



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

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 Jomås
Dato for fastsettelse av årsregnskapet: 30.06.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

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	2016	2015
RESULTATREGNSKAP			
Inntekter			
Freight revenue	9	443 000	27 475 000
Other Operating income		943 000	4 021 000
Sum inntekter		1 386 000	31 496 000
Kostnader			
Depreciation	2	7 738 000	14 146 000
Impairment	2	32 245 000	64 106 000
Operating expenses vessels	11	4 250 000	13 330 000
Other operating expenses	10	337 000	161 000
Sum kostnader		44 570 000	91 743 000
Driftsresultat		-43 184 000	-60 247 000
Finansinntekter og finanskostnader			
Other gains		25 909 000	0
Other financial income		7 828 000	1 816 000
Sum finansinntekter		33 737 000	1 816 000
Write- down of financial assts		0	220 000
Annen rentekostnad		13 695 000	4 882 000
Sum finanskostnader		13 695 000	5 102 000
Netto finans		20 042 000	-3 286 000
Ordinært resultat før skattekostnad		-23 142 000	-63 533 000
Income tax expense	8	2 000	3 000
Ordinært resultat etter skattekostnad		-23 144 000	-63 536 000
Årsresultat		-23 144 000	-63 536 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-23 144 000	63 537 000
Sum overføringer og disponeringer		-23 144 000	63 537 000



Balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuilding contracts	2	66 964 000	106 925 000
Sum varige driftsmidler		66 964 000	106 925 000
Finansielle anleggsmidler			
Investments		3 814 000	3 814 000
Sum finansielle anleggsmidler		3 814 000	3 814 000
Sum anleggsmidler		70 778 000	110 739 000
Omløpsmidler			
Varer			
Inventories	3	544 000	1 638 000
Sum varer		544 000	1 638 000
Fordringer			
Trade receivables		163 000	1 075 000
Other receivables		429 000	358 000
Konsernfordringer	5	9 816 000	12 080 000
Sum fordringer		10 408 000	13 513 000
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		217 000	3 487 000
Sum bankinnskudd, kontanter og lignende		217 000	3 487 000
Sum omløpsmidler		11 169 000	18 638 000
SUM EIENDELER		81 947 000	129 377 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: USD	Note	2016	2015
Egenkapital			
Innskutt egenkapital			
Share Capital	6,7	38 000	38 000
Overkurs	6,7	37 591 000	37 591 000
Sum innskutt egenkapital		37 629 000	37 629 000
Opptjent egenkapital			
Other equity	6,7	-55 080 000	-31 936 000
Sum opptjent egenkapital		-55 080 000	-31 936 000
Sum egenkapital		-17 451 000	5 693 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	74 663 000	109 154 000
Langsiktig konserngjeld	5	21 731 000	278 000
Other long term liabilities	5	0	12 319 000
Sum annen langsiktig gjeld		96 394 000	121 751 000
Sum langsiktig gjeld		96 394 000	121 751 000
Kortsiktig gjeld			
Finance lease liabilities	4	1 145 000	0
Other short term liabilities		1 859 000	1 933 000
Sum kortsiktig gjeld		3 004 000	1 933 000
Sum gjeld		99 398 000	123 684 000
SUM EGENKAPITAL OG GJELD		81 947 000	129 377 000



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.



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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 II 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 II AS showing a loss of NOK 23 144 680. The financial statements comprise the balance sheet as at 31 December 2016, 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 2016, 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.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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

(2)



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

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 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.

Kristiansand, 28 June 2017
PricewaterhouseCoopers AS

Svein A. Andresen
State Authorised Public Accountant



Directors' report 2016

Background and activities

Deep Sea Supply Shipowning II AS ("the Company") was established in 28th of October 2014. The company was merged with Deep Sea Supply Shipowning II B.V. 23rd of September 2015.

The company is domiciled in Storgaten 4 in Grimstad, Norway. The Company owned per 31.12.2016 three Anchor Handling Tug and Supply Vessels (AHTS) and two Platform Supply Vessels (PSV). The vessels have been mostly laid up during 2016.

Financial status

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

Revenues and Profit

The Company's total revenues were MUSD 1.4 of which MUSD 0.4 were Freight revenues.

The vessels' operating expenses were MUSD 44.6. The company's EBIT was a loss of MUSD 43.2, while total financial income was MUSD 20.0.

Net loss before and after tax was MUSD 23.1.

Equity

The company's total equity at the end of 2016 was negative MUSD 17.5. The Board considers the equity size as not satisfactory and various options will be evaluated to improve the situation.

Cash flow

The company's cash position for 2016 decreased by MUSD 3.3.

Going concern

The financial statements are prepared on a going concern basis.

Financial risk

Below, we will explain some key risk factors:

Assessment of the company's assets

The value of the company's ships could change, due long-term changes in the market (earnings) for this type of vessel, the cost of newbuilding of vessels etc. This may affect the Company's equity.



Market risk

The Company has 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 2016 and future development depends on the activity level for the oil companies.

Health, safety and environment

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

Equality

The company has no employees. The Board consists of men. The Board strives to gender equality.

Future outlook

During 2016 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 2016 for the Company is not satisfactory. Deep Sea Supply Shipowning II AS 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 Shipowning II AS

Loss after tax is of MUSD 23.1 and proposed transferred to other equity.

Events after the balance sheet date

No material events occurred after the balance sheet date.

Grimstad, 28th June 2017

Anders Hall Jomaas
Chairman

Jon Are Gummedal

Morten Skrøvje



Deep Sea Supply Shipowning II AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2016	2015
Freight revenue	9	443	27 475
Other operating income		943	4 021
Total revenue		1 387	31 496
Operating expenses vessels	11	-4 250	-13 330
Depreciation	2	-7 738	-14 146
Impairment	2	-32 246	-64 106
Other operating expenses	10	-337	-161
Total operating expenses		-44 571	-91 743
Operating loss		-43 185	-60 247
Other gains		25 909	0
Write - down of financial assets		0	-220
Other financial income		7 828	1 816
(Other) financial expenses		-13 695	-4 882
Profit before tax		-23 143	-63 534
Income tax expense	8	-2	-3
Net loss for the year		-23 145	-63 537
<i>Appropriation of loss can be shown here</i>			
Dividend		0	0
Equity		-23 145	-63 537
Total transfer		-23 145	-63 537



Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2016	2015
Vessels and newbuilding contracts	2	66 964	106 925
Total tangible assets		66 964	106 925
Investments		3 814	3 814
Total financial fixed assets		3 814	3 814
TOTAL FIXED ASSETS		70 778	110 738
Inventories	3	544	1 638
Trade receivables		163	1 075
Receivables group companies	5	9 816	12 080
Other receivables		429	358
Total receivables		10 408	13 513
Cash and bank deposits		217	3 487
TOTAL CURRENT ASSETS		11 169	18 638
TOTAL ASSETS		81 946	129 376



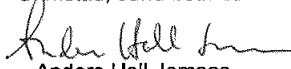
Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

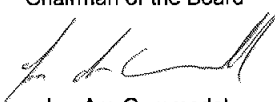
(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2016	2015
Share capital	6, 7	38	38
Share premium	6, 7	37 591	37 591
Total paid-in equity		37 629	37 629
Other equity	6, 7	-55 080	-31 936
Total retained earnings		-55 080	-31 936
TOTAL EQUITY	6, 7	-17 452	5 693
Finance lease liabilities	4	74 663	109 154
Liabilities to group companies	5	21 731	278
Liabilities to joint venture	5	0	12 319
Total long term liabilities		96 394	121 750
Finance lease liabilities	4	1 145	0
Other short-term liabilities		1 859	1 933
Total short term liabilities		3 004	1 933
TOTAL LIABILITIES		99 398	123 683
TOTAL EQUITY AND LIABILITIES		81 946	129 376

Grimstad, June 28th 2017



Anders Hall Jomaas
Chairman of the Board



Jon Are Gummedal
Member of the Board



Morten Skrøvje
Member of the Board



Cash flow statement Deep Sea Supply Shipowning II AS

	2016	2015
Cash flow from operations		
Loss before income taxes	-23 145	-63 534
Periods paid tax	-2	0
Other gains	-25 909	0
Depreciation	7 738	14 146
Impairment of fixed assets	32 246	64 106
Change in inventory	1 094	-380
Change in trade debtors	912	-128
Change in other provisions	-165	2 643
Net cash flow from operations	-7 231	16 853
Cash flow from investments		
Purchase of fixed assets	0	-151
Proceeds loans receivable group companies (short.t/long.t)	2 264	759
Purchase of shares and investments in other companies	0	-3 814
Net cash flow from investments	2 264	-3 203
Cash flow from financing		
Proceeds debt group companies	9 134	33
Payments of finance lease (short.t/long.t)	-7 437	0
Proceeds from other borrowings (short.t/long.t)	0	-10 791
Net cash flow from financing	1 697	-10 758
Net cash from for the period	-3 270	2 892
Cash and cash equivalents at the beginning of the period	3 487	595
Cash and cash equivalents at the end of the period	217	3 487
This consist of:		
Bank deposits etc.	217	3 487



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2016

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 II AS

Notes to the accounts for 2016

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 30 years
- Vehicles 5 years
- Dry docking costs
 - Intermediate survey 2.5 Years
 - Special survey 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 II AS

Notes to the accounts for 2016

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 tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

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 II AS

Notes to the accounts for 2016

Note 2 Fixed assets

	Vessels and equipment	
	2016	2015
Purchase cost 01.01.	185 176	185 025
Additions	23	151
Disposals	0	0
Purchase cost 31.12.	185 199	185 176
Accumulated depreciation 31.12.	21 884	14 146
Accumulated impairment 31.12.	96 352	64 106
Net book value 31.12.	66 964	106 925
Depreciation in the year	7 738	14 146
Impairment in the year	32 246	64 106

Note 3 Inventories

	2016	2015
Bunkers	533	1 627
Spare parts	12	12
Total	544	1 638

Note 4 Finance lease liabilities

Finance lease liabilities - minimum lease payments:	2016	2015
0 - 1 year	8 492	10 827
2 - 5 years	54 474	11 089
More than 5 years	49 811	87 237
Total	112 776	109 154
Amortization cost/deferred revenue	-36 968	0
Total	75 808	109 154

The finance lease liabilities were entered into during 2007 and 2008.

Deep Sea Supply Plc undertakes to provide financial support to Deep Sea Supply Shipowning II AS to enable the company to meet its liabilities as and when they fall due.

Liabilities secured by mortgage	2016	2015
	75 808	109 154
Balance sheet value of assets placed as security:	2016	2015
Vessels	66 964	106 925
Total	66 964	106 925



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2016

Note 5 Balance with group companies, etc.

	Other debtors	
	2016	2015
Group companies	9 816	6 548
Joint ventures	0	5 532
Total	9 816	12 080

	Other long term liabilities	
	2016	2015
Group companies	-21 731	-278
Joint ventures	0	-12 319
Total	-21 731	-12 596

Transactions with related parties, etc.

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

Deep Sea Supply Servicos Maritima Ltda has charged management fee of KUSD 27 (2015: KUSD 106) to Deep Sea Supply Shipowning AS during 2016.

During 2016, the company has rented out 1 vessel on a BB agreement of 5 months to the company Deep Sea Supply Navegacao Maritima Ltda.

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.	38	37 591	-31 936	5 693
Profit for the year	0	0	-23 145	-23 145
Equity 31.12.	38	37 591	-55 080	-17 451

Note 7 Share capital and shareholder information

The share capital consists of 30 shares, each with a nominal value of NOK 10 539, 2 each.
All shares issued are fully paid in.

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



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2016

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.

Based on net taxable loss from finance the company has a loss carried forward as of 31.12.16 of kNOK 9 472.

Note 9 Freight revenue vessels

Geographical distribution	2016	2015
North South America	2 149	27 845
Asia	-1 477	-371
North Sea	-228	0
Total	443	27 475

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 2016.
No loans/sureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	2016	2015
Statutory audit (incl. technical assistance with financial statements)	17	3
Other assurance services	4	0
Tax advisory fee (incl. technical assistance with tax return)	5	0
Total audit fees	26	3

Note 11 Operating expenses vessels

	2016	2015
Crew expenses	1 691	7 948
Insurance	487	979
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	834	2 720
Administration expenses	1 238	1 682
Total	4 250	13 330

Note 12 Events after the balance sheet date

Deep Sea Supply Plc has announced that a merger will take place between the companies Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Plc.

For further information, see press releases via the homepage of the group: www.deepseasupply.no