

DEEP SEA SUPPLY Plc
ANNUAL REPORT 2006



“Deep Sea Supply Plc intends to become one of the leading owners and operators of supply vessels on a global basis.”

KEY FIGURES

Figures in NOK 1000	Note	2006	2005
PROFIT AND LOSS ACCOUNT			
Sales - freight revenue		472 681	121 854
Gross profit		233 929	38 909
Gross profit margin		49 %	32 %
Operating profit		285 104	33 249
Operating profit margin		60 %	27 %
EBITDA	1	349 509	56 920
EBITDA margin		74 %	47 %
Profit		241 686	7 566
Profit margin		51 %	6 %
SOLVENCY AND LIQUIDITY			
Cash		321 530	57 397
Book equity		1 776 261	433 296
Book equity margin	2	63 %	32 %
Value adjusted equity	3	2 758 969	595 493
Value adjusted equity margin	4	77 %	39 %
PROFITABILITY			
Average number of shares		106 910	45 959
Share price 31.12.		18,5	10,30
Earnings per share		2,26	0,38
Earnings per share diluted		2,23	0,36
Cash flow per share		2,79	0,79
VESSELS AND NEWBUILDINGS			
Vessels in operation		7	6
Newbuildings		20	0

Definitions:

- 1) Including gains on sale (2006; NOK 82 860 / 2005; NOK 0)
- 2) Total equity / Total assets
- 3) Only vessels in operation (9 vessels ref page 4) are value adjusted. Values as per broker's assessments
- 4) Value adjusted equity / Total value adjusted assets

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DEEP SEA SUPPLY AT A GLANCE

Deep Sea Supply Plc ("DESSC" or the "Company" on a consolidated basis) is a public quoted company listed on the Oslo Børs. The company is incorporated in Cyprus. Deep Sea Supply Plc acquired all shares in Deep Sea Supply ASA in 2006/2007.

Deep Sea Supply ASA was established for the purpose of building up an offshore support vessel business. In July 2005, the company acquired six 15,000 BHP AHTS (Anchor Handling Tug Supply) vessels from Tidewater Marine Inc. (Tidewater) of the KMAR 404 design. The vessels being built in Norway are ideally suited for operations in the North Sea and internationally.

In April 2006 Deep Sea Supply ASA entered into a contract with Seatankers Management Co. Ltd. (the "Seller"), to purchase 22 newbuilding contracts at a price of USD394 mill. The Seller provided partial guarantees for possible delayed delivery of the vessels.

In July 2006 a newbuilding contract was acquired from Skipsaksjeselskapet Sunnmøre Rederi AS for an AHTS (16,000 BHP) vessel. The vessel is a Hayard 842 design and will be built at Hayard (Norway).

In August 2006 the Company acquired from Bourbon Offshore a KMAR 404 design AHTS vessel of 15,000 BHP built at Kværner Kleven Yard in 1999. The vessel was delivered in August.

Deep Sea Supply Plc was established on 7 November 2006 for the purpose of acquiring all shares of Deep Sea Supply ASA. The Board of Deep Sea Supply ASA concluded in 2006 that the tax regime in Cyprus is expected to afford more stable, attractive and competitive conditions over time compared to the Norwegian regime under which Deep Sea Supply ASA operates. Deep Sea Supply Plc has during the end of 2006 and the beginning of 2007, throughout a voluntary exchange offer of 4 December 2006, a mandatory offer and a compulsory acquisition both of 4 January 2007, become a 100% owner of all the issued and outstanding shares in Deep Sea Supply ASA. Consequently Deep Sea Supply Plc has become a new parent company of the Group.

Strategy

The Company intends to become one of the leading owners and operators of supply vessels on a global basis. The Company will primarily seek to obtain and maintain a chartering profile with emphasis on the spot and short-term contract markets for the large AHTS vessels operating in the



North Sea and in other areas of the world. For the PSVs (Plattform Supply Vessel) and the small AHTS vessels, Deep Sea Supply Plc will seek to obtain medium to long term contracts. The Company's primary aims are to meet the demand from the markets that require modern and advanced offshore vessels.

The Company will focus on acknowledged Safety Standards developed during recent years within the Offshore Marine Industry world wide, and in particular in the North Sea area. The top management is dedicated to supervise that all personnel are well acquainted with HSE&Q standards and procedures, and all efforts will be made to ensure that each individual has the preferred attitude and behaviour with respect to safety matters and is carrying out the operations in accordance with best practices.

Deep Sea Supply Plc will actively consider investments in the perspective of providing financial returns to its shareholders. The Company will actively consider possibilities to participate in industry consolidation, mergers and acquisitions, and will position itself to be part of such consolidation. With the acquisition of the first 22 shipbuilding contracts from Seatankers Management Co. Ltd, the Company took its first step towards industry consolidation.

Following the acquisition of the 22 newbuildings, the Company obtained financing for the entire newbuilding-program. Furthermore, the Company obtained NOK 1,150 million of new equity.

The Company will actively use the capital market when doing investments, and does not intend to hold liquid reserves for significant investments. Retained earnings will, to the extent permitted under operational constraints, financial covenants and with due regard to appropriate working capital requirements, be paid out as dividends.

Vessel operation

The Company has per 31 December 2006 a fleet consisting of 7 AHTS vessels. At year-end the vessels operated in the following areas:

The North Sea:	Sea Lynx, Sea Tiger and Sea Cougar
Trinidad & Tobago:	Sea Panther and Sea Wolf
Venezuela:	Sea Leopard
West Africa:	Sea Bear

The Company took delivery of the first PSV from Cochin Shipyard (India) in January 2007 and the first AHTS (15,000 BHP) from Jaya Shipbuilding (Singapore) in February 2007. The vessels were chartered out from the time of delivery.

Management and employees

The Company was established with the aim to employ and maintain a small, focused and qualified management within the following predefined core activities;

- Chartering**
- Finance and Investor Relations**
- Business Development**
- Monitoring and control of external suppliers**

The Company intends to focus its in-house resources on key competence within the above activities and purchase other services, such as technical management, crew management, construction supervision and accounting services, from third party providers.

The Company is incorporated in Limassol, Cyprus. The Company has further one management company in Arendal, Norway and one rep. office in Singapore.

As of year-end the current staff of the Company is 9 persons. During 2006 staff has increased within the Company's core business; chartering, fleet management control and finance.

The Management team of the Company is as follows:

Odd Brevik, CEO – Chief Executive Officer;

Mr. Brevik has nearly 25 years experience from the offshore supply business. From 1982-85, he worked as Director with Balder Management and from 1985 -1988 with Supply Service Management. In 1988 he joined Viking Supply Ships AS as managing director where he worked until 2000. During this period, Viking Supply Ships was actively investing, operating and divesting ships and other equipment. At the peak, Viking Supply Ships operated 61 vessels and had more than 1,700 employees. It was listed on Oslo Børs for a three years period.

Finn Amund Norbye, CFO – Chief Financial Officer:

Finn Amund Norbye has a long and international career within shipping and finance. From 2001-2006 he was CFO of Bergshav Management AS and from 1999-2001 he was Director and Head of Fortis Bank's Shipping Division in Rotterdam. Prior to that, he worked 12 years with Christiania Bank's Shipping department. From 1996-1999 he was head of the bank's Shipping department in Singapore and from 1993-1996 he was Head of the bank's Shipping department in London. Prior to joining Christiania Bank, Mr. Norbye has worked with Storebrand Finans, Norges Eksportråd (Stockholm), Electrolux (Bangkok). Mr. Norbye holds a Masters degree (Siviløkonom) from Norges Handelshøyskole (NHH) and Handelshögskolan in Stockholm.

Olaf Hafredal, CCO – Chief Chartering Officer:

Olaf Hafredal has a long and extensive experience from the offshore supply chartering business. From 1971 to 1990, he worked as shipbroker with Johan G. Olsen Shipbrokers AS, most of the time with the offshore department which he managed from 1982. In 1990 he joined Viking Supply Ships AS as chartering manager. When Viking Supply Ships sold its supply fleet to Sævik Supply ASA at the end of 1996, he followed the fleet and worked as chartering manager for Sævik Supply until the same fleet was sold on to Trico Supply ASA. Mr. Hafredal then started as chartering manager for Trico Supply, a position he held until 2004. Before joining Deep Sea Supply ASA, Mr. Hafredal worked as chartering manager for Havila Shipping.



HIGHLIGHTS

January 2006;

- The Company issued a NOK 200 mill. Bond with a 5 years term for the purpose of refinancing the mezzanine loan facility.

April 2006;

- Acquisition of 22 newbuilding contracts from Seatankers Management Co Ltd. at a price of USD 394 mill., whereof a cash consideration USD 120 mill. and remaining project costs of USD 274 mill.

- Private placement of NOK 1,150 mill. completed, financing the acquisition of the 22 newbuilding contracts as well as strengthening the working capital.

- Hemen Holding Ltd, and associate companies became the Company's largest shareholders with approximately 23% ownership interest. The ownership has during 2006 increased to approximately 35%.

June 2006;

- The Company acquired a 20% stake in a newbuilding program for 4 PSVs to be delivered from Cochin Shipyard, India. Expected delivery of the vessels is 2008 (2 vessels) and 2009 (2 vessels). These contracts were sold in October 2006.

July 2006;

- Sale of 3 AHTS 6,500 BHP newbuild contracts entered into with ABG Shipyard.

- The Company acquired a newbuilding contract from Skipsaksjeselskapet Sunnmøre Rederi AS for an AHTS vessel. The expected delivery date is September 2008 and the vessel's price was NOK 252.5 mill. The vessel is a Havyard 842 design and will be built at Havyard (Norway).

- The Company agreed with Bourbon Offshore to acquire the vessel "Bourbon Charisma", a KMAR 404 design AHTS vessel built at Kværner Kleven Yard in 1999. The vessel was acquired at a price of mNOK 273. The vessel was delivered in August.

November 2006;

- Deep Sea Supply Plc was incorporated in Cyprus 7 November.

December 2006;

- A voluntary exchange offer was put forward to purchase all the issued and outstanding shares of Deep Sea Supply ASA. As per the expiry of the offer period, Deep Sea Supply Plc received valid acceptances from 93,8% of the total share capital of Deep Sea Supply ASA. Deep Sea Supply Plc became the new parent company of the Group

January 2007;

- Deep Sea Supply Plc purchased the remaining 6,2% Deep Sea Supply ASA shares through a mandatory offer and a compulsory acquisition. Deep Sea Supply Plc has during February and March become a 100% owner of Deep Sea Supply ASA.

- Vroon Offshore B.V., previously holding approximately 7,7% of the Deep Sea Supply Plc shares, sold in January 2007 its complete shareholding. According to Vroon Offshore B.V they sold to avoid any potential future conflict of interest with Deep Sea Supply Plc in the offshore supply sector.

- The Company took delivery of the vessel Sea Trout, the first PSV delivered from Cochin Shipyard in India.

February 2007;

- The Company took delivery of the vessel Sea Cheetah, the first large AHTS vessel from Jaya Shipyard in Singapore.

- Deep Sea Supply Plc has during February and March acquired 2,991,000 own shares. The shares were acquired in the market at an average price of NOK 19,11 per share.

March 2007;

- The Company entered into an agreement with Java MarineLines Pte Ltd. for a 1 year firm bareboat charter of an AHTS vessel, 10.800 BHP. The vessel is to be commissioned and delivered by Jaya Shipbuilding & Engineering Pte. Ltd. in Singapore in September/October 2007. Deep Sea Supply Plc secured a purchase option at the end of the 1 year bareboat charter.





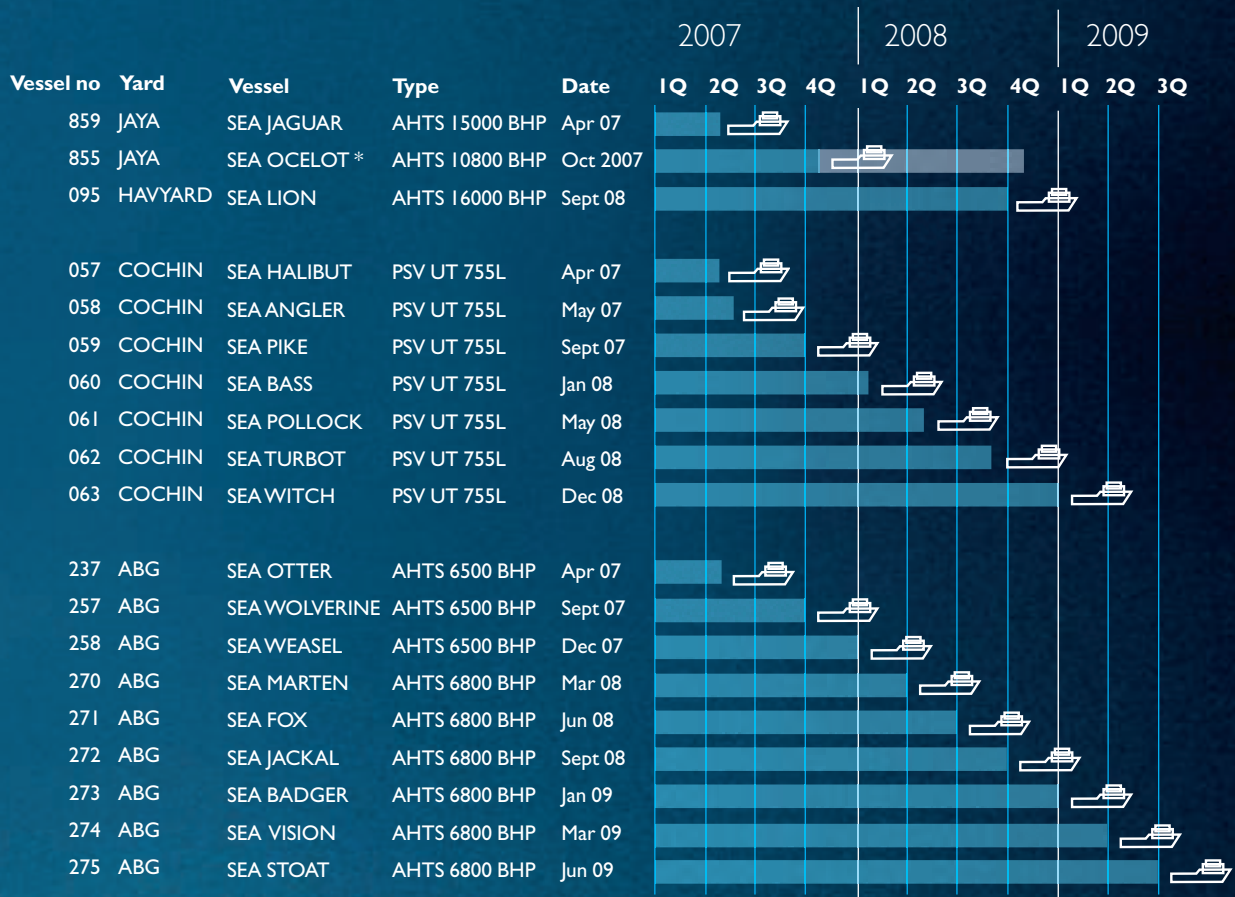
FLEET LIST AS PER 1 APRIL 2007



Existing Vessels	Yard	Built	Type	BHP/DWT
AHTS VESSELS				
SEA TIGER	KVÆRNER LEIRVIK	1998	AHTS KMAR 404	15000 BHP
SEA LEOPARD	KVÆRNER KLEVEN	1998	AHTS KMAR 404	15000 BHP
SEA LYNX	KVÆRNER LEIRVIK	1999	AHTS KMAR 404	15000 BHP
SEA PANTHER	KVÆRNER LEIRVIK	1999	AHTS KMAR 404	15000 BHP
SEA WOLF	KVÆRNER LEIRVIK	1999	AHTS KMAR 404	15000 BHP
SEA BEAR	KVÆRNER KLEVEN	1999	AHTS KMAR 404	15000 BHP
SEA COUGAR	KVÆRNER LEIRVIK	1999	AHTS KMAR 404	16000 BHP
SEA CHEETAH	JAYA SHIPBUILDING	2007	AHTS KHIAM CHUANG	15000 BHP
PSV				
SEA TROUT	COCHIN SHIPYARD Ltd	2007	PSV UT 755 L	3250 DWT

All vessels are 100% owned by Deep Sea Supply.

NEWBUILDING DELIVERY



* Bareboat charter. Purchase option secured at the end of the bareboat charter.

BOARD OF DIRECTORS



Olav Fjell

Born 1951
Chairman since 2005

Other board assignments:
Franzefoss AS (chairman)
Concedo ASA (chairman)
SPT AS
Statkraft
Kristian Jebsen Rederi AS

Education:

Master of business administration (Siviløkonom)
Norges Handelshøyskole (NHH)

Shares in Deep Sea Supply Plc per 31.12.2006: 85,000



Atle Bergshaven

Born 1946
Director since 2005

Other board assignments:
Bergshav Group of Companies (Chairman)
Det Norske Veritas (Chairman)
Norwegian Hull Club
North of England P&I Club
Fosen Holding AS / Fosen Mek.Verksteder AS

Education:

Master of business administration
University of Newcastle-upon-Tyne

Shares in Deep Sea Supply Plc per 31.12.2006:
Mr. Bergshaven has controlling interest in
Bergshav Tankers AS owning 5,500,000 shares.



Anna Cecilie Holst

Born 1954
Director since 2004

Other board assignment:
Optimum ASA

Education:

Lic. Oec. HSG (University of St.Gallen)
CEFA (Norwegian School of Economics and Business Administration/The Norwegian Society of Financial Analysts)

Plc per 31.12.2006: 16,900

Bent Lund Thomsen

Born 1949
Board member since 2006

Shares in Deep Sea Supply Plc per 31.12.2006: None

Company secretary:

Adam Montanios





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REPORT FROM THE BOARD

Deep Sea Supply Plc ("DESSC" or the "Company")

on a consolidated basis) achieved operating revenues of NOK472,7 mill. and a net profit of NOK241,7 mill.

This is equivalent to NOK 2,26 per share. The equity at the turn of the year was NOK1,776 mill or 63% of the book value of total assets.

Company background

Deep Sea Supply Plc is an offshore supply company and owned as per 31st December 2006 a fleet of 7 Anchor Handling Tug Supply vessels ("AHTS vessels") in operation, 20 shipbuilding contracts of which 8 Platform Supply Vessels ("PSVs") and 12 AHTS vessels. The expected delivery of the newbuildings is in the period 2007 to 2009.

The Company intends to become one of the leading owners and operators of supply vessels on a global basis. Deep Sea Supply Plc will primarily seek to obtain and maintain a chartering profile with emphasis on the spot and short-term contract markets for the large AHTS vessels operating in the North Sea and in other areas of the world. For the PSVs and the small AHTS vessels, DESSC will seek to obtain medium to long term contracts.

Change in domicile

Deep Sea Supply Plc was incorporated on 7 November 2006 for the purpose of acquiring all shares of Deep Sea Supply ASA following an initiative by the Board of Deep Sea Supply ASA to change the domicile of the ultimate parent company to Cyprus. Cyprus is expected to afford more stable, attractive and competitive conditions over time compared to the Norwegian regime. It was also considered vital that Cyprus is an EU member.

To facilitate the change in domicile, Deep Sea Supply Plc presented on 4 December 2006 a voluntary exchange offer to acquire all issued and outstanding shares in Deep Sea Supply ASA. The consideration offered was 1 DESSC share for each owned share in Deep Sea Supply ASA, and the offer period was from 5th until 18th December 2006. DESSC received acceptances from 93,8% of the total shares in Deep Sea Supply ASA. Settlement under the exchange offer was completed on 22 December 2006. The DESSC shares were issued to Nordea Bank Norge ASA as the VPS Registrar and interest on the said shares have been delivered to the tendering shareholders of Deep Sea Supply ASA on 27th December 2006 and registered in the VPS. DESSC commenced trading on Oslo Stock Exchange as from the 28th December 2006.

Following completion of the *voluntary* exchange offer the Board presented a *mandatory* offer for purchase of the remaining 6,2% shares of Deep Sea Supply ASA on 4 January 2007. At the same time the Board resolved to exercise its rights of compulsory acquisition of all remaining shares of ASA. The offer period under the mandatory offer was from 5th January

2007 to 2nd February 2007. The consideration offered to the shareholders of Deep Sea Supply ASA was 1 DESSC share for each owned share in Deep Sea Supply ASA, or alternatively to receive a cash consideration of NOK 18,00 per Deep Sea Supply ASA share. Under the mandatory offer, DESSC received acceptances representing 4,9% of the issued shares in Deep Sea Supply ASA whereof 4,5% and 0,4% were tendered under the share alternative and cash alternative respectively. The shareholders who remained passive (approximately 1,2% of the total outstanding shares), received the offered redemption amount of NOK 18,00 per share. Pursuant to the compulsory acquisition DESSC became the owner of all issued shares in Deep Sea Supply ASA as per the commencement of the offer period of the mandatory offer.

Company strategy and operations

The Company is based in Limassol, Cyprus. The Company has one management company in Arendal, Norway and a representative office in Singapore. The administration consists of 9 staff. DESSC is the parent company in a group of companies consisting of 5 subsidiaries of which 3 shipowning subsidiaries.

The Company's strategic areas are chartering, business development, finance, investor relations and monitoring of external managers.

The strategy is to maintain a small staff and to outsource ship and crew management. One consequence of the outsourcing of crew management is that the crew is employed by the crew management companies and not employees of the Company.

Acquisitions and sales

In April 2006, the Company acquired 22 newbuilding contracts from Sea Tankers Management Co. Ltd. (the "Seller"). The acquisition of the 22 newbuilding contracts was in line with the Company's strategy of investing in modern offshore supply tonnage. The acquired contracts include two large AHTS vessels each of 15,000 BHP to be delivered from Jaya Shipbuilding & Engineering in Singapore, 8 PSVs each of 3,250 d.w.t. of UT755L design to be delivered from Cochin Shipyard Ltd. in India and 12 AHTS Vessels of 6,500 BHP to be delivered from ABG Shipyard Ltd. in India.

The agreed acquisition price for the 22 newbuilding contracts was USD394 mill. of which USD120 mill. was paid to the Seller and the remaining USD274 mill. represented the remaining yard payments to the shipyards and other project related costs taken over by the Company. The 22 newbuilding contracts were financed through private placements and new debt. Private placement of USD 170 mill. was issued towards large existing shareholders / institutional investors and allocation of USD 60 mill. to the Seller and associated companies. This private placement was followed by a "Repair Issue" of USD 7,5 mill. issued towards existing shareholders.

Three of the 22 shipbuilding contracts (the 2nd, 3rd and 4th contract at ABG Shipyard Ltd.) were sold in the 2nd quarter at a profit of NOK62 mill.

In the 2nd quarter; the Company acquired a 20% stake in 4 PSV newbuilding contracts to be built at Cochin Shipyard Ltd. These contracts were sold in October with a profit of approximately NOK 21 mill.

In the 3rd quarter; the Company took delivery of a second hand 15,000 AHTS vessel. The vessel was renamed "Sea Cougar" and continued operations in the North Sea. "Sea Cougar" is a sister vessel of the 6 vessels acquired from Tidewater in 2005 and was built in Norway in 1999.

The Company furthermore acquired a newbuilding contract for a 16,000 BHP AHTS vessel from Havyard, Norway for delivery in September 2008.

Vessel operation

Five of the six vessels acquired from Tidewater in 2005 were on time charters in Australia, Africa, Far East and Brazil when the vessels were acquired. These charters expired during 2005 and 2006. The Company's strategy was immediately after expiry of the existing charters, to mobilize the vessels to the North Sea and other areas in order to maximize the vessels' earning potential. This process was completed in June 2006.

In 2006, 5 of the 6 vessels acquired in 2005 were upgraded and overhauled. Most of the costs were charged to the income statement during the period they incurred, and only NOK 4,5 mill were included in the cost prices of the vessels. The mobilization and upgrading / overhaul of the vessels caused significant expenses and loss of revenue particularly in the 1st and 2nd quarter of 2006 when the upgrading and mobilization were completed.

"Sea Panther" was mobilized to Trinidad and Tobago on a charter. "Sea Tiger" was mobilized to the North Sea where she arrived in July 2006 for operation together with "Sea

Lynx" in the North Sea spot market. "Sea Wolf" was mobilized from West Africa for operation on a charter in Trinidad and Tobago. "Sea Bear" has remained in operation in West Africa since the vessel was acquired. "Sea Leopard" was mobilized from Brazil to Venezuela in June 2006. From delivery late August 2006, "Sea Cougar" has been operating in the North Sea on a charter contract.

Of the seven vessels in operation as per 31st December 2006, the three vessels "Sea Lynx", "Sea Tiger" and "Sea Cougar" had Norwegian flag and Norwegian Crew. "Sea Panther" had NIS Flag. The remaining 3 vessels had Cyprus Flag.

Newbuilding program

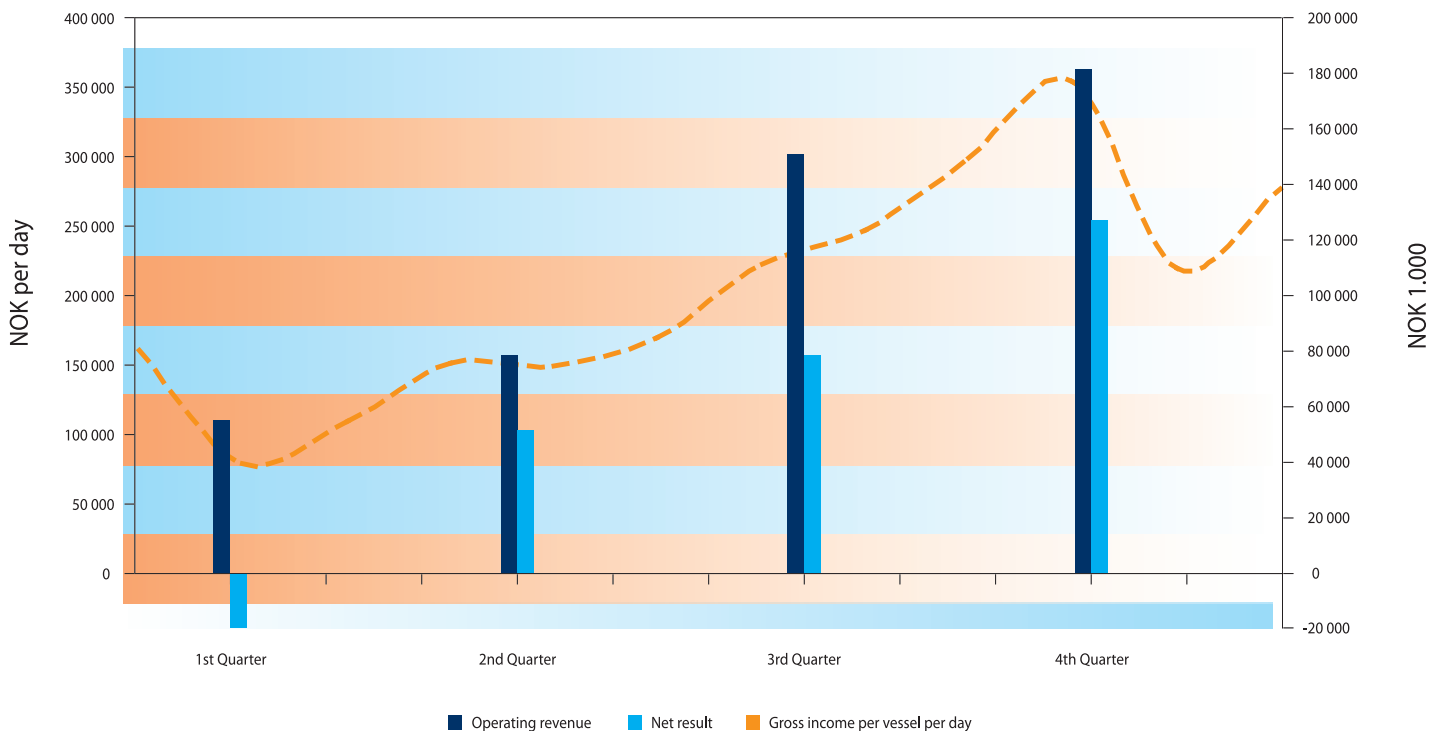
By year-end 2006, the Company owned 20 newbuilding contracts for deliveries in 2007 - 2009.

The two AHTS vessels from Jaya Shipbuilding & Engineering, Singapore are expected to be delivered on schedule in 2007.

The newbuilding at Havyard, Norway is expected to be delivered on schedule in 2008.

The first two PSV vessels from Cochin Shipyard Limited, India are delayed due to change orders imposed by the Company and delays caused by the shipyard. The first vessel was delivered in January 2007 or approximately 2 _ months after schedule. The second vessel is expected to be delivered in April 2007 or approximately 2 _ months after schedule. The remaining 6 vessels are expected to be delivered on schedule in 2007 and 2008.

The first AHTS vessel from ABG Shipyard, India is 5 months delayed mainly due to a force majeure incident at the shipyard caused by a flood. The remaining vessels are expected to be delivered with a 2 months delay compared to the original schedule. Deliveries are expected to take place from 2007 to 2009.



The 2006 Financial Statements and certain main risk factors

The accounts are presented on a consolidated basis. The Board is of the opinion that the accounts, balance sheet and notes present a true picture and complete information about the development, profit and financial condition of DESSC.

Revenue and profit

The Company recorded freight revenues of NOK 472,7 mill and operating expenses of NOK 1 67,7 mill. The operating expenses include upgrading / overhaul of 5 vessels. Relocation costs were NOK 6,8 mill.

Normal depreciation of the Vessels was NOK 64,4 mill. The book value of the Vessels is depreciated to zero when the Vessels are 30 years old. The Vessels' book values are reduced with an amount representing the estimated costs related to the next periodic dry docking. This amount is fully depreciated until the time of such next periodic dry docking.

Gross profit was NOK 233,9 mill.

Administrative expenses were in 2006 NOK 17,7 mill, and costs related to the change in domicile from Norway to Cyprus were NOK 15,2 mill. These costs are considered to be "one off" expenses.

Gains on sale were NOK 84,3 mill. This is in connection with the sale of three shipbuilding contracts at ABG Shipyard and sale of 4 shipbuilding contracts at Cochin Shipyard Ltd. of which the Company owned 20%.

Operating profit was NOK 285,1 mill.

Net financial items were NOK -39,9 mill. Financial expenses are interest expenses related to the Senior Loan and the Bond. Realized exchange gains were NOK 6 mill. due to gains of a USD/NOK forward contract and unrealized agio was NOK 11,6 mill. mainly due to the impacts of a stronger USD/NOK exchange rate on the Company's debt – hence total exchange gains of NOK 17,7 mill.

Net profit before taxes was NOK 245,2 mill.

Dividend policy

The Company will actively use the capital market when doing investments, and does not intend to hold liquid reserves for significant investments. Retained earnings will, to the extent permitted under operational constraints, financial covenants and with due regard to appropriate working capital requirements, be paid out as dividend.

Vessel revenues and net result – development during the year

Vessel revenues and the net result increased significantly every quarter as illustrated. The main reasons for this positive development was that the upgrading / repair and mobilization of the Vessels were completed in the 1st and 2nd quarter and that the charters attached to the 6 AHTS vessels acquired in 2005 expired during the 1st half of the year and were replaced by charters reflecting the improved market and hence higher dayrates. In 2006, earnings per share were NOK 2,26 of which the 4th quarter alone represented NOK 0,98 or 43%.

Balance sheet

Total fixed assets were NOK 2,271 mill. consisting mainly of the book value of vessels and construction contracts (newbuildings). Other short term receivables are related to the sale

of the three newbuilding contracts at ABG Shipyard. The receivables fall due latest on the delivery date of the vessels from ABG Shipyard which is expected to take place in 2008.

Bank deposits were NOK 321,5 mill. and trade and other receivables were NOK 121,7 mill.

By year end, the Vessels were financed by a USD 265 mill. and NOK 629 mill. Term Loan Facility secured with 1st priority in the vessels of which an equivalent of NOK 776 mill. was outstanding. In addition, the debt consisted of a NOK 200 mill. Bond issued late January 2006 for the purpose of refinancing a previous Mezzanine Loan Facility with considerable savings for the Company.

Total outstanding borrowings were NOK 976,3 mill. by year-end. Other short term liabilities (trade debtors) were NOK 56,7 mill. Loan margin on the Term Loan Facility is Libor / Nibor plus a margin of 1,2% p.a. Commitment Fee on the undrawn committed portion of the Senior Loan is 0,4% p.a. The Senior Loan has currently floating interest. The NOK 200 mill. Bond is swapped to GBP and the interest rate is fixed for a period of 5 years at 7,76% p.a.

Equity

Shareholders' equity at the start of 2006 was NOK 433,3 mill. At the end of 2006 the Company's equity was NOK 1,776,2 mill. or approximately 63% of total assets. The increase in equity is a result of the NOK 1,150 mill. private placement and the results for 2006.

Shareholders

Following the private placement in April 2006, Hemen Holding Limited and associated companies became 23,5% shareholders in DESSC and hence the Company's largest shareholder. During 2006, Hemen Holding Limited acquired more shares in DESSC and owned by year end just below 35% of the Company's shares.

Liquidity

Total current assets at year end were NOK 546,7 mill and short term debt (including short term portion of long term debt) was NOK 130,6 mill. Net cash generated from operating activities were NOK 204,7 mill., net cash used in financing activities were NOK 1,181 mill., net cash from investment activities were NOK (1,122 mill.) and the Company's cash hence increased from NOK 57,4 mill. to NOK 321,5 mill. during the year.

Freight income not received of NOK 121,7 mill is equivalent to average outstanding payment from charterers of 2 months.

The Company pays equal quarterly instalments on the term Loan Facility based on a 12,5 years repayment profile. For the newbuildings, the repayment profile is 15 years. The Company pays quarterly interest on the Bond Facility and no instalments.

Foreign Exchange

The exchange rate USD/NOK of 6,25 is used for the purpose of these accounts.

Listing

The Company is listed on the Oslo Stock Exchange and its ticker is "DESSC".

Main risk factors and uncertainties

The Company's Vessels are on short term charters or trading in the spot market. Earnings are hence sensitive to changes in the charter rates and spot rates.

The Company has a significant newbuilding program consisting of 20 vessels by year-end 2006. The shipbuilding contracts are fixed price contracts and penalties are due to the Company in the case of delayed deliveries. The Company's earnings are exposed to delays in delivery by the shipyards.

DESSC is furthermore sensitive to changes in exchange rates and interest rates. Freight revenues are mainly in USD, NOK and GBP. The NOK / USD Senior Loan Facility had floating interest rates hence exposing the Company's financial expenses to a change in the NOK and USD interest rate levels.

Going concern

The accounts are prepared on the going concern basis.

Financial risks

Liquidity and risk

In a long lasting and depressed freight market, the freight revenues can be lower than the Company's operating and financial expenses and hence reduce the liquid means of the Company.

The value of the Company's assets

The value of the Company's Vessels can change as a consequence of changes in the demand and supply for this type of vessels. This can impact on the equity and income statement of the Company.

Market risks

The Company intends to maintain a substantial part of its Vessels in the spot and short term charter markets. Reduced market rates may hence reduce and negatively impact the Company's freight revenues and net profit. The Company is positive with respect to the future market for the next 2 years.

Credit risks

The charterers are considered financially solid and the credit risks are viewed as low. The Company is focused on entering into charter parties with financially solid charterers.

Yard risk

The Company is exposed to late delivery from shipyards. The Company has refund guarantees that cover most of its exposure in the case of non delivery from the shipyards.

Finance strategy

DESSC has a finance strategy targeting areas such as the Company's Value Adjusted equity, Liquidity, Exchange rates, Interest rates, Funds management etc. Emphasis is made on achieving a balance between the currencies of revenues and operating/financial expenses and during 2006, the Term Loan Facility has been refinanced in order to achieve this.

Health, safety and environment

By year end 2006, the Company employed 9 staff (all crew is employed by external crew management companies). The working environment is considered good and there have been neither conflicts nor accidents.

All employees are male. The Company treats men and women equal in the recruitment processes.

The activities accounting services, technical management and crewing are outsourced to ISM certified companies.

Emphasis is made on professionalism and adherence to National and International laws and regulations by the suppliers delivering services to the Company. Efforts and initiatives to reduce accidents and pollution to the environment are compulsory.

The Company's Vessels are engaged in sea transportation and hence at risk related to pollution of the environment. All Vessels are in compliance with requirements issued by regulatory bodies and the risk of pollution is hence viewed as limited.

The Company's shore based activities are not a threat to the environment beyond what is normal for this type of (office) activity.

Future outlook

Of significant impact to the Company are the future freight rates for AHTS and PSV vessels internationally. The Company considers the market outlook as good for the next two years due to the high offshore exploration activity and the consequent high utilization rate of existing oil rigs and several new oil rigs and other floaters under construction for delivery in the coming years. This is expected to create an increased demand for offshore supply vessels.

The current order book for AHTS and PSV vessels is high. On the other hand, a large portion of the existing fleet is very old.

The Company's fleet of vessels is well positioned to take advantage of a strong market in 2007. Furthermore, the fleet of vessels is expected to increase from 7 to 17 vessels during 2007 which should impact positively on the Company's earnings.

Corporate Governance

DESSC's principles for Corporate Governance is based on the "Norwegian Recommendation for Corporate Governance" issued on the 8th December 2005. Listed companies are expected to practice Corporate Governance that regulates the division of roles between Shareholders, the Board of Directors and the Executive Management more comprehensively than is required by the legislation. The code of practice intends to strengthen the confidence in listed companies providing the highest possible value creation benefiting shareholders, employees and others. As long as DESSC remains listed in the Oslo Stock Exchange, the "Norwegian Recommendation for Corporate Governance" can be applicable to the Company as long as the recommendation do not contravene

Cyprus Companies Law. The Board of the Company is not aware of any contravention by the content of the "Norwegian Recommendation for Corporate Governance" of the Cyprus Companies Law. DESSC's Corporate Governance report is included in this Annual Report.

Important events after the year end

In connection with the change of domicile for the ultimate parent company from Norway to Cyprus, Metrogas Holdings Inc (a sister company of Hemen Holding Ltd.) has in January 2007 issued a short term loan facility to DESSC of USD 25,6 mill. The purpose of the loan was to provide security and finance the mandatory bid for the remaining shares in Deep Sea Supply ASA. The loan was fully repaid in March 2007.

DESSC has in January through its subsidiary DESS PSV Limited taken delivery of its first PSV vessel, the "Sea Trout" from Cochin Shipyard in India. The vessel was delivered 2,5 months after the scheduled delivery time. In February the company has through its subsidiary DESS Cyprus Limited taken delivery of the AHTS vessel "Sea Cheetah", from Jaya Shipbuilding & Engineering Pte. Ltd. in Singapore. The delivery date was according to the original time schedule.

DESSC has in March 2007 through its subsidiary DESS Cyprus Limited entered into an agreement with Java Marine Lines Pte Ltd. for a 1 year firm bareboat charter of a 10,800 BHP AHTS vessel. The Vessel is to be commissioned and delivered by Jaya Shipbuilding & Engineering Pte. Ltd. in Singapore in September/October 2007. DESSC has secured a purchase option at the end of the 1 year BB charter.

The Company has during February and March acquired 2,991,000 own shares. The shares were acquired in the market at an average price of NOK 19,11 per share.

Vroon Offshore B.V., one of DESSC's largest shareholders, has in January 2007 sold its complete shareholding. According to the company, Vroon Offshore sold all shares to avoid any potential future conflict of interest with DESSC in the offshore supply sector. Eric H. B. Rikken who represented Vroon Offshore B.V. has in February 2007 decided to resign from the Board.

Auditor

The auditors, PricewaterhouseCoopers Limited, who were appointed on 7 November 2006, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the AGM.

Allocation of net profit

Net profit after taxes was NOK 241,7 mill. The net profit is suggested transferred to retained earnings.

The Board also suggested a payment to the shareholders. The suggestion is NOK 0,80 per share or approximately NOK 102,5 mill. and will be treated as repayment of paid in equity.

Deep Sea Supply Plc's acquisition of shares in Deep Sea Supply ASA was recorded at fair value and a corresponding amount recorded as paid in capital. Hence, no retained earnings exist in Deep Sea Supply Plc and payment of dividend is therefore carried out as repayment of paid in capital.

Limassol, Cyprus
29.03.2006



Olav Fjell
Chairman



Anna Cecilie Holst



Bent Lund Thomsen



Atle Bergshaven

CONSOLIDATED BALANCE SHEET

(all amounts in thousands of Norwegian Kroner)

Year ended 31 December

	Note	2006	2005	2004
ASSETS				
Non-current assets				
Vessels	6	1.427.700	1.213.535	0
Construction contracts	6	842.786	0	0
Equipment and vehicle	6	585	505	0
Pension schemes	7	214	0	0
Deferred income tax assets		0	39	39
Total non-current assets		2.271.285	1.214.079	39
Current assets				
Inventories	10	3.663	2.570	0
Trade and other receivables	9	121.749	73.137	0
Other short term receivables	26	99.809	2.256	0
Cash and cash equivalents	11	321.530	57.397	859
Total current assets		546.751	135.360	859
Total assets		2.818.036	1.349.439	898
EQUITY				
Capital and reserves attributable to equity holders of the company				
Share capital	12	15.547	45.959	1.000
Other reserves – Share premium reserves		1.414.796	376.773	0
Other paid-in equity		3.099	3.099	0
Retained earnings		233.619	7.465	-102
Total equity excl. minority interest		1.667.061	433.296	898
Minority interest in equity		109.200	0	0
Total equity		1.776.261	433.296	898
LIABILITIES				
Non-current liabilities				
Bank borrowings	14	907.631	836.335	0
Total non-current liabilities		907.631	836.335	0
Current liabilities				
Trade and other payables	13	56.674	22.867	0
Current income tax liabilities	15	3.500	0	0
Bank borrowings	14	68.712	56.940	0
Financial derivatives	8	5.258	0	0
Total current liabilities		134.144	79.807	0
Total liabilities		1.041.775	916.142	0
Total equity and liabilities		2.818.036	1.349.439	898

The notes on page 18-41 are an integrated part of these Financial Statements

CONSOLIDATED INCOME STATEMENT

(all amounts in thousands of Norwegian Kroner)

	Note	2006	2005
Sales – freight revenue	5	472.681	121.854
Operating expenses vessels	5, 19, 20	(167.696)	(60.330)
Vessel relocation costs	5, 19	(6.774)	(974)
Depreciation related to vessels	5, 6, 19	(64.283)	(23.641)
Gross profit		233.929	38.909
Other depreciation	6	(123)	(30)
Administrative expenses	5, 18, 19	(17.726)	(3.630)
Other (losses)/gains – net	17	84.250	0
Costs related to restructuring of Group	19	(15.226)	0
Operating profit	5	285.104	33.249
Finance income		6.601	280
Finance costs	21	(46.480)	(25.963)
Profit (loss) before income tax		245.225	7.566
Income tax expenses	15	(3.539)	0
Profit(loss) for the period		241.686	7.566
Attributable to:			
– Equity holders of the company		241.563	7.566
– Minority interest		123	0
		241.686	7.566

Earnings per share for profit attributable to the equity holders of the company, expressed in NOK per share

	NOK per share	NOK per share
– Basic	2,26	0,38
– Diluted	2,23	0,36

The notes on page 18-41 are an integrated part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity in Deep Sea Supply ASA and included subsidiaries from 1 January 2005 to 28 December 2006, are presented in the table below. See note 12, 24 and 28 for further information.

(all amounts in thousands of Norwegian Kroner)

	Attributable to equity holders of the Company					
	Share capital	Share premium reserves	Other paid-in equity	Retained earnings	Minority interest	Total equity
Balance at 1 January 2005	1.000	0	0	(102)	0	898
Private placement July 2005	42.000	378.000	0	0	0	420.000
Private placement September 2005	2.959	31.073	0	0	0	34.032
Private placements costs	0	(32.300)	0	0	0	(32.300)
Warrant	0	0	3.099	0	0	3.099
Profit for the year	0	0	0	7.566	0	7.566
Balance at 31 December 2005	45.959	376.773	3.099	7.465	0	433.296
Private placement April 2006	80.882	1.019.113	0	0	0	1.099.995
Private placement May 2006	3.549	44.707	0	0	0	48.256
Private placement costs	0	(47.221)	0	0	0	(47.221)
Balance at 28 December 2006 (profit for the year not included)	130.390	1.393.372	3.099	7.465	0	1.534.326

Changes in equity in Deep Sea Supply Plc from 28 December 2006, which was established as a holding company of Deep Sea Supply ASA 28 Dec 2006, are presented in the table below. See note 12, 24 and 28 for further information.

	Share capital	Reverse acquisition reserves	Share premium reserves	Other paid-in equity	Retained earnings	Minority interest	Total equity
Paid-in capital from incorporation in November 2006	250	0	0	0	0	0	250
Balance at 28 December 2006 (profit for the year not included)	130.390	0	1.393.372	3.099	7.465	0	1.534.326
Profit for the year	0	0	0	0	241.563	123	241.686
Reclassification of equity related to share swap	(115.093)	1.414.797	(1.393.372)	0	(15.409)	109.077	0
Balance at 31 December 2006	15.547	1.414.797	0	3.099	233.619	109.200	1.776.261

The profit for the year attributed to the minority interest of NOK 123 equals to an ownerpart of Deep Sea Supply ASA of 6,2% for the period from 28 December 2006.

The notes on page 18-41 are an integrated part of these Financial Statements

CONSOLIDATED CASH FLOW STATEMENT

(all amounts in thousands of Norwegian Kroner)

		Year ended 31 December	
	Note	2006	2005
Cash flows from operating activities			
Cash generated from operations	23	247.351	109
Interest paid		(42.666)	(20.702)
Income tax paid		0	0
Net cash generated from operating activities		204.685	(20.593)
Cash flows from investing activities			
Acquisitions and disposals of vessels and construction contracts		(1.121.651)	(1.237.876)
Net cash used in investing activities		(1.121.651)	(1.237.876)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		1.101.280	421.732
Proceeds from borrowings		327.278	907.510
Repayments of borrowings		(247.459)	(14.235)
Net cash used in financing activities		1.181.099	1.315.007
Net (decrease)/increase in cash and cash equivalents		264.133	56.538
Cash and cash equivalents at beginning of the year		57.397	859
Exchange gains/(losses) on cash		0	0
Cash and cash equivalents at end of the year		321.530	57.397

The notes on page 18-41 are an integrated part of these Financial Statements

Notes to the consolidated financial statements

I. General information

Deep Sea Supply Plc ("the Company") and its subsidiaries, hereinafter collectively ("the Group") principal activities are to engage and invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, in the international offshore anchor handling and supply vessel business.

The Company was incorporated as a public limited liability company on 7 November 2006 in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.

The Company was established for the purpose of acquiring all shares of Deep Sea Supply ASA.

Deep Sea Supply Plc presented on the 4 of December 2006 a voluntary exchange offer to acquire all issued and outstanding shares in Deep Sea Supply ASA. The offer price presented was 1 Deep Sea Supply plc share for each owned share in Deep Sea Supply ASA, and the offer period was from 5 of December 2006 until 18 December 2006. Regarding the exchange offer Deep Sea Supply Plc received acceptances representing approximately 93,8% of the total issued shares in Deep Sea Supply ASA. Settlement under the exchange offer was completed on the 22 of December 2006. The shares in Deep Sea Supply Plc were delivered to the tendering shareholders of Deep Sea Supply ASA on the 27 of December 2006, and the first trading day of Deep Sea Supply Plc shares on Oslo Børs was on the 28 of December 2006.

Following the voluntary exchange offer, the Board presented on the 4 of January 2007 a mandatory offer for purchase

of the remaining 6.2% of the shares of Deep Sea Supply ASA. At the same time, the Board of Directors resolved to exercise Deep Sea Supply Plc's right of compulsory acquisition of all remaining shares of Deep Sea Supply ASA. The offer period under the mandatory offer was from 5 of January 2007 to 2 of February 2007. The rights to the shareholders of Deep Sea Supply ASA in relation to the mandatory offer and compulsory acquisition, were 1 share in Deep Sea Supply Plc, for each owned share in Deep Sea Supply ASA, or to receive a cash consideration of NOK 18 per share in Deep Sea Supply ASA. Under the mandatory offer, Deep Sea Supply Plc received acceptance representing approximately 4.9% of the issued shares in Deep Sea Supply ASA, whereof approximately 4.5% were tendered under the share alternative and 0.4% under the cash alternative.

Regarding the shareholders of Deep Sea Supply ASA who remain passive, or did not take any action, representing approximately 1.2% of the total number of outstanding shares of Deep Sea Supply ASA, was treated as bound to receive the offered redemption amount (i.e. NOK 18 per share in Deep Sea Supply ASA). Settlement did take place in mid March, and after that, Deep Sea Supply plc owns 100% of the issued and outstanding shares in Deep Sea Supply ASA.

The Company has its primary listing on the Oslo Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2007.

2. Summary of significant accounting policies

2.1 Statement of Compliance and Basis for preparation

These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB; the requirements of the Cyprus Companies Law, Cap. 113; and the regulations of Oslo Stock Exchange.

As of December 31, 2006 there are no differences as regard to policies adopted by the Company between these standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the

revaluation of financial assets and liabilities, including derivative instruments at fair value through profit or loss. The financial statement has been prepared under the assumption that the company is a going concern. A summary of the principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Accounting policies

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to IAS 19, 'Actuarial gains and losses, Group plans and disclosures', effective for annual periods beginning on or after 1 January 2006. The Group has adopted its accounting policy for actuarial gains in 2006 and does not participate in any multi-employer plans, therefore the adoption of these amendments was not relevant to the Group.
- Amendment to IAS 39, Amendment to 'The fair value option', effective for annual periods beginning on or after 1 January 2006. The adoption of these amendments was not relevant to the Group;
- Amendment to IAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006. The adoption of these amendments was not relevant to the Group;
- Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast intra-group transactions', effective for annual periods beginning on or after 1 January 2006. The adoption of these amendments was not relevant to the Group;
- Amendment to IAS 39 and IFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. The adoption of these amendments was not relevant to the Group;
- IFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. The adoption of this standard was not relevant to the Group;
- IFRIC 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The adoption of this interpretation was not relevant to the Group;
- IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. The adoption of this interpretation was not relevant to the Group; and
- IFRIC 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. The adoption of this interpretation was not relevant to the Group;

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC 7, 'Applying the Restatement Approach under IAS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Company;
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. As per 31 December 2006 this interpretation has no relevance for the Group.
- IFRIC 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management do not expect the interpretation to be relevant to the Group.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- IFRIC 10, 'Interim Financial Reporting and Impairment' effective for annual periods beginning on or after 1 November 2006. The interpretation addresses the interaction between the requirements of IAS 34 Interim Financial Reporting and the recognition of impairment losses on goodwill under IAS 36 Impairment of Assets and certain financial assets under IAS 39 Financial Instruments: Recognition and Measurement. The Group will apply IFRIC 10 from annual periods beginning 1 January 2007, but it is not expected to have any impact on the Group's accounts.
- IFRIC 11, 'IFRS 2-Group and Treasury Share Transaction' effective for annual periods beginning on or after 1 March 2007. Management do not expect the interpretation to be relevant for the Company;
- IFRIC 12, 'Service Concession Arrangements' effective for annual periods beginning on or after 1 January 2008, provides guidance on the application of existing IASB literature to service concession arrangements; that is, whereby a government or other body grants contracts for the supply of public services. Management does not expect the interpretation to be relevant for the Group.

2.2 Consolidation

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

These consolidated financial statements are prepared following the provisions of IFRS 3 "Business combination" for reverse acquisition. Deep Sea Supply Plc ("legal parent") issued shares to acquire 93,8% of Deep Sea Supply ASA ("legal subsidiary"). For consolidation purposes, Deep Sea Supply ASA, is the acquirer and Deep Sea Supply Plc, is the acquiree.

The cost of the business combination is deemed to have been incurred by the legal subsidiary and is determined by the number of equity instruments Deep Sea Supply ASA would have had to issue to provide the same percentage ownership interest of the combined entity to the owners of the Company as they have in the combined entity as a result of the reverse acquisition.

These consolidated financial statements reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent. The cost of the combination is allocated by measuring the identifiable assets, liabilities and contingent liabilities of the legal parent at their fair values at the acquisition date. Any excess of the cost of the combination over the acquirer's interest in the net fair value of these items is accounted for as goodwill. If the cost of the combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The owners of the legal subsidiary who do not exchange their equity instruments for equity instruments of the legal parent are treated as a minority interest. The minority shareholders have an interest only in the results and net assets of the legal subsidiary.

The consolidated financial statements are issued under the name of the legal parent, the "Company" and are a continuation of the financial statements of the legal subsidiary. As a result:

- The assets and liabilities of the legal subsidiary are recognised and measured at their pre-combination carrying amounts;
- The retained earnings and other equity balances are the retained earnings and other equity balances of the legal subsidiary immediately before the business combination;
- The amount of issued equity instruments is determined by adding to the issued equity of the legal subsidiary immediately before the business combination the cost of the combination determined as described in the paragraph above; and
- Comparative information presented is that of the legal subsidiary.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The minority interest in equity as well as net income is reported separately in the consolidated financial statement.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(a) Accounting regulations for establishment of Deep Sea Supply Plc Group through an Exchange Offer

As explained above the prior parent company of the group Deep Sea Supply ASA has been identified as the acquirer of the transaction, where the shareholders of the newly established holding company Deep Sea Supply Plc is making an exchange offer to the shareholders of Deep Sea Supply ASA. The share swap transaction has been accounted for as a reverse acquisition in accordance with IFRS 3.

The completion of the Exchange Offer was dependent on acceptance by more than 90% of the shareholders of Deep Sea Supply ASA. If the acceptance rate was achieved, Deep Sea Supply Plc was obliged to make a mandatory offer to the other shareholders, and could also exercise squeeze out rights. Accordingly, Deep Sea Supply Plc intended to use the right to redeem the minority shareholders.

The subsequent acquisition of outstanding shares that has not been tendered under the Exchange Offer as per 31 December 2006 will be accounted for as a single transaction, through equity. The surplus value from the redemption and repurchase of shares from the minority shareholders equals the total of the differences between the stock market price of each share acquired, and the corresponding portion of the recorded equity per share, and will be recorded as a reduction in "Other equity".

In the consolidated financial statement as per 31 December 2006, shares in Deep Sea Supply ASA not owned by Deep Sea Supply Plc, which amount to approximately 6.2% of total number of issued shares in Deep Sea Supply ASA, is presented in minority interest.

The Exchange Offer was settled on the 22 of December 2006, where shares in Deep Sea Supply Plc were registered on Oslo Stock Exchange and tradable from the 28 of December 2006. In the consolidated income statement for 2006, the minority interest of Deep Sea Supply ASA has earned their part of the net income for the group, from the time were Deep Sea Supply Plc was established as holding company of Deep Sea Supply ASA, subsidiaries included, on the 28 of December 2006.

(b) Associated companies owned by Deep Sea Supply ASA

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The share of earnings recorded in the consolidated financial statements are based on the after tax earnings of the associates. In the income statement, the share of earnings from associates is shown as a separate line item.

The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been reconciled where necessary to ensure consistency with the policies adopted by the Company.

2.3. Comparable figures for 2005 and 2004

As long as Deep Sea Supply Plc's acquisition of shares in Deep Sea Supply ASA through the Exchange Offer has been accounted for as a reverse acquisition, the consolidated financial statements has been presented under the name of the legal parent company (Deep Sea Supply Plc). In the consolidated balance, income statement, cash flow statement, Statement of Changes in Equity and notes to the financial statement for 2006, all figures are presented as a continuation of the financial statements of the legal subsidiary and its subsidiaries (Deep Sea Supply Group).

Deep Sea Supply ASA and its subsidiary Deep Sea Supply Shipowning AS had little or no operations until it acquired the vessels in July 2005. Hence, the Company's actual historical financial results have little or no relevance to expected future financial results. On 1 September 2005, Oslo Stock Exchange received a request for admission to stock exchange trading from the Company. Accordingly, the shares were quoted from 15 September 2005.

2.4. Underlying concepts

The financial statements are prepared on the going concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off exists and the intention is either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the IFRS standards. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

2.5. Recognition of assets and liabilities

Assets are only recognized if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognized, if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

2.6. Valuation and classification of assets and liabilities

Assets intended for long-term ownership or use is classified as non-current. Other assets are classified as current. Receivables due to be repaid within one year are classified as current assets.

Non-current assets are stated at historic cost price, but written down to recoverable amount when the fall in value is considered to be permanent. Such write-downs are reversed when the reason for the write-down no longer applies. Fixed assets with a limited economic life are depreciated on a planned basis.

When the company is valuing financial assets, financial liabilities and equity instruments, they use a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Equity instruments are instruments that evidence a residual interest in the asset of an entity after deducting all of its liabilities. When the initially carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or losses arises from initially recognising the components of the instrument separately.

2.7. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles under IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and are accounted for when estimates are changed. Actual results could differ from such estimates. The balance sheet of the Company's vessels, newbuilding contracts excluded, comprises approximately 58% of the total balance sheet. In the current market for supply vessels, the fair value of the Company's vessels is significantly higher than the balance sheet value. The Company makes use of the cost model according to IAS 16 "Property, Plant and Equipment", and subsequently depreciates the fixed assets over their estimated economic life, irrespective of the extent to which there has been a genuine increase in value of the Company's fixed assets. When calculating annual depreciation, the estimated period of use for the vessel and the estimated outstanding value at the end of the period of use is significant estimates.

The key sources of estimation of uncertainty at the balance sheet date, that have a significant risk for causing a material adjustment to the carrying amounts as assets and liabilities within the next financial year are discussed below under section 4.

2.8. Impairment of assets

Non-current assets are reviewed for potential impairment at each reporting date, and whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purpose of assessing an impairment, assets are grouped at the lowest levels of which there are separately identifiable cash flows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. When the asset is considered to be impaired, it is written down to its recoverable amount, and recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.9. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Company is organized into main geographic regions which are the primary business segments; North Sea, Africa,

Australia/Far East and North & South America. The geographical segments are based on the location of the vessels. Only one business segment (Secondary segment) exists as per 31 December 2006 (AHTS-vessels of same size).

Depreciations are allocated between the different segments based on number of days the vessels have been operated within the different segments.

The segment split of assets and liabilities at 31 December 2006 are based on the location of the actual vessels on the balance sheet date.

2.10. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in NOK, which is the Company's functional and presentation currency.

All amounts in these financial statements are in NOK 1.000 unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The exchange rate used throughout the Company at the balance sheet date, compared to the NOK, were as follows:

	Average	31.12.2006
USD:	6,39	6,25
EUR:	8,04	8,23
GBP:	11,79	12,26

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)

2.1.1. Non-current Assets and Maintenance Costs

Fixed assets 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 asset 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 recognised 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 income statement during the financial period in which they are incurred.

In accordance with IFRS, each component of the vessels, with a cost significant to the total cost, is separately identified and depreciated, on a straight-line basis, over that component's economic life. Vessels and related equipment have expected useful life of approximately 30 years. Fixed assets are depreciated to their residual values, which are reviewed at each balance sheet date. Future depreciations are based on depreciation schedules including residual values. Expected useful lives of long-lived assets, and residual values, are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly.

Day-to-day maintenance costs are charged to the income statement 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.

Maintenance and classification costs for ships are capitalized and charged to expenses over the period up to the next occasion when maintenance is carried out, normally 60 months. Accrued maintenance and classification costs are classified as other operating expenses. When ships are acquired, a proportion of the acquisition cost is capitalized as periodic maintenance.

Depreciation on vessels and other assets (equipment) is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Vessels	30 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.

Vessels in the same business segments, as defined in IAS

14 "Segment Reporting" are treated as one cash-generating unit when determining the recoverable amount.

Gains and losses on disposals are determined by comparing the disposals proceeds with the carrying amount and are included in operating profit.

2.1.2. Newbuild contracts

Instalments on new build contracts are posted in the balance sheet as non-current assets. Costs related to the on-site supervision and other pre-delivery construction costs are capitalized per vessel.

2.1.3. Lease agreements

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which a significant portion 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 the income statement on a straight-line basis over the period of the lease.

Financial leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly financial expenses.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

2.1.4. Impairment of non-current assets

The Company determines whether fixed assets are impaired at least on an annual basis. The carrying value of vessels are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The asset's cash generating ability either through use or sale is reviewed and compared to the asset's carrying value in the balance sheet. If the carrying value is higher, the difference must be written off as an impairment loss. Fair value reduced by estimated sales costs is the amount achievable on sale to an independent third party. The recoverable amount is established individually for all assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and the risk specific to the asset that is considered impaired.

A previously recognised impairment loss is reversed if their have been a change in the estimates used to determine the recoverable amount. Reversal of previously recognised impairment is limited to the amount the carrying value of the asset would have been, had the initial impairment charge not taken place.

2.15. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management, and they meet certain criteria (IAS 39.9). Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit

or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other (losses)/gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payment is established.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.16. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

As of 31 December 2006 and 2005, the Company did not have any derivative transactions that qualified for hedge accounting under IAS 39. Changes in the fair value of these derivative instruments are recognized immediately in the income statement.

2.17. Inventories

Lubricating oil and bunkers inventories are valued at the lower of historical cost and net realisable value applying the FIFO (first-in, first-out) principle.

2.18. Trade receivables

Short term trade receivables are recorded at their fair value less provisions for bad debts, as this is a reasonable approximation of the fair value of the receivables. The Company regularly reviews its accounts and estimates the amount of uncollectible receivables each period and establishes an allowance for uncollectible amounts when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is based on the age of unpaid amounts (days overdue), information about the financial capacity of the customers, and other relevant information.

2.19. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks.

2.20. Restricted cash

Restricted cash deposits comprise of funds held in separate Group bank accounts, which will be used to settle accrued taxation liabilities related to employee's tax deduction.

2.21. Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.23. Taxation

Tax expense/income includes current taxes and the change in deferred taxes. Deferred income tax is provided for all temporary differences between the book value and the tax basis of assets and liabilities and for tax losses carried forward. Deferred tax assets made probable through prospective earnings that can be utilized against the tax reducing temporary differences are recognized as deferred income tax. Deferred tax asset and deferred tax liability are recognised independently of when the differences will be reversed and, as a rule, at nominal value. Deferred tax asset and tax liability are measured on the basis of estimated future tax rate.

Parts of the Company's activities within the Norwegian subsidiaries are structured within the regulations for the Norwegian Tonnage Tax System for shipping companies. The tax cost and deferred tax liability for the companies organized under this tax regime depend on the companies' dividend policy and future estimated profits.

Based on the fact that the companies organised under within this tax regime have no intention in the foreseeable future to pay out dividends in excess of taxed capital, the Company has estimated a tax rate of 0% for the Companies

subject to the regulations of the shipping company regime.

For all companies under this regime, the Company has estimated 0% deferred tax on temporary differences when entering the regime. For companies not included in the regime, and for taxable financial revenues in companies under the regime, the Company applies a tax rate of 28% for Norwegian companies and 10% for Cyprus companies.

Tax expense/income includes current taxes and the change in deferred taxes.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and its probable that the temporary difference will not reverse in the foreseeable future.

For more details about Cyprus tax system see offer document of 4 December 2006 section 14.4.

2.24. Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing to certain key employees, based on formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obligations exists or where there is a past practice that has created a constructive obligation.

2.25. Pension costs and obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation in the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains and losses. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates for high-quality corporate bonds which

are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from new information or changes in actuarial assumptions in excess of the higher of 10% of the value of the pension assets or 10% of the pension obligations are recognised in the income statement over the expected average remaining working life of the employees.

The net pension cost for the year (gross pension cost minus estimated return on pension funds) is included in the profit and loss account as salary-related expenses. The estimated net obligations are included in provisions in the balance sheet.

2.26. Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the group has a present legal or constructive obligation, as a result of past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27. Revenue recognition

The group's activity in 2006 is hiring out different kind of Anchor-Handling Tug Supply vessels (AHTS's)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, withholding tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Charter rate contracts

Charter contracts are classified as operating leases under IAS 17. Revenue derived from charter contracts is recognised in the period over the lease term. Related services are recognised as revenue in accordance with the services being rendered.

Certain contracts include mobilisation fees receivable at the start of the contract. In cases where the fee covers speci-

fic upgrades or equipment specific to the contract, the mobilisation fee is recognised as revenue, and the related investment is depreciated over the contract period.

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 recognised rateably over the rental periods of such charters, as service is performed.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2.28. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.29. Earnings per share

Earnings per share are calculated by dividing the net profit/loss for the Company by the average weighted number of outstanding shares over the period in question. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments such as stock options. The impact of share equivalents is computed using the treasury stock method for share options.

2.30. Statement of cash flow

The statement of cash flow is presented in accordance with the indirect method.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group has formulated a finance strategy where certain basic preferred numbers are settled as target figures for the following topics;

- Value Adjusted Equity
- Required Liquidity
- Exchange rates
- Interest rates
- Funds Management

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The management of the Com-

pany is responsible for managing the net position in each foreign currency by using external forward currency contracts.

(ii) Price risk

The Group is exposed to price risk in relation to changes in value of vessels and prices on supply services.

(b) Credit risk

The Group has a certain concentrations of credit risk. It has policies in place to ensure that the services which they perform, are delivered to customers with an appropriate credit history.

(c) Required Liquidity

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. No credit-line is made available to the Group. According to the financial strategy of the Group, the Group is obliged to hold a certain amount of cash, which reduces the liquidity risk.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(Estimated market value of vessels

The preparation of financial statements in conformity with

generally accepted accounting principles under IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and are accounted for when estimates are changed. Actual results could differ from such estimates. The balance sheet value of the Company's vessels, newbuild contract excluded, comprises approximately 51% of the total balance sheet. In the current market for supply vessels, the fair value of the Company's vessels is significantly higher than the balance sheet value. The Company makes use of the cost model according to IAS 16, and subsequently depreciates non-current assets over their estimated economic life, irrespective of the extent to which there has been a genuine increase in value of the Company's non-current assets. When calculating annual depreciation, the estimated period of use for the vessel and the estimated outstanding value at the end of the period of use is significant estimates.

5. Segment information

Primary reporting format – geographical segments

The Company operates as per year end 2006 within only one business segment in relation to vessel type, namely the AHTS (Anchor Handling Tug Supply) vessel. The Company divides its activities into four geographical regions based on the customers' location.

The segment results for the operating period in 2006 are as follows:

	North Sea	Africa	Australia / Far East	North/South America	Unallocated items	Total
Segment revenues	228.073	98.814	29.298	116.496		472.681
Vessel operating expenses	(70.459)	(40.096)	(21.514)	(42.401)		(174.470)
Other operating expenses	(8.555)	(3.705)	(1.099)	(4.367)		(17.726)
Costs related to relocation of parent company					(15.226)	(15.226)
EBITDA per segment	149.059	55.013	6.685	69.728	(15.226)	265.259
Depreciation	(23.224)	(16.567)	(5.002)	(19.612)		(64.405)
Gain on Sale					84.250	84.250
Operating profit per segment	125.835	38.446	1.683	50.116	69.024	285.104
Net financial items						(39.879)
Pre-tax result						245.225
Taxes						(3.539)
Net result						241.686

The segment split on assets and liabilities at 31 December 2006 and capital expenditure during 2006 are as follows:

	North Sea	Africa	Australia / Far East	North/South America	Unallocated items	Total
Assets	859.792	265.993	17.250	684.694	990.307	2.818.036
Liabilities	464.445	146.483	3.258	427.589	0	1.041.775
Capital Expenditure	275.796	87	26	2.956	842.786	1.121.651

Segment assets allocated consists of vessels, deferred maintenance costs, equipment, freight income not received and stock. Segment assets not allocated consist of construction contracts, short term receivables related to sale of contracts and group minimum according to covenants in loan agreements. Segment liabilities comprise bank loans, bond loan and other short term liabilities and other short term liabilities. Capital expenditure Unallocated consists of construction contracts.

The corresponding segment results for the operating period in 2005 are as follows:

	North Sea	Africa	Australia / Far East	North/South America	Unallocated items	Total
Segment revenues	19.163	40.813	47.309	14.569		121.854
Vessel operating expenses	(18.231)	(14.665)	(14.540)	(13.871)		(61.307)
Other operating expenses	(569)	(1.216)	(1.410)	(435)		(3.630)
EBITDA per segment	363	24.932	31.359	263		56.917
Depreciation	(3.945)	(7.890)	(7.890)	(3.945)		(23.671)
Gain on Sale					0	0
Operating profit per segment	(3.582)	17.042	23.469	(3.682)		33.249
Net financial items						(25.683)
Pre-tax result						7.566
Taxes						0
Net result						7.566

The segment split on assets and liabilities at 31 December 2005 and capital expenditure during 2005 are as follows:

	North Sea	Africa	Australia / Far East	North/South America	Unallocated items	Total
Assets	226.962	449.130	448.938	224.408		1.349.439
Liabilities	152.690	305.381	305.381	152.690		916.142
Capital Expenditure	205.017	404.975	404.975	202.619		1.217.586

6. Property, plant and equipment

– Vessels, vessels in progress (construction contracts) and equipment

	Vessels	Vessels in progress	Vehicles & equipment	Total
At 31 December 2005				
Cost or valuation	1.237.206	0	670	1.237.876
Accumulated depreciation	(23.671)	0	(165)	(23.836)
Net book amount	1.213.535	0	505	1.214.040
Year ended 31 December 2005				
Opening net book amount	1.213.535	0	505	1.214.040
Additions	278.448	842.786	203	1.121.437
Depreciation charge	(64.283)	0	(123)	(64.405)
Closing net book amount	1.427.700	842.786	585	2.271.071
At 31 December 2006				
Cost or valuation	1.515.654	842.786	873	2.359.313
Accumulated depreciation	(87.954)	0	(288)	(88.242)
Net book amount	1.427.700	842.786	585	2.271.071

Construction contracts (newbuildings) for investments in AHTS-vessels and PSV's are entered in the balance sheet as work in progress, as the instalments are paid to the shipyards. Directly referable costs as on-site supervision and other pre-delivery construction costs are also entered in the balance sheet as part of the purchase costs.

Contractual yard payments and debt – construction contracts

The newbuildings which will be delivered during 2007-2009 have the following payment- and funding profile:

	2007	2008	2009	Total
Contractual yard payments	752.349	661.688	171.844	1.585.880
Debt raised	-806.250	-613.250	-168.750	-1.588.250
Net	-53.901	48.348	3.094	-2.370

The Company has committed long term financing from delivery for all the newbuildings. This is part of the Company's total loan facility.

No borrowing costs are directly attributable to acquisitions or constructions, and are therefore recognized as an expense in the period in which they are incurred.

7. Pensions

The Group went in to a defined benefit pension plan in the fourth quarter of 2006. The scheme is generally funded through payments to an insurance company. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The pension plan includes per year end 6 employees. (Managing director is not included)

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	2006	2005
Present value of funded obligations	0	0
Fair value of plan assets	620	0
	620	0
Present value of unfunded obligations	(406)	0
Unrecognised actuarial losses	0	0
Unrecognised past service costs	0	0
Asset in the balance sheet	214	0

The amounts recognised in the income statement are as follows:

	2006	2005
Net over funded pension liability	500	
Interest costs	0	0
Expected return on plan assets	0	0
Net actuarial losses recognised during the year	0	0
Past service costs	0	0
Losses on curtailment	0	0
Total, included in staff costs	500	0

The principal actuarial assumptions used were as follows:

	2006
Discount rate	6,00 %
Expected return on plan assets	7,00 %
Future salary increases	3,00 %
Future pension increases	2,50 %

8. Derivative Financial Instruments

	2006		2005	
	Asset	Liability	Asset	Liability
Currency exchange rate swap	0	9.797	0	0
Interest rate swap	6.282	0	0	0
Forward foreign exchange contracts	0	1.743	0	0
Total	6.282	11.540	0	0

In the balance sheet the currency exchange rate swap, interest rate swap and forward currency exchange contracts are presented as a net liability of 5.258.

The financial derivatives are traded in an active market, and their fair value is based on general market assumptions. The derivatives are used for hedging purposes.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The notional principal amounts of the outstanding forward exchange contracts at 31 December 2006 are USD 9.799 mill.

The notional principal amounts of the outstanding currency exchange rate swap at 31 December 2006 are GBP 17.065 mill.

9. Trade and other receivables

	2006	2005
Trade receivables	121.749	73.137
Less: provision for impairment of receivables	0	0
Trade receivables – net	121.749	73.137
Less non-current portion: loans to related parties	0	0
Current portion	121.749	73.137

Fair value of trade and other receivables equal their carrying amounts.

The Group has not recognised any losses on its trade receivables during the year ended 31 December 2006.

10. Inventories

	2006	2005
Bunkers	3.244	2.305
Lubrication oil	419	265
Total	3.663	2.570

11. Cash and cash equivalents

	2006	2005
Cash at bank and in hand	321.530	57.397
Short-term bank deposits	0	0
Total bank deposits	321.530	57.397

Specification of restricted deposits

Bank deposits	835	105
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The carrying amounts of cash approximate fair value. Currently, there is no credit facility for the Group. Restricted bank deposits are for employee tax withholdings.

According to the loan agreement and corresponding covenants regulations, the Company have to maintain, at all times, a minimum cash amount which equals 7% of the carrying amount of the loan (on the vessel accounts), or at least NOK 70 mill.

12. Share capital

Deep Sea Supply Plc, located on Cyprus, became the parent company of the Group with effect from 28. December 2006. Deep Sea Supply ASA, located in Norway, was the parent company of the Group until 28. December 2006. The relocation of parent company was conducted through a 1:1 share swap offering. As per 31. December 2006, Deep Sea Supply Plc owned 122.374.287 of the shares in Deep Sea Supply ASA and the remaining 8.015.352 shares in Deep Sea Supply ASA were held by other shareholders (minority interest). Reference to note 28 for further information regarding events after the balance date.

Deep Sea Supply Plc	Number of Shares (thousands)	Share capital	Share premium	Treasury shares	Total
Incorporation at 7 November 2006	2.000	250	0	0	2.250
Issuance of new shares relating to					
Share swap with Deep Sea Supply ASA	122.374	15.297	1.414.796	0	1.430.093
At 31 December 2006	124.374	15.547	1.414.796	0	1.430.343

The total authorised number of ordinary shares as per 31 December 2006 is 132.389.639 shares with a par value of USD 0.02 per share. All issued shares are fully paid.

The equity structure (share capital and share premium) presented above reflects equity structure of the legal parent including the equity instruments issued to reflect the combination together with the issued equity of the legal subsidiary immediately before the business combination and the cost of the business combination is close below.

Number of shares in the prior parent company of the Group, Deep Sea Supply ASA has been changed since the time of incorporation in April 2004 as presented in the table below.

Deep Sea Supply ASA	Number of Shares (thousands)	Ordinary shares	Share premium	Treasury shares	Total
Incorporation at 7 April 2004	1.000	1.000	0	0	1.000
At 31 December 2004	1.000	1.000	0	0	1.000
Private placement in July 2005	42.000	42.000	0	0	42.000
Private placement in September 2005	2.959	2.959	0	0	2.959
At 31 December 2005	45.959	45.959	0	0	45.959
Private placement in April 2006	80.882	80.882	0	0	80.882
Repair issue/Subsequent offering in May 2006	3.548	3.548	0	0	3.548
At 31 December 2006	130.390	130.390	0	0	130.390

The total authorised number of ordinary shares as per 28 December 2006, prior to the share swap offering was 130.389.639 shares with par value of NOK 1.00 per share. All issued shares were fully paid.

Other paid in equity is related to a warrant agreement, originally entered into by Deep Sea Supply ASA, and subsequently transferred to Deep Sea Supply Plc in December 2006, in connection with the share swap offering. The following amount is presented in the financial statement as per 31 December 2006:

	Warrant agreement	Total
Balance at 31 December 2004	0	0
Warrant agreement – equity component 2005	3.099	3.099
Balance at 31 December 2005	3.099	3.099
Balance at 31 December 2006	3.099	3.099

13. Trade and other payables

	2006	2005
Trade payables	33,625	18,998
Amounts due to related parties	0	0
Social security and other taxes	1,261	227
Accrued expenses	21,788	3,642
Total	56,674	22,867

Fair value of trade and other payables equal their carrying amounts.

14. Borrowings

	2006	2005
Non-current		
Borrowings	907.631	836.335
Current		
Bank borrowings	68.712	56.940
Total borrowings	976.343	893.275

By year-end 2005 the vessels were financed with a NOK 730 mill 1st priority Senior Loan facility (The Senior loan) and a USD 28.2 mill Mezzanine Loan facility secured with 2nd priority mortgage. Interest on the Senior Loan facility was NIBOR plus a margin of 1.45% p.a. and interest on the Mezzanine Loan facility was LIBOR plus a margin of 8.75%.

In January 2006, the Group issued a 5 years NOK 200 mill bond, secured with 2nd priority mortgage in the vessels for the purpose of refinancing the USD 28.2 mill Mezzanine Loan facility. The NOK 200 mill bond is swapped to GBP and the interest is fixed for 5 years at a total interest rate of 7.76%. The maturity date of the Bond Loan is 24 January 2011, with Deep Sea Supply Plc holding an issuer's call option with redemption on 23 July 2008 at 104.00%. The Bond Loan is listed on the Oslo Stock Exchange (Oslo Børs) with ticker DESS01 and ISIN no. NO 001 0297955. The Bond Loan was established with NorskTillitsmann acting as Loan Trustee, Swedbank Markets as Loan Arranger and with Nordea Bank Norge as Paying Agent. Fair value of call option is considered to be immaterial and is not recognised in the balance sheet at 31 December 2006.

In December 2006, the Group rearranged the Senior Loan facility. The new commitments are USD 265 mill and NOK 629 mill, 1st priority Senior Loan facility. Interest on the Senior Loan facility is NIBOR ("NOK-tranche")/LIBOR ("USD-tranche") plus a margin of 1,20% p.a. The Senior Loan facility shall be repaid in equal instalments based on a 15 year repayment profile. The current loan has an approximate 12,5 years repayment profile.

By year-end 2006 the vessels are financed with the new 1st priority Senior Loan facility and the NOK 200 mill bond secured with 2nd priority.

No borrowing costs are directly attributable to acquisitions or constructions, and are therefore recognized as an expense in the period in which they are incurred. Fair value of the borrowings of NOK 976.343 equals to NOK 1.009.477.

The outstanding loan of the Group's borrowings are denominated in the following currencies:

	2006	2005
NOK	661.968	702.925
USD	314.375	190.350
	976.343	893.275

The maturity of non-current borrowings is as follows:

	2006	2005
Between 1 and 2 years	68.712	56.940
Between 2 and 5 years	406.136	170.820
Over 5 years	432.783	608.575
	907.631	836.335

The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	NOK	USD	NOK	USD
Bank borrowings	4,8%	6,5%	4,3%	13,1%

15. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Norway	2006	2005
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	1.087	48.835
– Deferred income tax asset to be recovered within 12 months	525	0
	1.612	48.835
Deferred tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	-97	-42.738
– Deferred income tax liability to be recovered within 12 months	0	0
	-97	-42.738
Deferred income tax asset/(liabilities) (net)	1.515	6.097
Cyprus	2006	2005
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	751	0
– Deferred income tax asset to be recovered within 12 months	0	0
	751	0
Deferred tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	0	0
– Deferred income tax liability to be recovered within 12 months	0	0
	0	0
Deferred income tax liabilities (net)	751	0

The gross movement on the deferred income tax account is as follows:

Beginning of the year	39	39
Income statement charge	-39	0
End of the year	0	39

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Convertible bonds	Other	Total
At 1 January 2005	0	0	0	0	0
Charged/(credited) to the income statement	41.870	0	0	0	41.870
Exchange differences	0	0	0	0	0
At 31 December 2005	41.870	0	0	0	41.870
Charged/(credited) to the income statement	-41.859	0	0	60	41.799
Exchange differences	0	0	0	0	0
At 31 December 2006	11	0	0	60	71

Deferred tax assets

	Provisions	Impairment losses	Tax losses	Other	Total
At 1 January 2005	0	0	39	0	39
Charged/(credited) to the income statement	0	0	0	0	0
Tax deductible expenses	0	0	48.796	0	48.796
Exchange differences	0	0	0	0	0
At 31 December 2005	0	0	48.835	0	48.835
(Credited)/charged to the income statement	0	488	-46.985	0	-46.497
Acquisition of subsidiary (Note 35)	0	0	0	0	0
Exchange differences	0	0	0	0	0
At 31 December 2006	0	488	1.849	0	2.338

One of the subsidiaries of the Group, Deep Sea Supply Shipowning AS, entered into the Norwegian Tonnage Tax System as per 1 January 2006. When the company entered into the tax system, accelerated tax depreciations was charged to the income statement as taxable income, and netted against tax losses carried forward. A net taxable income of NOK 7.588 was realized through the entrance of the tax system. A payable tax of NOK 2.125 is included in the total income tax expense in 2006 of NOK 3.500.

For companies that has entered into the Tonnage Tax System, all income from operations and disposals of vessels are free of income taxes. On the other hand, net financial income is taxed at the normal Norwegian tax rate of 28%.

Deferred income tax asset to be recovered after more than 12 months is calculated at NOK 1.087, of which NOK 1.061 is related to tax losses carried forward within the Tonnage tax System. This part of the tax losses carried forward is related to net finance expenses, and can only be netted against finance income in subsequent periods.

Deferred income tax assets Cyprus NOK 751 are not recognised for the net amount of tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is uncertain.

Deferred income tax assets Norway NOK 1.515 (2005: 6.097) are not recognised for the net amount of tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is uncertain.

Income tax expense

	2006	2005
Current tax	3.500	0
Deferred tax	39	0
Income tax expense	3.539	0

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2006	2005
Profit before tax	245.225	7.566
Tax calculated at domestic tax rates applicable to profits in the respective countries	68.663	2.118
Income not subject to tax	52.327	
Permanent differences	12.836	2.118
Utilisation of previously unrecognised tax losses		
Tax losses for which no deferred income tax asset was recognised		
Tax charge	3.500	0

The weighted average applicable tax rate was 28% (2005: 28%).

16. Provisions for other liabilities and charges

Bonus agreement

The Group does not currently have any employee benefit plans, and subsequently does not have any accruals to provide pension, retirement or similar benefits. The CEO, CFO and CCO have performance bonus agreements with the Group based on comparison with peer group companies. The bonus is calculated annually with a maximum payment equal to the annual salary for the CEO and 1/3 of the annual salary for the CFO and CCO.

Provisions for bonus agreements as per 31 December 2006 are dependent on fluctuations in market values of the shares for the companies in the peer group, in the period starting 10 days before the presentation of the 4th quarter figures for 2006 and ending 10 days after the presentation of the 4th quarter figures for 2006. Assumptions made by the management of Deep Sea Supply Plc as per 31 December 2006, regarding the amount of bonus that is earned, causes no need for provisions as per 31 December 2006. Accordingly, no provisions are made in the balance for the bonus agreements.

17. Other (losses)/gains

	2006	2005
Finance income	6.969	280
Change in value of financial derivatives	(5.579)	0
Gain on sale of newbuilds contracts	82.860	0
Total	84.250	280

18. Employee benefit expense

	2006	2005
Wages and salaries	7.148	2.065
Social security costs	1.079	308
Pension costs – defined contribution plans	25	0
Pension costs – defined benefit plans (Note 7)	500	0
Other benefits	719	125
Total	9.471	2.498

Number of employees as per year-end	9	3
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19. Expenses by nature

	2006	2005
Depreciation, amortisation and impairment charges (Note 6)	64.405	23.671
Operating expenses vessels (specified below)	167.696	60.330
Relocation vessels	6.774	974
Payroll expenses administrative employees (Note 18)	9.471	2.498
Other administration cost	8.255	1.132
Cost related to reorganisation of the Group	15.226	0
Total operating vessels and administrative expenses	271.827	88.605

20. Operating expenses vessels

	2006	2005
Crew expenses	72.968	29.482
Insurance	7.368	2.785
Upgradings/ replacement of equipment	22.111	8.536
Rep. & maintenance, provisions, stores, lubrication oil, administration of operations and miscellaneous	65.249	19.526
Total	167.696	60.330

21. Finance costs

	2006	2005
Financial expenses	(57.538)	(23.130)
Realized currency exchange gain	6.029	2.455
Unrealized currency exchange gains (losses)	5.029	(5.288)
Total:	(46.480)	(25.963)

22. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2006	2005
Profit attributable to equity holders of the Company	241.563	7.566
Weighted average number of ordinary shares (thousands)	106.910	20.056
Basic earnings per share (NOK per share)	2.26	0.38

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: shares from warrant agreement. The shares related to the warrant agreement are assumed to have been converted into ordinary shares.

	2006	2005
Profit attributable to equity holders of the Company	241.563	7.566
Weighted average number of ordinary shares diluted (thousands)	108.582	20.797
Diluted earnings per share (NOK per share)	2.23	0.36

23. Cash generated from operations

	2006	2005
Profit for the period	241.686	7.566
Adjustments for:		
– Tax	3.539	0
– Depreciation	64.405	23.836
– Gain from sale of assets	(82.860)	0
– Interest expense	57.538	23.130
– Effect from financial derivatives	5.579	0
– Exchange (gains)/losses on borrowings	(11.630)	5.288
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(1.093)	(2.570)
– Trade and other receivables	(48.613)	(73.136)
– Trade and other payables	33.807	22.867
– Other accruals	(15.008)	(6.872)
Cash generated from operations	247.351	109

24. Reorganization of the Group

Deep Sea Supply Plc presented 4 December 2006 a voluntary exchange offer to acquire all issued and outstanding shares in Deep Sea Supply ASA. The offer price presented was 1 Deep Sea Supply Plc share for each owned Deep Sea Supply ASA share. Regarding the exchange offer Deep Sea Supply Plc received acceptances representing approximately 93,8% of the total issued shares in Deep Sea Supply ASA. Per year-end, as a result of the acceptance of the voluntary exchange offer, Deep Sea Supply Plc was the owner of a total of 122,374,287 shares in Deep Sea Supply ASA.

Following the voluntary exchange offer the Board presented 4 January 2007 a mandatory offer for purchase of the remaining 6,2% shares of Deep Sea Supply ASA. At the same time the Board resolved to exercise right of compulsory acquisition of all remaining shares of Deep Sea Supply ASA. In relation to the mandatory offer and compulsory acquisition the shareholders rights were 1 Deep Sea Supply Plc share for each owned Deep Sea Supply ASA share, or to receive a cash consideration of NOK 18 per share. Under the mandatory offer, Deep Sea Supply Plc received acceptance representing approximately 4,9% of the issued shares in Deep Sea Supply ASA, whereof approximately 4,5% were tendered under the share alternative and 0,4% the cash alternative.

Regarding the shareholders who remain passive or who did not take any action (approximately 1,2% of the total outstanding shares) were treated as bound to receive the offered redemption amount (i.e. NOK 18 per share). Settlement took place in mid March without objections, and after that Deep Sea Supply Plc owns 100% of the issued and outstanding shares in ASA.

As per year-end Deep Sea Supply ASA owns 100% of the subsidiaries DESS Management AS, Deep Sea Supply Shipowning AS, DESS Cyprus Limited and DESS PSV Limited. Deep Sea Supply Shipowning AS was established in 2004, and the other three subsidiaries were established during 2006.

25. Related-party transactions

Bergshav Management AS

The Company has entered into service agreements with Bergshav Management AS, a company where Board member in Deep Sea Supply Plc, Atle Bergshaven has a controlling interest. As per 31st December 2006, Bergshav Management AS is performing the following services to the Group:

- Technical management of the 5 vessels vessel amounting to NOK 1.050 mill per vessel per year.
- Accounting Services Agreement amounting to NOK 1.3 mill per year.

The Board Member Atle Bergshaven also has a controlling interest in the company Bergshav Tankers AS which per 31st December 2006 owns 5.500.000 shares in Deep Sea Supply Plc.

Hemen Holding Limited

In connection with the Deep Sea Supply ASA's change of domicile from Norway to Cyprus, Metrogas Holdings Inc has in January 2007 issued a short term loan facility to Deep Sea Supply Plc which amounted to USD 25,6 mill. The purpose of the loan was to provide security and to finance the mandatory bid for the remaining 6,2% shares in Deep Sea Supply ASA. The loan has in mid March being fully repaid. Metrogas Holdings Inc is a Greenwich Holding Ltd subsidiary and sister company of Hemen Holding Ltd, the owner of 99,9% of shares in Metrogas Holding Inc and the owner of approximately 35% of the shares in the Group.

Key Management compensation

An agreed upon salary to the Managing Director of the Group equals to NOK 1.9 mill per year. In addition to the agreed annual salary comes any option/incentive scheme the Board decides to award. Salary and bonus to the Managing Director of the Group amounted to NOK 2.413.800 as of 31 December 2006. The Managing Director has no other form of for compensation, except salary, and the bonus agreement mentioned in note 16. There are no loans to the employees of the Group as per 31 December 2006.

Remuneration to the Board

Suggested remuneration to the Board in 2006 is NOK 900.000, whereof NOK 300.000 is suggested to the Chairman.

26. Other long term receivables

Other long term receivables consists of NOK 77.531 as sellers credit from disposals of three shipbuilding contracts in 2nd quarter of 2006, which will be received when the vessels are delivered from the shipyard.

27. Auditors remuneration

Remuneration to the auditors expensed in the financial statement for 2006 equals NOK 1.540 for audit services, and NOK 489 for non-audit services.

28. Events after the balance sheet date

Following the voluntary exchange offer, where 93,8% of the Deep Sea Supply ASA shareholders accepted to swap their Deep Sea Supply ASA shares into Deep Sea Supply Plc shares, the Board presented 4 January 2007 a mandatory offer and a compulsory acquisition to purchase the remaining 6,2% Deep Sea Supply ASA shares. Through the mentioned mandatory offer and through the compulsory acquisition, Deep Sea Supply Plc has during February and March become a 100% owner of Deep Sea Supply ASA.

In connection with the Group's change of domicile from Norway to Cyprus, Metrogas Holdings Inc (a sister company of Hemen Holding Ltd.) has in January 2007 issued a short term loan facility to Deep Sea Supply Plc which amounted to USD 25,6 mill. The purpose of the loan was to provide security and to finance the mandatory bid for the remaining 6,2% shares in Deep Sea Supply ASA. The loan has in mid March being fully repaid.

Deep Sea Supply Plc has in January through its subsidiary DESS PSV Limited taken delivery of the vessel Sea Trout, the first PSV delivered from Cochin Shipyard in India. The vessel was delivered 2,5 months after the scheduled delivery time. In February the company has through its subsidiary DESS Cyprus Limited taken delivery of the vessel Sea Cheetah, the first large AHTS vessel from Jaya Shipyard in Singapore. The delivery date was according to the original time schedule.

Deep Sea Supply Plc has in March 2007 through its subsidiary DESS Cyprus Limited entered into an agreement with Java Marine Lines Pte Ltd. for a 1 year firm bareboat charter of a 10.800 BHP Anchor Handling Tugs Supply vessel. The vessel is to be commissioned and delivered by Jaya Shipbuilding & Engineering Pte. Ltd. in Singapore in September/October 2007. Deep Sea Supply Plc has secured a purchase option at the end of the 1 year BB charter.

Deep Sea Supply Plc has during February and March acquired 2,991,000 own shares. The shares were acquired in the market at an average price of NOK 19,11 per share.

Vroon Offshore B.V., one of Deep Sea Supply Plc's largest shareholders, has in January 2007 sold its complete shareholding. According to the company, Vroon Offshore B.V. sold all shares, and resigned from the Board of Directors, to avoid any potential future conflict of interest with Deep Sea Supply in the offshore supply sector.



Independent Auditors' Report To the Members of Deep Sea Supply Plc

PricewaterhouseCoopers Limited

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Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deep Sea Supply Plc (the "Company") and its subsidiaries (the "Group") on pages 14 to 41, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 of material misstatement.

Board Members: Phidias K Piides (CEO), Dinos N Papadopoulos (Deputy CEO), Tassos I Televantides (Deputy CEO), Panikos N Tsiallis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Loizou, Vasilis Hadjivassiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Timothy D Osborne, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaidis, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiannos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos
Directors of Operations: Adrian Ioannou, Androulla Aristidou, Achilles Chrysanthou, George Skapoullaros, Bambos A Charalambous, Chris Odysseos, Demetris V Psaltis, Constantinos L Kapsalis, Melina Pyrgou

Offices: Nicosia, Limassol, Larnaca, Paphos

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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 the Board of Directors, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 9 to 13 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 29 March 2007

SHAREHOLDERS REGISTERED IN VPS

THE LARGEST SHAREHOLDERS AS PER 23 MARCH 2007

	No. of shares:	%
HEMEN HOLDING LIMITED	44 583 853	34,78 %
SOLSTAD OFFSHORE ASA	8 355 500	6,52 %
SVENSKA HANDELSBANKEN DEPOT	7 460 543	5,82 %
GOLDMAN SACHS INTERNATIONAL	6 436 371	5,02 %
BERGSHAV TANKERS AS	5 500 000	4,29 %
DEEP SEA SUPPLY PLC	2 991 000	2,33 %
J.P.MORGAN CHASE BANK	2 799 813	2,18 %
ORKLA ASA	2 721 240	2,12 %
CREDIT SUISSE SECURITIES	2 365 200	1,85 %
J.P.MORGAN CHASE BANK	2 195 199	1,71 %
PERNY LTD.	1 461 500	1,14 %
VERDIPAPIRFONDET KLP	1 383 500	1,08 %
STATE STREET	1 262 697	0,99 %
DEUTSCHE BANK	1 250 000	0,98 %
VÅLERENGA BRYGGERI	1 100 000	0,86 %
BANK OF NEWYORK	1 070 000	0,83 %
MORGAN STANLEY	1 046 600	0,82 %
NILS JØRGEN KOLLERUD	1 000 000	0,78 %
TERRA NORGEVPP	1 000 000	0,78 %
DEUTSCHE BANK	995 788	0,78 %
Total:	96 978 804	75,66 %
Total other shareholders:	31 194 390	24,34 %
Total number of shares:	128 173 194	100,00 %

SHAREHOLDERS REGISTERED IN VPS

THE LARGEST SHAREHOLDERS AS PER 31.12.2006

	No. of shares:	%
HEMEN HOLDING LIMITED	44 583 853	36,43 %
ABN AMRO GLOBAL CUSTODY N.V.	9 550 000	7,80 %
SOLSTAD OFFSHORE ASA	6 450 000	5,27 %
SVENSKA HANDELSBANKEN DEPOT	5 797 048	4,74 %
BERGSHAV TANKERS AS	5 500 000	4,49 %
GOLDMAN SACHS INTERNATIONAL	4 542 468	3,71 %
JPMORGAN CHASE BANK	2 799 813	2,29 %
CREDIT SUISSE SECURITIES	2 363 200	1,93 %
ORKLA ASA	2 221 240	1,82 %
DEUTSCHE BANK AG LONDON	1 953 500	1,60 %
JPMORGAN CHASE BANK	1 866 105	1,52 %
PERNY LTD. C/O D.CAPPS	1 461 500	1,19 %
MORGAN STANLEY AND CO.INTL.LIMITED	1 365 340	1,12 %
STATE STREET BANK AND TRUST CO.	1 342 800	1,10 %
DEUTSCHE BANK AG LONDON	1 169 500	0,96 %
JPMORGAN CHASE BANK	1 152 906	0,94 %
VERDIPAPIRFONDET NORDEA SMB	1 135 000	0,93 %
DNB NOR SMB	1 083 500	0,89 %
DEUTSCHE BANK AG LONDON	1 063 789	0,87 %
PRINCIPAL LIFE INS CO	897 551	0,73 %
Total:	98 299 113	80,33 %
Total other shareholders:	24 075 175	19,67 %
Total number of shares:	122 374 288	100,00 %

“To engage and invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, in the international offshore anchor handling and supply vessel business, and to do all such acts and things as are related thereto, including without limitation the acquisition, construction, leasing, chartering, operation and manning of such vessels and everything incidental thereto.”

CORPORATE GOVERNANCE

Deep Sea Supply Plc ("DESSC" or the "Company" on a consolidated basis) principles for Corporate Governance are based on the "Norwegian Recommendation for Corporate Governance" issued on the 8th December 2005, which is a revised version of the recommendation issued on the 7th December 2004. Listed companies are expected to practice Corporate Governance that regulate the division of roles between Shareholders, the Board of Directors and the Executive Management more comprehensively than is required by the legislation. The code of practice intends to strengthen the confidence in listed companies providing the highest possible value creation benefiting shareholders, employees and others. As long as DESSC is a Cyprus registered company, "Norwegian Recommendation for Corporate Governance" can only be adopted as long as the recommendation is in accordance with Cyprus Companies Act. The Board of the Company is not aware of any differences between the content of the "Norwegian Recommendation for Corporate Governance" and Cyprus Companies Act. The Board will below present its Corporate Governance.

DESSC's auditor and corporate lawyer have presented "The Norwegian Code of practice for Corporate Governance" for the Board and the Management.

The following elements underpin the Company's Corporate Governance Policy:

- DESSC will maintain to have an open and reliable communication with the public about its business activities and conditions related to corporate governance.
- DESSC's Board will be autonomous and independent of the Company's Management.
- DESSC will attach importance to avoid conflicts of interest between the owners, the Board and the Management.
- DESSC will have a clear division of responsibilities between the Board and the Management.
- All shareholders will be treated equally.

In 2006 the Company has drawn up its own corporate Code of Ethics. Compliance with and follow up of the Code of Ethics have been discussed and presented thoroughly in-house. For more detailed information about the Company's Code of Ethics, please see our corporate website at www.deepseasupply.no.

Company Background

Deep Sea Supply Plc was established on 7 November 2006 for the purpose of acquiring all shares of Deep Sea Supply ASA following an initiative by the Board of Deep Sea Supply ASA to change the domicile of the ultimate parent company to Cyprus. Cyprus is expected to afford more stable, attractive and competitive conditions over time compared to the Norwegian regime. It was also considered vital that Cyprus is an EU member.

To facilitate the change in domicile, Deep Sea Supply Plc presented on 4 December 2006 a voluntary exchange offer to acquire all issued and outstanding shares in Deep Sea Supply ASA. The consideration offered was 1 DESSC share for each owned share in Deep Sea Supply ASA, and the offer period was from 5th until 18th December 2006. DESSC received acceptances from 93,8% of the total shares in Deep Sea Supply ASA. Settlement under the exchange offer was completed on 22 December 2006. The DESSC shares were delivered to the tendering shareholders of Deep Sea Supply ASA on 27th December 2006, and DESSC commenced trading on Oslo Stock Exchange as from the 28th December 2006.

Following completion of the voluntary exchange offer the Board presented a mandatory offer for purchase of the remaining 6,2% shares of Deep Sea Supply ASA on 4 January 2007. At the same time the Board resolved to exercise its rights of compulsory acquisition of all remaining shares of ASA. The offer period under the mandatory offer was from 5th January 2007 to 2nd February 2007. The consideration offered to the shareholders of Deep Sea Supply ASA was 1 DESSC share for each owned share in Deep Sea Supply ASA, or alternatively to receive a cash consideration of NOK 18,00 per Deep Sea Supply ASA share. Under the mandatory offer, DESSC received acceptances representing 4,9% of the issued shares in Deep Sea Supply ASA whereof 4,5% and 0,4% were tendered under the share alternative and cash alternative respectively. The shareholders who remained passive (approximately 1,2% of the total outstanding shares), received the offered redemption amount of NOK 18,00 per share. Pursuant to the compulsory acquisition DESSC became the owner of all issued shares in Deep Sea Supply ASA as per the commencement of the offer period of the mandatory offer.

Business strategy

"To engage and invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, in the international offshore anchor handling and supply vessel business, and to do all such acts and things as are related thereto, including without limitation the acquisition, construction, leasing, chartering, operation and manning of such vessels and everything incidental thereto."

These sentences appear in §3.1 of the Company's Articles of Association.

DESSC is an offshore supply company. In 2005 the Company acquired a fleet of modern second hand AHTS (Anchor Handling Tug Supply) vessels built in Norway in 1998/99. The vessels are operating in the North Sea and internationally. In April 2006 the Company entered into a contract to purchase 22 newbuildings, whereof 8 PSVs (Platform Supply Vessel) and 14 AHTS vessels. The vessels are expected to be delivered during the period 2007-2009.

The Company intends to become one of the leading owners and operators of supply vessels on a global basis. DESSC will primarily seek to obtain and maintain a chartering profile with emphasis on the spot and short-term contract markets for the large AHTS vessels operating in the North Sea and in other areas of the world. For the PSVs and the small AHTS vessels, DESSC will seek to obtain medium to long term contracts.

The Company's primary aims are to meet the demand from the markets that require modern and advanced supply vessels.

DESSC seeks investments in the perspective of providing financial returns to its shareholders. The Company will actively consider possibilities to participate in industry consolidation, mergers and acquisitions, and will position itself to be part of such consolidation. With the acquisition of the first 22 shipbuilding contracts from Seatankers Management Co. Ltd, the Company took its first step towards industry consolidation.

The Company has, and will continue to have, a small team of dedicated staff focusing on core activities such as chartering, finance, investor relations and monitoring external suppliers. Other services like technical management, crew management, construction supervision and certain administrative functions are outsourced to well-qualified suppliers of such services.

Equity and dividend

Equity

The Company's book equity as per 31 December 2006 was NOK 1,776 mill. or approximately 63% of total assets (up from 32% in 2005). The Board considers this to be an acceptable level. The Board evaluates continuously the Company's equity in light of the overall goals, strategy and risk profile.

Dividend policy

The Company will actively use the capital market when doing investments, and does not intend to hold liquid reserves for significant investments. Retained earnings will, to the extent permitted under operational constraints, financial covenants and with due regard to appropriate working capital requirements, be paid out as dividends.

The Annual General Meeting (AGM) stipulates the annual dividend, based on the Board's recommendation. All the shareholders of DESSC that are shareholders at the time of the AGM making its resolution are entitled to dividend.

2005 was the first year of operation, and it was decided not to make any dividend payments for the financial year 2005. For the financial year 2006 the Board has proposed to the AGM that a dividend of NOK 0,80 per share shall be paid.

Changes in equity in 2006

Deep Sea Supply ASA did a private placement in April 2006 where 80,882,000 shares were issued at price NOK 13.60 per share followed by a "repair issue" where another 3,548,225 shares were issued at the same price. The private placement was done in connection with the Company's acquisition of 22 newbuilding contracts.

On the 7 November 2006 DESSC issued 2,000,000 shares of US \$0,02 per share, at their nominal value. DESSC acquired in December 2006 a total of 122,374,287 Deep Sea Supply ASA shares (approximately 94% of all outstanding shares). This acquisition was made against issuance of 122,374,287 shares in DESSC.

Purchase of treasury shares

The Board has been granted an authorization to acquire treasury shares, including acquisition of security rights in treasury shares, limited to an aggregate nominal amount of 10 % of the, at any time, issued share capital of the Company. The authorization is valid until the next AGM. DESSC has during February and March 2007 acquired 2,991,000 (or 2,3%) own shares. The shares were acquired in the market.

Equal treatment of shareholders and transactions between related parties

Class of shares

DESSC's shares are all equal. The Articles of Association place no restrictions on voting rights or rights of receiving dividends.

Trading in treasury shares

The Board's authorization to acquire treasury shares is based on the assumption that acquisitions will be conducted at normal market conditions

Transactions between related parties:

Related parties are considered to be the Board (including associated companies) and the Management (including associated companies).

- Bergshav Management AS

DESSC has entered into agreements with Bergshav Management AS related to technical management of certain vessels and other administrative services. Bergshav Management AS is a wholly owned subsidiary of Bergshav Shipholding AS which (via another subsidiary Bergshav Tankers AS) is shareholder in DESSC. Mr. Atle Bergshaven is the majority shareholder in Bergshav Shipholding AS and is a board member in DESSC.

As per year-end DESSC acquired the following services from Bergshav Management AS: Accounting services and technical management of all vessels operating in the North Sea region. All agreements are entered into on an arms-length-basis, and can be terminated with a 6 months notice. The management fee is excluding "out-of-pocket" expenses (travel etc.) and is subject to an annual review. Bergshav Management AS has outsourced the crew management to OSM AS.

- Tidewater Marine

DESSC has entered into a technical management agreement with Tidewater Marine (the seller of the 6 AHTS vessels in 2005).

- Hemen Holding Limited

In connection with the Company's change of domicile from Norway to Cyprus, Metrogas Holdings Inc has in January 2007 issued a short term loan facility to DESSC which amounted to USD 25,6 mill. The purpose of the loan was to make relevant deposit for the purpose of affecting the mandatory bid for all of the shares in Deep Sea Supply ASA. Metrogas Holdings Inc is a Greenwich Holding Ltd subsidiary and sister company of Hemen Holding Ltd, the owner of 99,9 percent of shares in Metrogas Holding Inc and the owner of approximately 35 percent of the shares in the DESSC. The loan agreement is entered into on an arms-length-basis. The loan has in mid March 2007 being fully repaid.

Freely negotiable

The shares are freely negotiable.

Annual general meeting

By virtue of the Annual General Meeting (AGM), the shareholders are guaranteed participation in the Company's supreme governing body. The AGM adopts the Articles of Association. Shareholders representing at least 10 per cent of the shares can call for an extraordinary general meeting. The AGM shall be held at the place of establishment of the Company (Cyprus).

Convening letter

The notifications to the AGM are distributed to all shareholders minimum 21 days in advance. It is considered important that the documents contain all relevant documentation so that the shareholders can take a position on all items up for discussion. The Finance Calendar is published on the Company's web page and distributed via Oslo Børs.

Participation

It is possible to register for the AGM by post, telefax or e-mail. Shareholders who are unable to attend are urged to assign their proxy. The Board and at least one member of the Nomination Committee will attend the AGM. As a minimum, the management is represented by the CEO and the CFO.

Agenda and execution

The agenda is set by the Board, and the main items are specified in the Company's Articles of Association. The Chairman of the Board will chair the AGMs.

Nomination Committee

In accordance with the Articles of Association, the Company shall have a nomination committee consisting of the Chairman of the Board and two members elected by the AGM. In connection with the election of Directors and election of the members to the Nomination Committee, the Nomination Committee shall in connection with the summons for the General Meeting provide its recommendations for candidates. The nomination committee shall also propose the remuneration of the Board.

The Board has considered establishing an audit committee and a remuneration committee, but is currently of the opinion that a procedure involving the full DESSC Board when considering matters pertaining to financial reporting and remuneration to the management adequately secures a thorough and independent consideration of such matters.

Board of Directors composition and independence

In 2005 the Board of Deep Sea Supply ASA consisted of seven board members. Following the shareholders' meeting in March 2006, the Board was reduced to five members. The DESSC Board consists of the same five board members.

Election of the Board of Directors

The Board members are elected by the AGM based on a recommendation prepared and presented by the Nomination Committee. The recommendation is distributed to the shareholders along with the convening letter to the AGM. Decisions on the composition of the Board require a simple majority. Directors are elected for two-year terms and can be re-elected.

Composition of the Board

Emphasis is made on selecting board members with relevant competence. According to the Articles of Association, the Board shall have from three to seven board members. The Company's CEO is not member of the Board.

Changes in the Board in 2006

The Nomination Committee presents their suggested candidates at the Company's AGM.

Following the Deep Sea Supply ASA's AGM in March 2006, the Board was as follows: Olav Fjell (Chairman), Bent Lund Thomsen, Eric H. B. Rikken, Atle Bergshaven and Anna Cecilie Holst. The DESSC Board consists as per 31 December 2006 of the same five board members. In 2007 Vroon Offshore B.V. sold its complete shareholding in DESSC. Vroon Offshore B.V. sold all shares to avoid any potential future conflict of interest with DESSC in the offshore supply sector. Eric H. B. Rikken who represented Vroon Offshore B.V. has in February 2007 decided to resign from the Board.

The Board's autonomy

The Board considers itself autonomous and independent of the Company's executive management and main shareholders. Emphasis is made that there should exist no conflicts between owners, the Board, the Management and the Company's shareholders. The corporate Code of Ethics discusses the topic under the heading of conflict of interest.

Director's ownership of shares

By year-end 2006, all members of the Board owned shares in the Company or represented significant shareholders. Reference is furthermore made to the separate presentation of the Board Members in the Annual Report.

Board work

Board responsibilities

The Board bears the ultimate responsibility for running the Company and supervising routine management and business activities. The Board primarily looks after the interests of all the shareholders, but is also responsible for the Company's other stakeholders.

The Board has made an annual plan for the board meetings. The Board's main tasks are developing and determining the Company's strategy, performing the required control functions and advice the executive management. The Board is responsible for employing the Company's CEO and to draw up his/her job description. The Board members receives a fixed compensation.

Internal control

The Company has its own finance/investor relations department and acquires accounting services from Bergshav Management AS. Internal control is ensured by division of labor, formalized guidelines and levels of authority ensuring financial control. Financial risks are managed by the Company's internal Finance department, and the responsibility for commercial issues such as e.g. the charter contracts are managed by the Company's internal Chartering department.

Remuneration to leading employees

The remuneration for the CEO is decided by the Board. Each year, the Board undertakes a thorough review of salary and other remuneration to the CEO. None of the employees hold options or other rights to DESSC. An incentive scheme for the CEO, CFO and CCO is established which is linked to the development of the stock price of the Company based on comparison with peer company companies. The terms are described in the annual financial statements' notes.

Remuneration to the members of the Board

The AGM stipulates the Board's remuneration each year. The suggested remuneration to the Board in 2006 breaks down as follows: NOK 300,000 for the Chairman and NOK 150,000 for each Director.

The Directors' fees are not linked to performance, option programmes or the like. None of the Directors hold options or other rights to DESSC, neither work for the Company other than in capacity as Directors.

Information and communication

The Company considers an open and frequent communication as important to its shareholders and other related parties. The Company's Financial Calendar is published on the Company's website and communicated via Oslo Børs. Monthly information about vessel revenues, delivery of vessels etc are provided via Oslo Børs. The web-site contains financial and other information relevant for its shareholders and related parties.

Open presentations are arranged to present quarterly financial statements. Present at these presentations are the CEO and the CFO. The presentations are simultaneously made available on the Company's web-site.

It is considered essential to keep owners and investors informed about the Company's progress and financial status. Emphasis is made on presenting the same information to the entire equity market at the same time.

Take-over

There are no defense mechanisms against take-over bids in the Company's Article of Associations, nor has DESSC implemented other measures to limit the opportunity to acquire shares in the Company.

The Company's Articles of Association includes takeover provisions under which a person who directly or indirectly becomes the owner of shares representing more than 40 percent of the capital interest or the voting rights in DESSC is required to make an unconditional public offer at a fair price for all issued and outstanding shares.

Auditor

DESSC emphasizes a frequent and open dialogue between the Company and its auditor. The Company's auditor participates in the board meetings where the annual financial statements are discussed. At such meetings, the auditor is briefing the Board on the annual accounts and any other issues of particular concern to the auditor. At least once a year the auditor presents to the Board a written report of the Company's accounting policies, risk areas and internal control routines.

The auditor submits the main features of the plan for the audit of the Company to the Board annually. The auditor annually presents for the Board a written confirmation that the auditor continues to satisfy the requirements for independence.

From 2007, at least one meeting a year will be held between the auditor and the Board without the presence of the CEO or other executive managers.

DESSC's auditor is Pricewaterhouse Coopers (PwC). There has been no change in audit firm after the Company was established in 2004

“Deep Sea Supply Plc will maintain to have an open and reliable communication with the public about its business activities and conditions related to corporate governance.”



“The Company will actively use the capital market when doing investments, and does not intend to hold liquid reserves for significant investments. Retained earnings will, to the extent permitted under operational constraints, financial covenants and with due regard to appropriate working capital requirements, be paid out as dividends. For the financial year 2006 the Board has proposed to the AGM that a dividend of NOK 0,80 per share shall be paid.”





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