

Annual Report

Boa OCV AS

2013

Org.nr. 984 158 939



BOA OCV AS

BOARD'S ANNUAL REPORT FOR 2013

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 2013.

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 2013.

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 2013 was MNOK 213,2 (MNOK 176,0).

The financial result was MNOK -26,1 (MNOK -46,7).

The year-end profit was MNOK 186,2 (MNOK 128,1).

Total year-end assets were MNOK 2.094,3 (MNOK 1.968,9), and the percentage of shareholder's equity on December 31, 2013 was 44,5 % (39,8 %).

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 currently 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 186,2. The Board proposes the following disposal:

Transfer to other equity:	MNOK 149,0
Group contribution:	MNOK 37,2

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 market outlook for the subsea segment remains relatively strong. Although several oil companies have announced reduced growth in their investment plans, ongoing and sanctioned projects will ensure high activity and demand in the years to come, and in the long term the subsea segment will remain a growing market. The major offshore construction companies have all time high backlogs and the demand for tonnage from smaller construction- and IRM companies, is increasing. The fleet of subsea construction vessels will increase over the next two years, but that is mainly smaller vessels than the vessels in Boa OCV AS. Boa Sub C is on hire on long-term contract to mid 2015, while Boa Deep C is secured on a series of continuing short-term contracts in US GoM for the remainder of 2014. There are promising opportunities for long-time contracts on both vessels from 2015.

Trondheim, 27 February 2014



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	2013	2012
Operating income	2	425 368 251	417 039 319
Operating income		<u>425 368 251</u>	<u>417 039 319</u>
Operating expenses ship	11, 12	48 707 857	77 044 310
Payroll expenses	12	74 523 383	77 744 524
Depreciation	4	64 212 336	64 212 336
Other operating expenses	3	24 696 795	22 019 965
Operating expenses		<u>212 140 372</u>	<u>241 021 134</u>
Operating profit		<u>213 227 879</u>	<u>176 018 185</u>
Financial income and expenses			
Interest income from group entities	12	61 096 565	59 353 911
Other interest income		1 853 759	4 860 082
Other financial income		14 868 055	6 009 064
Other interest expenses		95 823 848	105 057 722
Other financial expenses		8 084 074	11 901 580
Net financial income and expenses		<u>-26 089 542</u>	<u>-46 736 245</u>
Operating result before tax		<u>187 138 337</u>	<u>129 281 939</u>
Tax on ordinary result	9	912 553	1 223 681
Operating result after tax		<u>186 225 784</u>	<u>128 058 258</u>
Annual net profit		<u>186 225 784</u>	<u>128 058 258</u>
Brought forward			
Group contribution	6	37 245 000	25 600 000
To other equity	6	148 980 784	102 458 258
Net brought forward		<u>186 225 784</u>	<u>128 058 258</u>

Balance sheet

Boa OCV AS

Assets	Notes	2013	2012
Fixed assets			
Tangible fixed assets			
Ships	4, 10, 12	814 537 822	878 750 158
Total tangible fixed assets		<u>814 537 822</u>	<u>878 750 158</u>
Financial fixed assets			
Loans to group companies	8, 10	1 019 752 157	958 655 592
Total financial fixed assets		<u>1 019 752 157</u>	<u>958 655 592</u>
Total fixed assets		<u>1 834 289 979</u>	<u>1 837 405 750</u>
Current assets			
Debtors			
Accounts receivables	10	33 624 785	14 529 248
Accounts receivables, intercompany	8	6 425 093	0
Other receiveables		14 321 689	1 667 834
Total debtors		<u>54 371 567</u>	<u>16 197 083</u>
Cash and bank deposits	10	205 596 300	115 310 073
Total current assets		<u>259 967 867</u>	<u>131 507 155</u>
Total assets		<u>2 094 257 846</u>	<u>1 968 912 905</u>

Balance sheet

Boa OCV AS

Equity	Notes	2013	2012
Restricted equity			
Share capital	5, 6	100 000	100 000
Share premium reserve	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	837 464 830	688 484 045
Total retained earnings		<u>837 464 830</u>	<u>688 484 045</u>
Total equity		<u>932 117 344</u>	<u>783 136 559</u>
Liabilities			
Provisions			
Deferred tax	9	1 928 093	2 346 475
Other provisions	11	51 546 728	39 604 510
Total provisions		<u>53 474 821</u>	<u>41 950 985</u>
Other long term liabilities			
Bonds	7, 10	1 012 500 000	1 087 500 000
Total of other long term liabilities		<u>1 012 500 000</u>	<u>1 087 500 000</u>
Current liabilities			
Trade creditors	8	16 506 470	5 998 624
Trade creditors, intercompany	8	5 618 445	2 522 683
Group liabilities	8	37 245 000	25 600 000
Tax payable	9	1 330 935	1 652 297
Other short term liabilities	10	35 464 832	20 551 758
Total short term liabilities		<u>96 165 681</u>	<u>56 325 361</u>
Total liabilities		<u>1 162 140 503</u>	<u>1 185 776 346</u>
Total equity and liabilities		<u>2 094 257 846</u>	<u>1 968 912 905</u>

Tromsø, 27.02.2014


Helge Kvalvik
Chairman of the board


Ole T. Bjørnevik
Member of the board


Rune Juliussen
Member of the board

Notes to 2013 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 2013 annual accounts

Note 2 Operating income

<u>Geographical area</u>	<u>2013</u>	<u>2012</u>
USA	203 515	195 186
Norway	221 853	221 853
Total	425 368	417 039

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 2013 to Deloitte AS for accounting services was NOK 88 000, and for other services NOK 95 445.

Note 4 Fixed assets

	<u>Vessel</u>
Acquisition cost on 01.01	1 295 411
Additions	
Disposals	0
Acquisition cost on 31.12	1 295 411
Accumulated depreciation on 01.01	416 661
Depreciation this year	64 212
Accum. depreciation 31.12.	480 873
Book value	814 538
Economic lifespan	20 years
Depreciation plan	Linear

Note 5 Share capital and shareholder information

	<u>Shares</u>	<u>Equity share</u>	<u>Voting share</u>
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 Boa Holding AS. Both of the groups financial statements can be distributed from the office in Trondheim.

Notes to 2013 annual accounts

Note 6 Equity

	Share capital	Share premium reserve	Other restricted equity	Other equity	Total
Equity 01.01.	100	80 108	14 445	688 484	783 137
Profit of the year				186 226	186 226
Group contribution				-37 245	-37 245
Equity 31.12.	100	80 108	14 445	837 465	932 117

Note 7 Long term debt

	2014	2015	2016
Instalments	75 000	75 000	862 500

Note 8 Outstanding accounts with companies within the same group

	Short term receivables		Long term receivables	
	2013	2012	2013	2012
Boa Offshore AS			1 019 752	958 656
Boa Marine Services Inc	6 425			
Sum	6 425	0	1 019 752	958 656

	Short term liabilities	
	2013	2012
Boa Offshore AS	42 628	27 982
Boa Shipping AS	-2	140
Boa Marine Services SA	237	
Sum	42 863	28 123

Note 9 Tax

This years tax:	2013	2012
Changes in deferred tax	-418	-429
Tax payable	1 285	1 606
Tonnage tax	46	46
This years tax expense	913	1 223

Tax payable in balance:	2013	2012
This year's tax on profit	1 331	1 652
Net tax payable	1 331	1 652

This years tax basis:	2013	2012
Profit and loss account	4 589	5 736
Financial result	3 350	4 206
Loss carried forward used	-3 350	-4 206
This years tax basis	4 589	5 736

Temporary differences:	2013	2012
Profit and loss account	18 356	22 945
Loss carried forward	-11 215	-14 565
Net temporary differences	7 141	8 380
Net deferred tax 27 / 28 %	1 928	2 346

Notes to 2013 annual accounts

Note 10 Secured debt/other long-term debt

Debt secured by mortgage etc.	2013	2012
Debt to credit institutions	1 012 500	1 087 500
Accrued interest	15 823	16 484
Sum	1 028 323	1 103 984

Book value of assets mortgaged for debt:	2013	2012
Bank deposits	205 424	115 202
Accounts receivable	40 050	14 529
Vessel	814 538	878 750
Group receivables	1 019 752	958 656
Sum	2 079 764	1 967 138

Note 11 Other provisions for obligations

The company is making allocations for class costs. The allocations are being made based on estimated time for next periodic class survey. Changes in estimates have been spread over the remaining period up to the next drydocking. The allocations also includes repairs and periodic maintenance.

Note 12 Transactions with related parties

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

Transactions with related parties:

Operating transactions:	2013	2012
Services		
- Mother company	62 743	61 309
Total expenses from operating transactor	62 743	61 309

Purchase of tangible assets		
- Sister company	0	11 516
Total purchase of tangible assets	0	11 516

Finance transactions:	2013	2012
Interest income		
- Mother company	61 097	59 354
- Sister company	0	0
Total income from finance transactions	61 097	59 354

Cash flow report

Figures in 1 000 NOK	Note	2013	2012
Cash flow from operating activities			
Profit before income taxes		187 138	129 282
Paid in tax		-1 652	-2 054
Depreciation		64 212	64 212
Changes in trade receivables and creditors		-8 588	-4 816
Changes in receivables from group entities	1.	-64 426	-56 831
Changes in other short-term receivables and liabilities		14 201	-8 366
Net cash flow from operating activities		190 886	121 427
Cash flow from investing activities			
Purchase of fixed assets		-	-11 516
Net cash flow from investing activities		-	-11 516
Cash flow from financing activities			
Repayment of long term liabilities		-75 000	-75 000
Group contribution		-25 600	-32 000
Net cash flow from financing activities		-100 600	-107 000
Net changes in cash and cash equivalents		90 286	2 911
Cash and cash equivalents at 01.01		115 310	112 399
Cash and cash equivalents at 31.12		205 596	115 310

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

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 31.12.13, and the income statement, showing a profit of NOK 186.225.784,- and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors Responsibility for the Financial Statements

The Board of Directors is 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 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 31.12.13, 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, 28th of February 2014
Deloitte AS

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

[Translation has been made for information purposes only]