



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 439 736
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEP SEA SUPPLY SHIPOWNING II AS
Forretningsadresse: Storgaten 4
4876 GRIMSTAD

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

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: Leif Henning Stave
Dato for fastsettelse av årsregnskapet: 09.09.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

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, 01.11.2020



Resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		0	0
Sum inntekter		0	0
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	2	67 000	696 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	2	0	2 603 000
Operating expenses vessels	10	47 294 000	9 547 000
Other operating expenses	9	835 000	567 000
Sum kostnader		48 196 000	13 413 000
Driftsresultat		-48 196 000	-13 413 000
Finansinntekter og finanskostnader			
Annen finansinntekt		163 000	1 224 000
Sum finansinntekter		163 000	1 224 000
Nedskrivning av finansielle eiendeler		429 000	5 455 000
Other losses	12	0	3 814 000
Other financial expenses		1 922 000	1 814 000
Sum finanskostnader		2 351 000	11 083 000
Netto finans		-2 188 000	-9 859 000
Ordinært resultat før skattekostnad		-50 384 000	-23 272 000
Skattekostnad på ordinært resultat		6 000	4 000
Ordinært resultat etter skattekostnad		-50 390 000	-23 276 000
Årsresultat		-50 390 000	-23 276 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-50 389 000	-23 276 000
Sum overføringer og disponeringer		-50 389 000	-23 276 000



Balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	2	509 000	576 000
Sum varige driftsmidler		509 000	576 000
Sum anleggsmidler		509 000	576 000
Omløpsmidler			
Varer			
Varer	3	482 000	538 000
Sum varer		482 000	538 000
Fordringer			
Kundefordringer		0	2 000
Andre fordringer		24 000	239 000
Konsernfordringer	5	102 000	85 000
Sum fordringer		126 000	326 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		13 000	23 000
Sum bankinnskudd, kontanter og lignende		13 000	23 000
Sum omløpsmidler		621 000	887 000
SUM EIENDELER		1 130 000	1 463 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	6,7	1 190 000	1 190 000
Overkurs	6	47 921 000	47 921 000



Balanse

Beløp i: USD	Note	2019	2018
Sum innskutt egenkapital		49 111 000	49 111 000
Opptjent egenkapital			
Annen egenkapital	6	-153 447 000	-103 058 000
Sum opptjent egenkapital		-153 447 000	-103 058 000
Sum egenkapital		-104 336 000	-53 947 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	4	9 376 000	9 376 000
Kortsiktig konserngjeld	5	25 266 000	21 709 000
Provision for onerous contracts	11	57 529 000	18 058 000
Other short term liabilities		13 296 000	6 267 000
Sum kortsiktig gjeld		105 467 000	55 410 000
Sum gjeld		105 467 000	55 410 000
SUM EGENKAPITAL OG GJELD		1 131 000	1 463 000



Directors' report 2019

Background and activities

Deep Sea Supply Shipowning II 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 nil during 2019. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 48.2 out of which MUSD 41.6 were revaluation of onerous contracts.

Net loss for the year after tax was MUSD 50.4

Equity

The company's total equity at the end of 2019 was negative MUSD 104.3.

Going concern

The annual accounts are prepared on the assumption of a going concern.

However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the group's business depends on the Company finding a solution to its financial situation. On 8 May 2020, the Company entered into a Restructuring Implementation Agreement to strengthen its financial situation, and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption.

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 2019 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 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

When entering 2020, there were expectations of a gradually higher activity level in 2020 compared to 2019. That was based on an oil-price at a stable, high level and the E&P budgets published by the oil companies.

During March 2020 the oil prices suddenly dropped significantly because of the Covid-19 pandemic and the trade war between certain oil producing countries. Consequently, most oil companies announced a revision of the activity plans for 2020, leading to a significant reduction in their activities with immediate effect.

It is now a great uncertainty how the markets will develop. There are reasons to believe that the activity in general will be significantly reduced, but short term activity linked to oil and gas production will be less effected than activity linked to exploration and maintenance.

Within the renewable energy sectors, the activity continues to grow. Not only in Europe, but also in other areas and particularly Asia.

Allocation of profit

Loss after tax is MUSD 50.4 and proposed transferred to other equity.

Skudeneshavn, 9 September 2020

Lars Peder Solstad
Chairman of the Board

Eivind Kvilhaug
Member of the board

Kjetil Ramstad
Member of the board



Deep Sea Supply Shipowning II AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2019	2018
Freight revenue		0	0
Total revenue		0	0
Operating expenses vessels	10	-47 294	-9 547
Depreciation	2	-67	-696
Impairment	2	0	-2 603
Other operating expenses	9	-835	-567
Total operating expenses		-48 196	-13 413
Operating loss		-48 196	-13 413
Other losses	12	0	-3 814
Other financial income		163	1 224
Impairment financial assets		-429	-5 455
(Other) financial expenses		-1 922	-1 814
Other financial expense			
Loss before tax		-50 383	-23 271
Income tax expense	8	-6	-4
Net loss for the year		-50 389	-23 275
<i>Appropriation of loss can be shown here</i>			
Equity		-50 389	-23 275
Total transfer		-50 389	-23 275



Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2019	2018
Vessels and newbuilding contracts	2	509	576
Total tangible assets		509	576
Investments		0	0
Total financial fixed assets		0	0
TOTAL FIXED ASSETS		509	576
Inventories	3	482	538
Trade receivables		0	2
Receivables group companies	5	102	85
Other receivables		24	239
Total receivables		126	327
Cash and bank deposits		13	23
TOTAL CURRENT ASSETS		620	887
TOTAL ASSETS		1 130	1 463



Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2019	2018
Share capital	6, 7	1 190	1 190
Share premium	6	47 921	47 921
Total paid-in equity		49 111	49 111
Other equity	6	-153 447	-103 058
Total retained earnings		-153 447	-103 058
TOTAL EQUITY	6	-104 336	-53 947
Finance lease liabilities	4	0	0
Liabilities to group companies	5	0	0
Total long term liabilities		0	0
Provision for onerous contracts	11	57 529	18 058
Finance lease liabilities	4	9 376	9 376
Liabilities to group companies	5	26 266	21 709
Other short-term liabilities		13 296	6 267
Total short term liabilities		105 466	55 410
TOTAL LIABILITIES		105 466	55 410
TOTAL EQUITY AND LIABILITIES		1 129	1 463

Skudeneshavn, 09.09.2020

Lars Peder Solstad
Chairman of the Board

Eivind Kvilhaug
Member of the Board

Kjetil Ramstad
Member of the Board



Cash flow statement

Deep Sea Supply Shipowning II AS

(Amounts in USD 1000)

	2019	2018
Cash flow from operations		
Loss before income taxes	-50 383	-23 271
Taxes paid in the period	-6	-4
Impairment of shares	0	3 814
Impairment financial assets	429	5 455
Depreciation	67	696
Impairment of fixed assets	0	2 603
Change in inventory	56	2
Change in trade debtors and other receivables	218	-184
Change in other provisions	7 029	4 145
Change in provisions for onerous contracts	39 470	1 734
Net cash flow from operations	<u>-3 120</u>	<u>-5 011</u>
Cash flow from investments		
Change of group receivables	-446	-1 007
Net cash flow from investments	<u>-446</u>	<u>-1 007</u>
Cash flow from financing		
Change of group payables	3 556	6 144
Payments of finance lease (short.t/long.t)	0	-190
Net cash flow from financing	<u>3 556</u>	<u>5 955</u>
Net cash from for the period	<u>-10</u>	<u>-64</u>
Cash and cash equivalents at the beginning of the period	<u>23</u>	<u>86</u>
Cash and cash equivalents at the end of the period	<u>13</u>	<u>23</u>
This consist of:		
Bank deposits etc.	13	23



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.



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.



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

Taxes in the income statement include tax payable and changes in deferred tax.

Deferred tax is calculated at the relevant rate 22% (23% in 2018) on the basis of the temporary differences between accounting and tax values, as well as any tax loss carryforwards at the end of the fiscal year.

Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets arising from loss carryforwards are not capitalized, as there is uncertainty about future earnings.

Leases

Lease of property, plant and equipment where the company has all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long - term interest - bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lifetime of the asset or the lease term.

Any leases where a significant amount of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit and loss on a straight - line basis over the period of the lease.

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.



Note 2 Fixed assets

	Vessels and newbuilding contracts	
	2019	2018
Purchase cost 01.01.	135 646	135 646
Additions	0	0
Disposals	0	0
Reclassification from finance to operating lease	0	0
Purchase cost 31.12.	135 646	135 646
Accumulated depreciation 31.12.	26 904	26 837
Accumulated impairment 31.12.	108 233	108 233
Net book value 31.12.	509	576
Depreciation in the year	67	696
Impairment in the year	0	2 603

Impairment

Due to weak and challenging market conditions with decreased ship values, the company has impaired the value for several of the vessels. The company has received independent valuation on the vessels from 2 independent brokers.

A value in use calculation has been prepared for all vessels. The most important assumptions in the value in use calculation is the weighted average cost of capital and revenue. Based on the current contracts and a gradual increase in revenue no impairment for 2019 is recognised compared to MUSD 2.6. in 2018.

For further information about the onerous contract, se note 13.

Note 3 Inventories

	2019	2018
Bunkers	482	526
Spare parts	0	12
Total	482	538

Note 4 Finance lease liabilities

Finance lease liabilities - minimum lease payments:	2019	2018
0 - 1 year	9 376	9 376
2 - 5 years	0	0
More than 5 years	0	0
Total	9 376	9 376
Amortization cost/deferred revenue	0	0
Total	9 376	9 376

The leasing debt is related to the vessel Sea Leopard. The vessels Sea Halibut, Sea Cheetah, Sea Pike and Sea Jaguar has been derecognised as finance lease, and recognised as operating lease in 2017.

Based on this the company has recognised the onerous contract to USD 16 733 and amortization on the onerous contract USD 408. (Ref: Note 12)

	2019	2018
Liabilities secured by mortgage	9 376	9 376
Balance sheet value of assets placed as security:	2019	2018
Vessels	509	576
Total	509	576



Note 5 Balance with group companies, etc.

	Other debtors	
	2019	2018
Group companies	102	85
Total	102	85

	Other long term liabilities	
	2019	2018
Group companies	-25 266	-21 709
Total	-25 266	-21 709

An amount of USD429 (2018: USD 5,455) has been recognised as an impairment of receivables from group companies.

Transactions with related parties, etc.

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

<u>Revenue transactions</u>	2019	2018
Interest income	4	1
Total Revenue transactions	4	1

<u>Cost transactions</u>	2019	2018
Management fees	778	814
Interest expense	993	842
Total cost transactions	1 771	1 656

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 paid-in equity	Total
Equity 01.01.	1 190	47 921	-103 058	-53 947
Profit for the year	0	0	-50 389	-50 389
Equity 31.12.	1 190	47 921	-153 447	-104 336

Note 7 Share capital and shareholder information

The share capital consists of 30 shares, each with a nominal value of NOK 334 823.

All shares issued are fully paid in.



Note 8	Taxes	2019	2018
	Taxable income		
	Result before tax	-50 383	-23 271
	Changes in temporary differences	41 054	5 463
	Permanent differences	1 440	10 581
	Currency exchange differences	-2 686	-3 500
	Limitation of interest deduction	987	833
	Transferred to/ from loss carry forward	9 589	9 894
	Taxable income	0	0
	Tax expense consist of:		
	Payable tax Norway	0	0
	Payable tax abroad	-6	-4
	Changes previous years		
	Change in deferred taxes	0	0
	Tax on ordinary result	-6	-4
	Taxes payable in balance sheet		
	Payable taxes in Norway	-	-
	Payable taxes abroad	-6	-4
	Total payable taxes	-6	-4
	Deferred taxes	2 019	2 018
	Temporary differences		
	Fixed assets	-8 386	-7 505
	Receivables, other	-52 465	-13 055
	Gain and loss account	2 652	3 351
	Net temporary differences	-58 199	-17 209
	Unrecovered interests carried forward	-1 764	-782
	Unrecovered loss carried forward	-35 612	-26 271
	Basis for deferred tax	-95 575	-44 263
	22% deferred tax	-21 026	-9 738
	Whereof not recognized	21 026	9 738

The Company has chosen to exit the Norwegian Tonnage Tax Regime with effect from January 1, 2016. Amended tax returns for 2016, 2017 and 2018 have been filed. The exit lead to an accumulated tax loss carry forward of USD 26.2 million. Final assessment of amended tax returns is yet to be received.

Loss carry forward is included fully as basis for deferred tax asset. Deferred tax asset is not recognized as it is not likely the Company will be in a tax paying position in the near future.

Note 9 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 2019.

No loans/securities have been granted to the general manager, Board Chairman or other related parties.

Expensed audit fee	2019	2018
Statutory audit (incl. technical assistance with financial statements)	19	16
Other assurance services	5	3
Tax advisory fee (incl. technical assistance with tax return)	2	5
Total audit fees	26	24



Note 10 Operating expenses vessels

	2019	2018
Crew expenses	148	65
Insurance	86	89
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	20	871
Management fee	0	440
Bareboat hire	7 424	6 346
Onerous contract amortization and revaluation	39 616	1 735
Administration expenses	1	1
Total	47 294	9 547

Note 11 Operating lease

	2019	2018
Total charter hire		
Next year	9 972	11 871
2 - 5 years	31 445	44 300
Above 5 years	17 206	20 437
Total	58 623	76 608

The company has 4 vessels hired in on long term leases classified as operating lease. All 4 leasing agreements were originally classified as financial leases under NGAAP. Due to changes in terms as a result of re-negotiations, the leases were reclassified to operating leases. Value - in - use calculations based on the terms under the amended agreements, concludes that all 4 lease agreements are onerous contracts, ref note 2.

Note 12 Other gains / losses

	2019	2018
Impairment of investment in subsidiary	0	-3 814
Other losses	0	-3 814

During the year 2018, the investments in subsidiaries have been impaired with the total of USD 3 814, mainly due to negative equity in the subsidiaries.

**Note 13 Going concern**

The annual accounts are prepared on the assumption of a going concern.

However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the Group's business depends on the Company finding a solution to its financial situation.

On 8 May 2020, the Company entered into a Restructuring Implementation Agreement to strengthen its financial situation, and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels.

Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption.

Note 14 Events after the balance sheet date

The company is not aware of any legal disputes that are of material importance for the judgment of the company.

The company is part of the restructuring process for the Solstad Offshore ASA group. Please refer to note 13.

During 2020, the leasing agreements for the five vessels (Sea Cheetah, Sea Jaguar, Sea Pike, Sea Halibut and Sea Leopard) owned by subsidiaries of SFL Corp Ltd, have been terminated. The relevant lessors will receive a fee of NOK 10 million, and the residual claim will be converted into shares in Solstad Offshore ASA.

The company left the Norwegian shipping tax system with effect from 01.01.2016, please refer to note 8.

The company has not been significantly affected by Covid-19.



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Deep Sea Supply Shipowning II AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Deep Sea Supply Shipowning II AS, which comprise the balance sheet as at 31 December 2019, the income statement, statements 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 financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Material uncertainty related to going concern

The financial statements and the Board of Director's report indicates that the Company incurred a net loss of MUSD 50,4 during the year ended 31 December 2019. The Company's equity is negative by MUSD 104,3 as at 31 December 2019. The Company is a part of the Solstad Offshore ASA Group ("the Group") which is currently undergoing a restructuring process. On 8 May 2020, the Group signed a Restructuring Implementation Agreement ("RIA") to strengthen its financial position. In event the RIA is not implemented, and in the event the Company should be forced to realize its assets, assurance can be given that these will not be realized at a significantly lower value than their carrying value, as value in use is higher than estimates sales values. These circumstances along with other matters as set forth in note 13 and the Board of Director's report, indicate that a material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 on the other information obtained prior to the date of the auditor's report, 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 management for the financial statements

Management is responsible for the preparation and 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 and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 International Standards on Auditing (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 the 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 law, regulations and generally accepted auditing principles 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, 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, 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

Other matters

This report replaces our previous auditor's report, dated 1 September 2020, issued at the expiration of the statutory deadline for holding the Annual Shareholders' Meeting. At that time, the financial statements and the Director's report had not been approved.

Independent auditor's report - Deep Sea Supply Shipowning II AS

A member firm of Ernst & Young Global Limited

Pennco Dokumentnøkkel: GX10D-GOK70-N0HV-FXITEM-0CGSU-E3SG7



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 proposal for the 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 9 September 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Pemseo Dokumentnøkkel: GX10D-GOK70-N0HV-FXTTEM-0CGSU-E3SG7



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Asbjørn Rødal

Statsautorisert revisor

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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 ankerhånderings- 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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Postboks 9200 Grønland
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Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

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.



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

