



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 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, 01.11.2020



Resultatregnskap

Beløp i: USD	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Freight revenue	9		443 000
Other operating income			943 000
Sum inntekter			1 386 000
Kostnader			
Depreciation	2	4 257 000	7 738 000
Impairment	2	9 279 000	32 245 000
Operating expenses vessels	11	1 269 000	4 250 000
Other operating expenses	10	2 259 000	337 000
Sum kostnader		17 064 000	44 570 000
Driftsresultat		-17 064 000	-43 184 000
Finansinntekter og finanskostnader			
Other gains			25 909 000
Other financial income		4 011 000	7 828 000
Sum finansinntekter		4 011 000	33 737 000
(Other) financial expenses		10 762 000	13 695 000
Other losses	12, 13	883 000	0
Sum finanskostnader		11 645 000	13 695 000
Netto finans		-7 634 000	20 042 000
Ordinært resultat før skattekostnad		-24 698 000	-23 142 000
Income tax expense		3 000	2 000
Ordinært resultat etter skattekostnad		-24 701 000	-23 144 000
Årsresultat		-24 701 000	-23 144 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-24 701 000	-23 144 000
Sum overføringer og disponeringer		-24 701 000	-23 144 000



Balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuilding contracts	2	3 875 000	66 964 000
Sum varige driftsmidler		3 875 000	66 964 000
Finansielle anleggsmidler			
Investments		3 814 000	3 814 000
Sum finansielle anleggsmidler		3 814 000	3 814 000
Sum anleggsmidler		7 689 000	70 778 000
Omløpsmidler			
Varer			
Inventories	3	540 000	544 000
Sum varer		540 000	544 000
Fordringer			
Trade receivables		58 000	163 000
Other receivables		0	429 000
Konsernfordringer	5	4 533 000	9 816 000
Sum fordringer		4 591 000	10 408 000
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		86 000	217 000
Sum bankinnskudd, kontanter og lignende		86 000	217 000
Sum omløpsmidler		5 217 000	11 169 000
SUM EIENDELER		12 906 000	81 947 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: USD	Note	2017	2016
Egenkapital			
Innskutt egenkapital			
Share capital	6,7	1 190 000	38 000
Overkurs	6,7	47 921 000	37 591 000
Sum innskutt egenkapital		49 111 000	37 629 000
Opptjent egenkapital			
Other equity	6,7	-79 783 000	-55 080 000
Sum opptjent egenkapital		-79 783 000	-55 080 000
Sum egenkapital		-30 672 000	-17 451 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	8 883 000	74 663 000
Langsiktig konserngjeld	5	15 565 000	21 731 000
Sum annen langsiktig gjeld		24 448 000	96 394 000
Sum langsiktig gjeld		24 448 000	96 394 000
Kortsiktig gjeld			
Provision for onerous contracts	12	16 325 000	
Finance lease liabilities	4	684 000	1 145 000
Other short-term liabilities		2 122 000	1 859 000
Sum kortsiktig gjeld		19 131 000	3 004 000
Sum gjeld		43 579 000	99 398 000
SUM EGENKAPITAL OG GJELD		12 907 000	81 947 000



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 USD 24 702 000. 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 II 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 II 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 II AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2017	2016
Freight revenue	9	0	443
Other operating income		0	943
Total revenue		0	1 387
Operating expenses vessels	11	-1 269	-4 250
Depreciation	2	-4 257	-7 738
Impairment	2	-9 279	-32 246
Other operating expenses	10	-2 259	-337
Total operating expenses		-17 065	-44 571
Operating loss		-17 065	-43 185
Other gains		0	25 909
Other losses	12, 13	-883	0
Other financial income		4 011	7 828
(Other) financial expenses		-10 762	-13 695
Loss before tax		-24 699	-23 143
Income tax expense	8	-3	-2
Net loss for the year		-24 702	-23 145
<i>Appropriation of loss can be shown here</i>			
Equity		-24 702	-23 145
Total transfer		-24 702	-23 145



Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2017	2016
Vessels and newbuilding contracts	2	3 875	66 964
Total tangible assets		3 875	66 964
Investments		3 814	3 814
Total financial fixed assets		3 814	3 814
TOTAL FIXED ASSETS		7 689	70 778
Inventories	3	540	544
Trade receivables		58	163
Receivables group companies	5	4 533	9 816
Other receivables		0	429
Total receivables		4 591	10 408
Cash and bank deposits		86	217
TOTAL CURRENT ASSETS		5 217	11 169
TOTAL ASSETS		12 906	81 946



Deep Sea Supply Shipowning II AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2017	2016
Share capital	6, 7	1 190	38
Share premium	5, 7	47 921	37 591
Total paid-in equity		49 111	37 629
Other equity	6, 7	-79 783	-55 080
Total retained earnings		-79 783	-55 080
TOTAL EQUITY	6, 7	-30 672	-17 452
Finance lease liabilities	4	8 883	74 663
Liabilities to group companies	5	15 565	21 731
Total long term liabilities		24 448	96 394
Provision for onerous contracts	12	16 325	0
Finance lease liabilities	4	684	1 145
Other short-term liabilities		2 122	1 859
Total short term liabilities		19 130	3 004
TOTAL LIABILITIES		43 578	99 398
TOTAL EQUITY AND LIABILITIES		12 906	81 946

Grimstad, 30th July 2013

Lars Peder Solstad
Chairman of the BoardSven Stakkestad
Member of the BoardAnders Hall Jomaas
Member of the Board



Directors' report 2017

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 2017. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 17.1 out of which MUSD 9.3 were impairment charges on vessels values.

Net loss for the year after tax was MUSD 24.7.

Equity

The company's total equity at the end of 2017 was negative MUSD 30.7.



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 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

Loss after tax is MUSD 24.7 and proposed transferred to other equity.

Grimstad, 30th July 2018

Lars Peder Solstad

Sven Stakkestad

Anders Hall Jomaas



Chairman of the Board

Member of the Board

Member of the Board



Deep Sea Supply Shipowning II 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 II 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 II 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

Some of the subsidiaries 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.

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.



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2017

Note 2	Fixed assets	Vessels and equipment	
		2017	2016
	Purchase cost 01.01.	185 199	185 176
	Additions	22	23
	Disposals	0	0
	Reclassification from finance to operating lease	49 575	0
	Purchase cost 31.12.	135 646	185 199
	Accumulated depreciation 31.12.	26 141	21 884
	Accumulated impairment 31.12.	105 631	96 352
	Net book value 31.12.	3 875	66 964
	Depreciation in the year	4 257	7 738
	Impairment in the year	9 279	32 246

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. Value in use calculation has been prepared for all vessels. 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.

Reclassification from finance to operating lease

As per September 2017, the company has renegotiated the lease agreement for five vessels. The changes in the lease agreement for four of the vessels were so significant that these were classified as operating lease. As a consequence, vessels with a booked value on USD 49 575 is derecognised from the balance sheet with an associated debt of USD 63 343.

The gain from derecognizing the vessels is USD 13 789 and is netted together with the onerous contract of USD 16 732.

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

Note 3	Inventories	2017	2016
	Bunkers	528	533
	Spare parts	12	12
	Total	540	544

Note 4	Finance lease liabilities	2017	2016
	Finance lease liabilities - minimum lease payments:		
	0 - 1 year	684	8 492
	2 - 5 years	1 658	54 474
	More than 5 years	7 225	49 811
	Total	9 566	112 776
	Amortization cost/deferred revenue	0	-36 968
	Total	9 566	75 808

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)

	Liabilities secured by mortgage	2017	2016
		9 566	75 808
	Balance sheet value of assets placed as security:	2017	2016
	Vessels	3 875	66 964
	Total	3 875	66 964



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2017

Note 5 Balance with group companies, etc.

	Other debtors	
	2017	2016
Group companies	4 533	9 816
Total	4 533	9 816

	Other long term liabilities	
	2017	2016
Group companies	-15 565	-21 731
Total	-15 565	-21 731

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 USD 0 (2016: USD 27) to Deep Sea Supply Shipowning AS during 2017.

DESS management Singapore Pte Ltd has charged management fee of USD 238 870 and Deep Sea Supply Management AS has charged management fee of USD 497 595.

The company has not rented out any vessels on a BB 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 paid-in equity	Total
Equity 01.01.	38	37 591	-55 080	-17 451
Contribution in kind	1 153	10 330	0	11 482
Profit for the year	0	0	-24 702	-24 702
Equity 31.12.	1 190	47 921	-79 783	-30 672

The company has performed a capital increase by conversion of debt the 28th of June 2017.

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.

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.

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 31.12.17 of kNOK 5 736.

Note 9 Freight revenue vessels

Geographical distribution	2017	2016
North South America	0	2 149
Asia	0	-1 477
North Sea	0	-228
Total	0	443



Deep Sea Supply Shipowning II AS

Notes to the accounts for 2017

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)	16	17
Other assurance services	3	4
Tax advisory fee (incl. technical assistance with tax return)	5	5
Total audit fees	24	26

Note 11 Operating expenses vessels

	2017	2016
Crew expenses	312	1 691
Insurance	172	487
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	704	834
Administration expenses	81	1 238
Total	1 269	4 250

Note 12 Operating lease

Total charter hire	2017	2016
Next year	6 382	0
2 - 5 years	38 223	0
Above 5 years	34 858	0
Total	79 463	0

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 13 Other gains / losses

	2017	2016
Gain on derecognizing of finance lease (See note 2)	13 769	0
Onerous contract	-16 733	0
Other gains	2 081	0
Other losses	-883	0

Due to changes in terms of renegotiation of four leasing agreements, the leases was considered to be to operating leases and not financial leases. (See note 2). Based on rates in the new lease agreement a calculation of potential income was made for four of the vessels given the current rate. The assumptions used in the present value calculation are the same as used in note 2 under the impairment calculation. The outcome of this calculation was that the lease agreement for all of the four vessels is regarded to be onerous contracts. At the year end 2017 onerous contracts of USD 16 325 is booked as other long - term liabilities in the balance sheet.

Note 14 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 II AS

	2017	2016
Cash flow from operations		
Loss before income taxes	-24 702	-23 145
Periods paid tax	3	-2
Other gains	-13 768	-25 909
Depreciation	4 257	7 738
Impairment of fixed assets	9 279	32 246
Change in inventory	5	1 094
Change in trade debtors	105	912
Change in other provisions	8 303	-165
Net cash flow from operations	-16 518	-7 231
Cash flow from investments		
Purchase of fixed assets	-22	0
Proceeds loans receivable group companies (short.t/long.t)	5 283	2 264
Net cash flow from investments	5 261	2 264
Cash flow from financing		
Proceeds in debt to group companies	11 482	9 134
Payments of finance lease (short.t/long.t)	-356	-7 437
Net cash flow from financing	11 126	1 697
Net cash from for the period	-131	-3 270
Cash and cash equivalents at the beginning of the period	217	3 487
Cash and cash equivalents at the end of the period	86	217
This consist of:		
Bank deposits etc.	86	217



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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Se www.skatteetaten.no
Org.nr: 996250318
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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.



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

