

Annual Report

Boa OCV AS

2014

Org.nr. 984 158 939



BOA OCV AS

BOARD'S ANNUAL REPORT FOR 2014

Nature and location of activities:

The company owns and charters out offshore construction vessels "Boa Deep C" and "Boa Sub C". The main office of the company is located in Trondheim. The management is performed by Boa Offshore AS.

Work environment:

The company does not have any employees. Seafaring personnel and management services are hired from Boa Offshore AS. Boa Offshore AS has been responsible for the management and administration of the company. The Board is of the opinion that the work environment on board the vessels are good. Absence due to sick leave on board the vessels has been low and there was no serious accidents on board in 2014.

Equal opportunity:

The work force is dominated by men, but there are several positions filled by women. It has proven difficult to find women with the required qualifications and experience to apply for work in a maritime-related job on this type of vessel.

Health, safety, the environment and quality:

The goal of the company's health, safety, environment and quality policy is embedded in the quality control system of Boa Offshore AS. There were no serious personal injuries among hired personnel in 2014.

External environment:

The operation of an offshore construction vessel includes a certain risk for the spill of marine diesel oil products. However, no abnormal spillage has been recorded from the vessels which follows laid down procedures when bunkering of diesel and other potential contaminating liquids.

Continued operation:

The board confirms that the conditions for continued operation has been complied with, and the accounts have been presented under this assumption.

Review of annual accounts:

The operating profit for the company in 2014 was MNOK 171,3 (MNOK 213,2).

The financial result was MNOK -77,8 (MNOK -26,1).

The year-end profit was MNOK 103,5 (MNOK 186,2).

Total year-end assets were MNOK 1.521,8 (MNOK 2.094,3), and the percentage of shareholder's equity on December 31, 2014 was 12,8 % (44,5 %).

Financial risk:

Market risk:

The company is susceptible to changes in currency exchange rates, since a considerable percentage of the company's earnings are in USD. The market risk is reduced somewhat since the company's operating purchases partially also takes place in USD. The company continuously considers entering into currency futures contracts or other agreements to reduce currency risk.

The interest on the company's long-term debt is firm due to two interest swaps.

Credit risk:

The risk that the other contracting party will not have the financial means to meet its obligations is considered to be low. No agreements have been made or other financial means established to minimize the company's credit risk.

Liquidity risk:

The company's liquidity risk is considered to be acceptable.

Appropriation of profits:

The annual results for Boa OCV AS were MNOK 103,5. The Board proposes the following disposal:

Transfer to other equity:	MNOK 53,5
Dividend:	MNOK 50,0

Events after the balance sheet date:

No events took place after the end of the financial year that would affect the evaluation of the company's profit and loss account or balance sheet.

Future development:

The short to medium term outlook for the subsea segment has become more uncertain on the back of the drop in oil prices from mid 2014. Despite a 30% recovery of the Brent oil price from the January 2015 low to the current USD60/bbl, oil prices probably need to recover to the USD70-80/bbl range to spur demand growth again in general.

Ongoing and sanctioned projects will ensure decent activity in the subsea sector in the short to medium term. Furthermore, IMR and subsea well-related services still seem to be a growing part of the subsea market, which is less cyclical than the installation segment. The long-term market outlook for the subsea segment remains prospective. Deepwater oil and gas reserves come at a marginal cost lower than a number of other sources of oil and gas, and a significant part of discovered oil and gas reserves over the last decade has been made offshore deepwater. Hence, deepwater and subsea will remain one of the most important growth opportunities for oil companies also in the coming decade.

Boa Sub C is leased on a firm contract to mid 2015, while Boa Deep C is chartered by Boa Offshore AS' US entity BMSI (BOA Marine Services Inc). Despite the current softer market, there are still opportunities for short and long-term contracts on both vessels from 2015, both with BMSI and third party charterers.

Trondheim, 26.02.2015



Helge Kvalvik
Chairman of the board



Ole T. Bjørnevik
Member of the board



Rune Juliussen
Member of the board

Income Statement

Boa OCV AS

Operating income and operating expenses	Notes	2014	2013
Operating income	2	<u>363 434 775</u>	<u>425 368 251</u>
Operating income		<u>363 434 775</u>	<u>425 368 251</u>
Operating expenses ship	11	39 152 902	48 707 857
Payroll expenses	11	55 761 532	74 523 383
Depreciation	4	84 339 047	64 212 336
Other operating expenses	3	<u>12 859 789</u>	<u>24 696 795</u>
Operating expenses		<u>192 113 270</u>	<u>212 140 372</u>
Operating profit		<u>171 321 505</u>	<u>213 227 879</u>
Financial income and expenses			
Interest income from group entities	11	53 360 563	61 096 565
Other interest income		4 515 761	1 853 759
Other financial income		31 805 936	14 868 055
Other interest expenses		124 038 049	95 823 848
Other financial expenses		<u>43 442 691</u>	<u>8 084 074</u>
Net financial income and expenses		<u>-77 798 479</u>	<u>-26 089 542</u>
Operating result before tax		<u>93 523 026</u>	<u>187 138 337</u>
Tax on ordinary result	9	-9 933 456	912 553
Operating result after tax		<u>103 456 482</u>	<u>186 225 784</u>
Annual net profit		<u>103 456 482</u>	<u>186 225 784</u>
Brought forward			
Group contribution	6	50 000 000	37 245 000
To other equity	6	<u>53 456 482</u>	<u>148 980 784</u>
Net brought forward		<u>103 456 482</u>	<u>186 225 784</u>

Balance sheet

Boa OCV AS

Assets	Notes	2014	2013
Fixed assets			
Intangible fixed assets			
Deferred tax asset	9	9 042 596	0
Total intangible assets		<u>9 042 596</u>	<u>0</u>
Tangible fixed assets			
Ships	4, 10	781 863 924	814 537 822
Total tangible fixed assets		<u>781 863 924</u>	<u>814 537 822</u>
Financial fixed assets			
Loans to group companies	8, 10	505 112 720	1 019 752 157
Total financial fixed assets		<u>505 112 720</u>	<u>1 019 752 157</u>
Total fixed assets		<u>1 296 019 240</u>	<u>1 834 289 979</u>
Current assets			
Debtors			
Accounts receivables	10	8 372 411	33 624 785
Accounts receivables, intercompany	8	21 286 005	6 425 093
Other receivebles		11 848 656	14 321 689
Total debtors		<u>41 507 072</u>	<u>54 371 567</u>
Cash and bank deposits	10	184 221 867	205 596 300
Total current assets		<u>225 728 940</u>	<u>259 967 867</u>
Total assets		<u>1 521 748 179</u>	<u>2 094 257 846</u>

Balance sheet

Boa OCV AS

Equity	Notes	2014	2013
Restricted equity			
Share capital	5, 6	100 000	100 000
Share premium	6	80 108 000	80 108 000
Other restricted equity	6	14 444 514	14 444 514
Total restricted equity		<u>94 652 514</u>	<u>94 652 514</u>
Retained earnings			
Other equity	6	99 423 763	837 464 830
Total retained earnings		<u>99 423 763</u>	<u>837 464 830</u>
Total equity		<u>194 076 277</u>	<u>932 117 344</u>
Liabilities			
Provisions			
Deferred tax	9	0	1 928 093
Other provisions	4	0	51 546 728
Total provisions		<u>0</u>	<u>53 474 821</u>
Other long term liabilities			
Bonds	7, 10	1 200 000 000	1 012 500 000
Total of other long term liabilities		<u>1 200 000 000</u>	<u>1 012 500 000</u>
Current liabilities			
Trade creditors		23 414 072	16 506 470
Trade creditors, intercompany	8	6 429 261	5 618 445
Group liabilities	8	50 000 000	37 245 000
Tax payable	9	1 037 233	1 330 935
Other short term liabilities	10	46 791 337	35 464 832
Total short term liabilities		<u>127 671 903</u>	<u>96 165 681</u>
Total liabilities		<u>1 327 671 903</u>	<u>1 162 140 503</u>
Total equity and liabilities		<u>1 521 748 180</u>	<u>2 094 257 846</u>

Trondheim, 26.02.2015



Helge Kvalvik
Chairman of the board



Ole T. Bjørnevik
Member of the board



Rune Juliussen
Member of the board

Notes to 2014 annual accounts

Note 1 Accounting principles

The annual accounts are established in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles.

Principle rule for recording and categorising assets and debts

Assets intended for long-term ownership or usage are categorised as fixed assets. Other assets are categorised as current assets. Debts to be paid back within a year are also categorised as current assets. Similar criteria are used to categorise short-term and long-term debts.

Fixed assets are valued at purchase cost, and depreciated over the economic lifetime. If the actual value of the fixed assets is lower than the booked value and the decrease in value is not expected to be temporary, devaluation to the actual value is carried out. Fixed assets are depreciated linearly.

Current assets are recorded at the lowest of historical cost and net realisable value.

Other long-term and short-term debts are recognised at nominal value.

Assets and debt in foreign currency

Money items in foreign currency are converted at the rate applicable on the balance sheet date.

Receivables

Accounts receivable and other receivables are entered at nominal value after deducting the provision for expected losses.

The provision for losses is based on an individual assessment of the separate claims.

Bank deposits, cash, etc.

Bank deposits, cash, etc includes cash, bank deposits and other forms of payment which mature less than three months from the acquisition date.

Revenue

Revenues from the sale of services are recognised in the income statement according to the project's level of completion. Revenues are booked at the net sales value at the time of the transaction.

Cost

As a general rule, costs are booked in the same period as the corresponding income. When there is no clear correlation between costs and income, the allocation of costs is made as a "best effort" appraisal.

Taxes

Tax expenses are grouped with operating profit before tax. Taxes are recognised directly in equity to the extent that they relate to equity transactions.

The company entered the Norwegian shipowning tax regime as of 01.01.2007.

Tax cost includes taxes payable (tax on this years taxable income and interest surplus), tonnage tax and change in net deferred taxes.

Deferred tax and deferred tax assets are presented net in the balance sheet.

All figures in the notes are quoted in NOK 1 000.

Notes to 2014 annual accounts

Note 2 Operating income

Geographical area	2014	2013
USA	127 489	203 515
Norway	235 946	221 853
Total	363 435	425 368

All the income is from offshore activity.

Note 3 Personnel compensation, number of employees and loans to employees etc.

The company does not have any personnel. Administrative services are hired from Boa Offshore AS. The Board and the general manager do not receive a salary or other compensation.

Auditor

The fee paid in 2014 to Deloitte AS for accounting services was NOK 90 000, and for other services NOK 45 550.

Note 4 Fixed assets

	Vessel	Periodic maintenance	Total
Acquisition cost on 01.01	1 295 411		1 295 411
Additions	21 524	65 185	86 709
Disposals	0		0
Change of principle	-74 039	74 039	0
Acquisition cost on 31.12	1 242 896	139 224	1 382 120
Accumulated depreciation on 01.01	480 873		480 873
Depreciation this year	61 610	22 729	84 339
Change of principle		35 044	35 044
Accum. depreciation 31.12.	542 483	57 773	600 256
Book value	700 413	81 451	781 864
Economic lifespan	20 years	2,5-10 years	
Depreciation plan	Linear	Linear	

The group companies was making allocations for class costs. The allocations was made based on estimated time for next periodic class survey. From 01.01.2014 the cost of periodic maintenance of vessels is capitalized and depreciated to the next periodic maintenance.

Notes to 2014 annual accounts

Note 5 Share capital and shareholder information

	Shares	Equity share	Voting share
Boa Offshore AS	1 000	100 %	100 %
Total number of shares	1 000	100 %	100 %

The company share capital is NOK 100 000, 1 000 shares with a nominal value of NOK 100.

The company has only one class of shares.

The company is a part of the group Boa Offshore AS. Boa Offshore AS is a part of the group Taubåt-kompaniet AS. Both of the groups financial statements can be distributed from the office in Trondheim.

Note 6 Equity

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.	100	80 108	14 445	837 465	932 118
Change of principle				16 502	16 502
Profit of the year				103 456	103 456
Dividend				-808 000	-808 000
Dividend on this year result				-50 000	-50 000
Equity 31.12.	100	80 108	14 445	99 424	194 076

Note 7 Long term debt

	2015	2016	2017	2018	2019
Instalments	100 000	100 000	100 000	100 000	800 000

Note 8 Outstanding accounts with companies within the same group

	Short term receivables		Long term receivables	
	2014	2013	2014	2013
Boa Offshore AS	6 170		505 113	1 019 752
Boa Offshore LLC	11 952			
Boa Marine Services Inc	3 164	6 425		
Sum	21 286	6 425	505 113	1 019 752

	Short term liabilities	
	2014	2013
Boa Offshore AS	53 953	42 628
Boa Shipping AS	2 479	-2
Boa Marine Services SA	-3	237
Sum	56 429	42 863

Notes to 2014 annual accounts

Note 9 Tax

This years tax:	2014	2013
Changes in deferred tax	-10 971	-418
Tax payable	991	1 285
Tonnage tax	46	46
This years tax expense	-9 934	913

Tax payable in balance:	2014	2013
This year's tax on profit	1 037	1 331
Net tax payable	1 037	1 331

This years tax basis:	2014	2013
Profit and loss account	3 671	4 589
Financial result	-36 961	3 350
Loss carried forward used	-	-3 350
This years tax basis	-33 290	4 589

Temporary differences:	2014	2013
Profit and loss account	14 685	18 356
Loss carried forward	-48 176	-11 215
Net temporary differences	-33 491	7 141

Net deferred tax 27 %	-9 043	1 928
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Note 10 Secured debt/other long-term debt

Debt secured by mortgage etc.	2014	2013
Debt to credit institutions	1 200 000	1 012 500
Accrued interest	21 547	15 823
Sum	1 221 547	1 028 323

Book value of assets mortgaged for debt:	2014	2013
Bank deposits	184 003	205 424
Accounts receivables	29 658	40 050
Vessels	781 864	814 538
Group receivables	505 113	1 019 752
Sum	1 500 638	2 079 764

Notes to 2014 annual accounts

Note 11 Transactions with related parties

The outstanding accounts with group companies are mentioned in note 8.

Transactions with related parties:

Operating transactions:	2014	2013
Services		
- Mother company	45 270	62 743
Total expenses from operating transactor	45 270	62 743
Services		
- Sister company	127 489	28 757
Total income from operating transactions	127 489	28 757
Finance transactions:	2014	2013
Interest income		
- Mother company	53 361	61 097
Total income from finance transactions	53 361	61 097

Cash flow report

Figures in 1 000 NOK	Note	2014	2013
Cash flow from operating activities			
Profit before income taxes		93 523	187 138
Paid in tax		-1 331	-1 652
Depreciation		84 339	64 212
Changes in trade receivables and creditors		32 160	-8 588
Changes in receivables from group entities	1.	-67 411	-64 426
Changes in other short-term receivables and liabilities		13 800	14 201
Net cash flow from operating activities		155 080	190 886
Cash flow from investing activities			
Purchase of fixed assets		-86 709	-
Net cash flow from investing activities		-86 709	-
Cash flow from financing activities			
Repayment of long term liabilities		-1 012 500	-75 000
Group contribution		-277 245	-25 600
Raised long term liabilities		1 200 000	-
Net cash flow from financing activities		-89 745	-100 600
Net changes in cash and cash equivalents		-21 374	90 286
Cash and cash equivalents start at period		205 596	115 310
Cash and cash equivalents end of period		184 222	205 596

1. The changes in receivables from group entities does not include the group contribution.

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Boa OCV AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Boa OCV AS, which comprise the balance sheet as at 31.12.2014, and the income statement, showing a profit of NOK 103.456.482 and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Boa OCV AS as at 31.12.2014, and of 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.

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 allocation of the profit 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.

Trondheim, 27.02.2015
Deloitte AS

Jon Bjørnaas (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]