical distribution	2017	2016
North Sea	6 846	5 947
Asia	0	-64
Mediterranean	6 835	2 695
Total	13 682	8 578

Note 10 Payroll expenses, number of employees, remunerations, loans to employees, etc.

There have been no employees in the company throughout the year.
No remuneration has been paid to Board of Directors during 2017.
No loans/sureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee

	2017	2016
Statutory audit (incl. technical assistance with financial statements)	23	17
Other assurance services	1	4
Tax advisory fee (incl. technical assistance with tax return)	3	5
Total audit fees	27	26

Note 11 Operating expenses vessels

	2017	2016
Crew expenses	5 782	3 602
Insurance	2 081	535
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	990	1 005
Administration expenses	1 984	1 075
Total	10 838	6 217

Note 12 Events after the balance sheet date

On 27th March, the Company and other fellow group companies ("the Group") has entered into a standstill and deferral agreement with its lenders. Reference is made to the stock exchange announcement July 12th, 2018, in which it was informed that Solship Invest 3 AS and its subsidiaries ("SI-3") had entered into an agreement with its major financial creditors to postpone instalment and interest payments until July 20th, 2018. SI-3 has today entered into an agreement with its financial creditors for the financial restructuring of SI-3 (the "Financial Restructuring"). The Financial Restructuring includes a deferral of scheduled instalments, interests and bareboat payments until December 31st, 2019 in a total amount of approximately USD 48 mill. The Financial Restructuring also entails suspension of the majority of financial covenants in the same period.

As part of the Financial Restructuring, SI-3 will be provided a loan from Sterna Finance Ltd. in the amount of USD 27 million, which shall be applied for general corporate purposes in SI-3. Completion of the Financial Restructuring grants SI-3 a sufficient runway to meet the current market challenges.

The Financial Restructuring is subject to customary conditions to be satisfied within August 31st, 2018.

For further information, see press releases via the homepage of the group: www.solstadfarstad.com



Cash flow statement Deep Sea Supply Shipowning III AS

	2017	2016
Cash flow from operations		
Loss before taxes	-1 287	-39 112
Taxes paid in the period	-122	2 354
Depreciation	7 539	8 905
Impairment on fixed assets	-10 925	26 939
Change in inventory	-128	-12
Change in trade debtors	215	911
Change in other provisions	-262	-20 240
Net cash flow from operations	-4 970	-20 254
Cash flow from investments		
Purchase of fixed assets	-2 676	-2 764
Payment on loan receivable from related parties (short.t/long.t)	0	-636
Proceed on loan receivable from related parties (short.t/long.t)	4 940	0
Payments on loan receivables (short.t/long.t)	0	-2 327
Proceeds from sale of shares and investments in other companies	0	4
Net cash flow from investments	2 264	-5 723
Cash flow from financing		
Proceeds on loan payables to group companies	2 797	18 313
Payments from other debt (short.t/long.t)	0	-5 023
Proceeds from other debt (short.t/long.t)	323	0
Net cash flow from financing	3 120	13 291
Net cash flow in the period	414	-12 686
Cash and cash equivalents at the beginning of the period	4 622	17 308
Cash and cash equivalents at the end of the period	5 035	4 622
This consist of:		
Bank deposits etc.	5 035	4 622