



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 967 074 888
Organisasjonsform: Aksjeselskap
Foretaksnavn: CHAMPION SHIPPING AS
Forretningsadresse: Tveiteråsvegen 12
5232 PARADIS

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl L. Kvalheim
Dato for fastsettelse av årsregnskapet: 08.03.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 22.06.2023



Resultatregnskap

| Beløp i: USD | Note | 2021 | 2020 |
|---|------|-------------------|-------------------|
| RESULTATREGNSKAP | | | |
| Inntekter | | | |
| Operating revenues | | 46 540 245 | 44 312 703 |
| Gain on sold vessels | | | 3 385 371 |
| Sum inntekter | | 46 540 245 | 47 698 074 |
| Kostnader | | | |
| Crew expenses | 1 | 7 156 942 | 6 907 862 |
| Ordinary depreciations | 2 | 4 275 448 | 5 666 205 |
| Nedskrivning av varige driftsmidler og immaterielle eiendeler | 2 | | |
| Voyage expenses | | 23 862 287 | 18 048 706 |
| Insurance premiums | | 1 056 775 | 1 130 091 |
| Spares, repairs and maintenance | | 3 870 222 | 3 813 031 |
| Lubricating oil | | 535 791 | 501 106 |
| Management expenses | | 860 147 | 887 641 |
| Other expenses | 1 | 564 679 | 976 802 |
| Sum kostnader | | 42 182 290 | 37 931 444 |
| Driftsresultat | | 4 357 955 | 9 766 630 |
| Finansinntekter og finanskostnader | | | |
| Income from subsidiaries | 3 | | |
| Annen renteinntekt | | | 864 |
| Net currency gain/(loss) | | -10 633 | -1 493 |
| Sum finansinntekter | | -10 633 | -629 |
| Write-down of financial assets | 8 | | |
| Annen rentekostnad | | 1 462 266 | 1 491 037 |
| Other financial expenses | | 13 363 | 17 268 |
| Sum finanskostnader | | 1 475 629 | 1 508 304 |
| Netto finans | | -1 486 263 | -1 508 933 |
| Ordinært resultat før skattekostnad | | 2 871 693 | 8 257 696 |
| Taxes | 3 | 42 814 | 38 899 |
| Ordinært resultat etter skattekostnad | | 2 828 879 | 8 218 797 |



Resultatregnskap

| Beløp i: USD | Note | 2021 | 2020 |
|--|-------------|------------------|------------------|
| Årsresultat | | 2 828 879 | 8 218 797 |
| Årsresultat etter minoritetsinteresser | | 2 828 879 | 8 218 797 |
| Totalresultat | | 2 828 879 | 8 218 797 |
| Overføringer og disponeringer | | | |
| Allocated to other equity/ (transferred from other equity) | | 2 828 879 | 8 218 797 |
| Sum overføringer og disponeringer | | 2 828 879 | 8 218 797 |



Balanse

| Beløp i: USD | Note | 2021 | 2020 |
|--|------|-------------------|-------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Varige driftsmidler | | | |
| Vessels | 2, 9 | 62 766 074 | 42 483 655 |
| Docking | 2 | 3 683 709 | 2 720 445 |
| Sum varige driftsmidler | | 66 449 783 | 45 204 100 |
| Finansielle anleggsmidler | | | |
| Investments in shares | 4 | 239 539 | 239 539 |
| Sum finansielle anleggsmidler | | 239 540 | 239 540 |
| Sum anleggsmidler | | 66 689 323 | 45 443 640 |
| Omløpsmidler | | | |
| Varer | | | |
| Fordringer | | | |
| Accounts receivables | | 124 030 | 598 250 |
| Stores | | 2 908 811 | 1 459 585 |
| Other receivables | 5, 6 | 7 499 153 | 6 096 283 |
| Sum fordringer | | 10 531 994 | 8 154 118 |
| Bankinnskudd, kontanter og lignende | | | |
| Cash and cash equivalents | 9 | 2 542 433 | 3 209 492 |
| Sum bankinnskudd, kontanter og lignende | | 2 542 433 | 3 209 492 |
| Sum omløpsmidler | | 13 074 427 | 11 363 610 |
| SUM EIENDELER | | 79 763 750 | 56 807 250 |

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

| Beløp i: USD | Note | 2021 | 2020 |
|---|------|-------------------|-------------------|
| Innskutt egenkapital | | | |
| Share capital | 7 | 1 460 901 | 1 019 918 |
| Overkurs | 8 | 12 028 793 | 1 526 188 |
| Sum innskutt egenkapital | | 13 489 694 | 2 546 106 |
| Opptjent egenkapital | | | |
| Other equity | 8 | 19 179 840 | 16 350 961 |
| Sum opptjent egenkapital | | 19 179 840 | 16 350 961 |
| Sum egenkapital | | 32 669 534 | 18 897 067 |
| Gjeld | | | |
| Langsiktig gjeld | | | |
| Utsatt skatt | 3 | | |
| Annen langsiktig gjeld | | | |
| Gjeld til kredittinstitusjoner | 9 | 36 409 282 | 29 209 282 |
| Loans from group companies | | 1 460 921 | 1 427 837 |
| Shareholder loans | 10 | 194 962 | 190 548 |
| Sum annen langsiktig gjeld | | 38 065 165 | 30 827 667 |
| Sum langsiktig gjeld | | 38 065 165 | 30 827 667 |
| Kortsiktig gjeld | | | |
| Liabilities to financial institutions | 9 | | |
| Leverandørgjeld | | 4 142 610 | 1 877 733 |
| Taxes payable | 3 | 42 200 | 38 500 |
| Public taxes payable | | | |
| Other short term liabilities and provisions | 9 | 4 844 240 | 5 166 283 |
| Sum kortsiktig gjeld | | 9 029 051 | 7 082 516 |
| Sum gjeld | | 47 094 216 | 37 910 183 |
| SUM EGENKAPITAL OG GJELD | | 79 763 750 | 56 807 250 |



Champion Shipping AS
Financial Statements 2021



CHAMPION SHIPPING AS ***Directors' Report 2021***

Operating activities

Champion Shipping AS is a ship owning company located in Bergen, Norway, with a fleet of MR size chemical/product tankers.

Champion Tankers is acting as commercial manager for the vessels owned by Champion Shipping AS. Champion Tankers operates at any given time 18-23 vessels within the Edible oil/Fertilizer/Caustic Soda market and is firmly established as one of the leading and most reputable commercial operators/owners in this niche. This reputation is a result of close co-operation with several of the major industrial charterers in our trade.

Financial and operational review

In 2021 Champion Shipping AS generated operating revenues of USD 46,5 mill, compared to USD 44,3 mill for the year 2020. Net voyage income/(TCE earnings) was USD 22,6 mill, down from USD 26,3 mill for the financial year 2020. The reduction in TCE earnings is due to a weaker market combined with higher bunkers prices.

EBITDA is USD 8,6 mill, down from USD 15,4 mill in 2020.

Operating profit (EBIT) is USD 4,4 mill compared to USD 9,8 mill in 2020.

The net profit for the year is USD 2,8 mill, down from USD 8,2 mill for the previous year.

One vessel went through scheduled periodical class survey and dry-docking during 2021, resulting in 22 days off hire. Technical and operational matters resulted in 4 days of off hire.

One vessel has been out of service since 2018 due to main engine break down. This has resulted in significant costs and loss of revenue and earnings. All owners' cost and expenses have been funded by operating cash flow. Total accumulated cost is in excess of USD 10 mill. The company has declared constructive total loss (condemnation) to the underwriters. The underwriters have not accepted the company's request for condemnation, and the claim has been brought to court. In April 2021 the Norwegian district court returned its verdict which concludes that the company is entitled to receive the full insurance value as a total constructive loss in addition to recovery of expenses and all court related costs. The underwriters disagreed with the court's verdict that stricter environmental regulations will be imposed by the class society and flag state. The underwriters have lodged an appeal, and the case will be taken up to the court of appeal in May/June 2022. The full effect of the outcome of the insurance case will affect the accounts when the case is closed during the second half of 2022.

Operating expenses were in line with the previous years adjusted for fleet changes.

In 2021 the COVID-19 virus outbreak had impact resulting in lower demand and lower freight rates. Increased bunkers prices in second half of 2021 increased the negative effect on TCE earnings.

The company's specialised and dedicated niche trading pattern in the edible markets of our vessel have despite the overall historically very weak freight market of 2021, resulted in weak but still substantially outperforming vessels' TCE earnings compared to the general MR freight market where major listed peers have reported significant operating losses.



CHAMPION SHIPPING AS ***Directors' Report 2021***

In March 2021 the equity was improved by USD 10,9 mill in a share issue. At the year-end the financial position of the company is good. Book equity is USD 30,4 mill, corresponding to a book equity ratio of 39%.

Employees

The company has no employees and hence purchase services from well reputable companies based on a long-term relationship.

Environmental risk

Our vessels mainly transport edible products and to a lesser extent oil petroleum product (CPP), and we consider the risk of severe environmental accidents as low. Nevertheless, operation of vessels has an impact on the environment in general.

The technical operations of the vessels are handled by recognised managers with extensive experience. Constant focus on preventing environmental impact is a natural part of our activities in which we invest substantial resources. Through the company's own internal control procedures and the technical managers' Quality Assurance Systems, all procedures and routines for preventing pollution and environmental impact, are continuously monitored.

The company has an overall strategy to comply with all IMOS regulations and reduce environmental impact. We continue to have strong focus on fuel consumption, operational measures such as weather routing, hull scrubbing and trading pattern optimisation. Furthermore, we intend to install energy saving devices at dry dockings in the period 2022-2024 to reduce emission, and through our fleet renewal strategy we intend to acquire new vessels with lower fuel consumption in the future.

Financial risk and risk management

The company is exposed to financial risk. All revenues are denominated in USD. A large part of the operating expenses is denominated in USD. To minimise currency risk, all loans are drawn in USD. However, there is currency risk related to operating expenses in other currencies than USD. The company is exposed to risk of changes in level of interest rate on interest-bearing debt. Credit risk is considered low due to most customers settling the invoice prior to cargo being discharged. A normal market situation will ensure a strong cash flow and low liquidity risk. Focus on cash management ensures sufficient liquidity to meet future obligations. The risk of increasing bunkers prices not covered by corresponding increase in freight rates, will always be a part of the risk picture. The company is exposed to risk related to fluctuations in market freight rates due to trading in the spot market. The company has reduced this risk to a certain degree by entering long-term contracts of affreightment (COAs).

Market outlook

Our market segment is influenced by the Clean Petroleum Product (CPP) market in general. In the second half of 2020 and further through 2021, the COVID-19 virus outbreak had impact on the world trade in general resulting in lower demand for CPP and lower freight rates.

The TCE earnings of the company were reduced in 2021, and the TCE earnings will remain at low levels in the first months of 2022. The outlook for our market segment in the near future appears challenging, but the latest trade projections suggest a bounce-back in seaborne trade volumes as oil demand is expected to recover as a result of Covid-19 vaccination programmes worldwide. The spread of new Covid virus mutants have caused new lockdowns worldwide, and the anticipated marked



CHAMPION SHIPPING AS **Directors' Report 2021**

recovery is delayed. However, there is a consensus among market players that the marked recovery will come in 2022 and lately market firming on several key routes have been evidenced, so we remain cautiously optimistic for an overall upwards turning trend of the general freight markets.


Additionally, the demand/supply balance within the product tanker market has improved. The MR fleet supply outlook is very favourable as the product tanker order book is at low levels not seen in many years. All in all, the market outlook in the long run looks promising.

Going concern

The Board of Directors confirms that the annual accounts for 2021 have been prepared on a going concern basis.

It is the Board's opinion that the financial statements provide a fair view of the Company's assets and liabilities, financial position and results.

Bergen, 8th of March 2022


Karl L. Kvalheim
Chairman/Managing Director


Jakob B. Kvalheim
Board Member



Champion Shipping AS

Income Statement

(USD)

| NOTES | OPERATING REVENUES AND EXPENSES | 2021 | 2020 |
|-------|--|-------------------|-------------------|
| | Operating revenues | 46 540 245 | 44 312 703 |
| | Gain on sold vessels | 0 | 3 385 371 |
| | Total revenues | <u>46 540 245</u> | <u>47 698 074</u> |
| | Voyage expenses | 23 862 287 | 18 048 706 |
| 1 | Crew expenses | 7 156 942 | 6 907 862 |
| | Insurance premiums | 1 056 775 | 1 130 091 |
| | Spares, repairs and maintenance | 3 870 222 | 3 813 031 |
| | Lubricating oil | 535 791 | 501 106 |
| | Management expenses | 860 147 | 887 641 |
| 2 | Ordinary depreciations | 4 275 448 | 5 666 205 |
| 1 | Other expenses | 564 679 | 976 802 |
| | Total operating expenses | <u>42 182 290</u> | <u>37 931 444</u> |
| | Operating profit | <u>4 357 955</u> | <u>9 766 630</u> |
| | FINANCIAL INCOME AND EXPENSES | | |
| | Interest income | 0 | 864 |
| | Net currency gain/(loss) | -10 633 | -1 493 |
| | Interest expenses | 1 462 266 | 1 491 037 |
| | Other financial expenses | 13 363 | 17 268 |
| | Net financial items | <u>-1 486 263</u> | <u>-1 508 933</u> |
| | Net profit before taxes | <u>2 871 693</u> | <u>8 257 696</u> |
| 3 | Taxes | 42 814 | 38 899 |
| | Net profit/(loss) for the year | <u>2 828 879</u> | <u>8 218 797</u> |
| | ALLOCATIONS AND DISTRIBUTIONS | | |
| | Allocated to other equity/ (transferred from other equity) | 2 828 879 | 8 218 797 |
| | Total allocations and distributions | <u>2 828 879</u> | <u>8 218 797</u> |



Champion Shipping AS
Balance Sheet as at 31 December
(USD)

| NOTES | ASSETS | 2021 | 2020 |
|-------|-------------------------------------|-------------------|-------------------|
| | Tangible fixed assets | | |
| 2, 9 | Vessels | 62 766 074 | 42 483 655 |
| 2 | Docking | 3 683 709 | 2 720 445 |
| | Total tangible fixed assets | <u>66 449 783</u> | <u>45 204 100</u> |
| | Non-current financial assets | | |
| 4 | Investments in shares | 239 539 | 239 539 |
| | Total non-current financial assets | <u>239 540</u> | <u>239 540</u> |
| | Total non-current assets | <u>66 689 323</u> | <u>45 443 640</u> |
| | Current assets | | |
| | Debtors | | |
| | Accounts receivables | 124 030 | 598 250 |
| | Stores | 2 908 811 | 1 459 585 |
| 5, 6 | Other receivables | 7 499 153 | 6 096 283 |
| | Total receivables | <u>10 531 994</u> | <u>8 154 118</u> |
| 9 | Cash and cash equivalents | 2 542 433 | 3 209 492 |
| | Total current assets | <u>13 074 427</u> | <u>11 363 610</u> |
| | TOTAL ASSETS | <u>79 763 750</u> | <u>56 807 250</u> |



Champion Shipping AS
Balance Sheet as at 31 December
(USD)

| NOTES | EQUITY AND LIABILITIES | 2021 | 2020 |
|-------|---|-------------------|-------------------|
| | Equity | | |
| | Paid-in capital | | |
| 7 | Share capital | 1 460 901 | 1 019 918 |
| 8 | Share premium | 12 028 793 | 1 526 188 |
| | Total paid-in capital | <u>13 489 694</u> | <u>2 546 106</u> |
| | Retained earnings | | |
| 8 | Other equity | 19 179 840 | 16 350 961 |
| | Total retained earnings | <u>19 179 840</u> | <u>16 350 961</u> |
| | Total equity | <u>32 669 534</u> | <u>18 897 067</u> |
| | Liabilities | | |
| | Long term liabilities | | |
| 9 | Liabilities to financial institutions | 36 409 282 | 29 209 282 |
| | Loans from group companies | 1 460 921 | 1 427 837 |
| 10 | Shareholder loans | 194 962 | 190 548 |
| | Total long term liabilities | <u>38 065 165</u> | <u>30 827 667</u> |
| | Short term liabilities | | |
| | Trade payables | 4 142 610 | 1 877 733 |
| 3 | Taxes payable | 42 200 | 38 500 |
| 9 | Other short term liabilities and provisions | 4 844 240 | 5 166 283 |
| | Total short term liabilities | <u>9 029 051</u> | <u>7 082 516</u> |
| | Total liabilities | <u>47 094 216</u> | <u>37 910 183</u> |
| | TOTAL EQUITY AND LIABILITIES | <u>79 763 750</u> | <u>56 807 250</u> |

Bergen, 08.03.2022

The board of Champion Shipping AS

Karl L. Kvalheim

Chairman of the Board/Managing Director

Jakob B. Kvalheim

Member of the board



Champion Shipping AS
Cash flow statement
(USD)

| NOTES | CASH FLOW FROM OPERATING ACTIVITIES | 2021 | 2020 |
|-------|--|--------------------|--------------------|
| | Profit before taxes | 2 871 691 | 8 257 696 |
| | Taxes paid | -32 346 | -43 675 |
| | Depreciations and impairments | 4 275 449 | 5 666 196 |
| | Write-down of financial assets | 0 | 0 |
| | Gain on vessels sold | 0 | -3 385 371 |
| | Change in accounts receivables from customers | 474 072 | 1 652 729 |
| | Change in trade creditors | 2 264 877 | -120 584 |
| | Change in other current assets and other current liabilities | -3 143 258 | -1 558 419 |
| | Net cash flow from operating activities | 6 710 485 | 10 468 572 |
| | CASH FLOW FROM INVESTING ACTIVITIES | | |
| | Sale of fixed assets | 0 | 6 467 000 |
| | Purchase of fixed assets | -25 521 131 | -4 251 519 |
| | Purchase of financial assets | 0 | 0 |
| | Net cash flow from investing activities | -25 521 131 | 2 215 481 |
| | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Loan proceeds | 14 000 000 | 37 498 |
| | Loan repayment | -6 800 000 | -12 556 000 |
| | Capital increase | 10 943 587 | 0 |
| | Net cash flow from financing activities | 18 143 587 | -12 518 502 |
| | Net cash flow for the period | -667 059 | 165 551 |
| | Cash and bank deposits as at 1.1. | 3 209 492 | 3 043 941 |
| | Cash and bank deposits as at 31.12. | 2 542 433 | 3 209 492 |



Champion Shipping AS

Notes to the financial statements 2021

Note 0 – Accounting principles

The financial statements are prepared in accordance with The Norwegian Accounting Act of 1998. The accounting principles are described below.

Principal rule for valuation and classification of assets and liabilities

Assets meant for permanent ownership or use in the business are classified as fixed assets. Other assets are classified as current assets. Accounts receivables due within one year are classified as current assets. The classification of current and long term liabilities is based on the same criteria.

Fixed assets are carried at historical cost, but are written down if a decline in fair value below the carrying amount is expected to be permanent. Fixed assets with a limited economic life are depreciated in accordance with a reasonable depreciation schedule. Long-term loans are carried at nominal value.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are carried at nominal value.

Other items are valued as described below.

Functional currency and presentation currency

These financial statements are presented in USD which is the functional currency of the company. All figures in the notes are expressed in USD.

Vessels

Vessels are recorded at their cost less accumulated depreciation. Vessel are depreciated on a straight-line basis over their estimated useful economic life. The useful life of the vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton.

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less transaction costs, and value in use.

Value in use is estimated calculating future discounted net operating cash flows expected to be generated by the vessel over its remaining useful life. Net operating cash flows are determined by applying various assumptions regarding discount rate, useful life of the vessel, future net voyage income, operating expenses, scheduled dry-dockings, expected off hire and scrap values, and taking into account historical revenue data, future budgets and published forecast on future world economic growth.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). The total fleet is considered to be the cash-generating unit. Assessment on fleet level is based on the fact that all vessels are included in the same logistical system in which each vessel can replace any of the other vessels. Which vessel is allocated to which contract is depended on position and available loading capacity. Vessels decided to be sold, are not included in the fleet assessment for impairment testing, and carrying amount of such vessels is compared to fair market value less transaction costs.



Champion Shipping AS

Notes to the financial statements 2021

Note 0 continued – Accounting principles

Drydock expenditure and maintenance

Expenditures incurred when drydocking are capitalised and amortised until the next scheduled drydocking. At the time of purchasing the vessel, the acquisition price is decomposed to vessel and drydocking, and the drydocking is amortised until the next drydocking.

Expenses for routine maintenance and repairs are expensed as incurred.

When insured damages occur, insurance claims are recorded, net of any deductible amounts which are charged as expenses. Insurance claims are classified as short term receivables.

Inventories

Inventories consist of bunkers, lubricating oils and other consumables on board the vessels. Inventories are valued at the lower of cost or market value on a first-in-first-out basis.

Receivables

Trade receivables and other receivables are recorded at nominal value less provisions for expected losses. The loss provision is based on an individual assessment of each accounts receivable.

Investment in listed shares

Long-term investments in listed companies are recorded at cost. The investment will be written down to fair value when the reduced value is due to causes which are not deemed to be temporary.

Leasing

Leasing contracts are classified as financial or operational. A financial lease is a leasing contract whereby the main risk and rewards attributable to the ownership of an asset are transferred to the lessee. A finance lease is capitalized as a fixed asset with a corresponding liability recorded as long term debt. The asset is depreciated in accordance with a reasonable depreciation schedule, and the liability is reduced for lease payments less calculated interest expense.

Revenues

Revenues from voyage charters are recognised rateably on a discharge-to discharge basis. Revenue under voyage charters will not be recognised until a charter has been agreed even if the vessel has discharged its previous cargo and is proceeding to an anticipated port of loading.

Revenues from time charter contracts are recognised over the term of the charter based on onhire days.

Revenues on cutoff voyages are recognised based on the number of days before and after the balance sheet date.

Voyage expenses

All voyage expenses are recognised proportionally with the voyage revenues. Voyage expenses on cutoff voyages are recognised based on the number of days before and after the balance sheet date.

Taxes

Taxes charged as expense consist of payable tonnage tax. The company is included in the Norwegian Tonnage Tax Regime which entitles the company to tax exemption on profits derived from ship operations provided payment of tonnage tax. However, possible future net financial income will be taxed with a tax rate of 22%. There is no provision for deferred tax on potential net financial income in the accounts.



Champion Shipping AS
Notes to the financial statements 2021

Note 1 – Payroll costs, number of employees, remunerations etc.

| Crew expenses | 2021 | 2020 |
|----------------------------|-------------------------|-------------------------|
| Crew expenses | <u>7 156 942</u> | <u>6 907 862</u> |
| Total crew expenses | <u>7 156 942</u> | <u>6 907 862</u> |

The crew is hired from different technical managers.

Related parties

Companies owned by related parties have invoiced commercial management/broker fees of USD 1 190 510 administration fees of USD 38 072.

Remunerations to executives

No remunerations are paid to board directors in 2021.

Auditors' fee

| Auditor | 2021 | 2020 |
|-----------------|----------------------|----------------------|
| Statutory audit | 26 079 | 33 483 |
| Other services | - | 7 383 |
| Total | <u>26 079</u> | <u>33 483</u> |



Champion Shipping AS

Notes to the financial statements 2021

Note 2 – Tangible fixed assets

| | Vessels | Docking | Total |
|---|-------------------|------------------|-------------------|
| Aquisition cost 1.1. | 101 599 072 | 7 325 991 | 108 925 063 |
| Additions | 23 680 000 | 1 841 198 | 25 521 198 |
| Disposals | 0 | -751 115 | -751 115 |
| Aquisition cost 31.12. | 125 279 072 | 8 416 074 | 133 695 146 |
| Accumulated depreciations and impairments | 62 512 998 | 4 732 365 | 67 245 363 |
| Balance sheet value as at 31.12 | 62 766 074 | 3 683 709 | 66 449 783 |
| Ordinary depreciations | 3 397 581 | 877 867 | 4 275 448 |
| Impairment charges | 0 | 0 | 0 |
| Depreciation period | 6-15 years | 2,5 years | |

One vessel suffered a main engine breakdown in 2018 and is still out of service. The insurance claim case is not yet completed. The carrying amount of the vessel is included in the balance sheet together with vessels in operation.

Ordinary depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. For vessels with limited remaining economical life, the residual scrap value is during 2021 increased to reflect best estimate of future scrap values resulting in lower ordinary depreciations for these vessels. The effect of this change in estimates is USD 2,3 mill in lower ordinary depreciations for the financial year.

Vessels which will be disposed of within a certain time horizon, are not included in the fleet assessment for impairment testing. The carrying amounts for these vessels are tested against broker valuations.

Value in use (discounted cash flows) is used in our impairment testing of vessels included in the fleet assessment. No impairment losses are recognised in 2021.

Discounted cash flows are determined by applying the following assumptions:

- Net future voyage income reflecting market rates
- Operating expenses (opex)
- Scheduled dry-dockings
- Expected off hire
- Scrap values
- Expected Economical life of the vessel
- Discounting factor

Net future voyage income is estimated based on historical average earnings adjusted for inflation and budget for 2022. Estimated operating expenses are based on actual opex for 2021 and budget for 2022. An estimated interest rate based on long-term financing including risk premium is used as discounting factor. The rate used is 9,9%. Sensitivity testing of our calculations shows that a reduction of USD 2.000 per day in net future voyage income would result in an impairment charge of USD 2,5 mill.



Champion Shipping AS

Notes to the financial statements 2021

Note 3 – Taxes

| | |
|--|---------------|
| The tax expense for the year consists of: | USD |
| Tax payable on net financial income of the year | 0 |
| Tonnage tax for the year | 42 200 |
| Corrections for previous year | 614 |
| Taxes | <u>42 814</u> |

Net financial losses brought forward amount to USD 9,5 mill. Deferred tax asset related to losses brought forward is not recognised in the balance sheet.

| | | |
|---|---------------|---------------|
| Taxes payable in the balance sheet consist of; | 2021 | 2020 |
| Current liabilities: | USD | USD |
| Tonnage tax | <u>42 200</u> | <u>38 500</u> |
| Total taxes payable | <u>42 200</u> | <u>38 500</u> |

Note 4 – Financial assets

Financial fixed assets include an investment in a Croatian listed company owned as a strategic investment.

Note 5 - Other receivables

Other receivables include accrued revenue from customers of usd 1,1 mill.

Note 6 – Insurance claim

In August 2018 one vessel suffered a main engine break down. The vessel is still out of service. The company has declared constructive total loss (condemnation) to the underwriters. The underwriters represented by Gard as claims handler, have not accepted the company's request for condemnation, and the claim has been brought to court.

In April 2021 the Aust-Agder District Court returned its verdict which concluded that the company is entitled to receive the full insurance value as constructive total loss in addition to recover of all court costs.

Gard have lodged an appeal, and the case will be taken up to the court of appeal in May/June 2022.

All expenses related to warm lay-up of the vessel have been posted to operating expenses in the period August 2018 to July 2020. These expenses have been charged to the profits according to a prudent accounting concept although they may be recoverable from the underwriters.



Champion Shipping AS

Notes to the financial statements 2021

Note 6 continued – Insurance claim

Expenses related to cold lay-up of the vessel and other direct expenses have been recognised as short-term receivables and tested for expected losses.

If the verdict from the district court remains, the insurance claim will result in a gain compared to the carrying amount of the vessel and the prudent book value of the claim for incurred expenses.

Note 7 – Share capital and shareholder information

The share capital is USD 1 460 901. The share capital as at 31 December in NOK:

| | Number of shares | Nominal value | NOK |
|---------------|---------------------|---------------|------------|
| Share capital | 102 690 | 100 | 10 269 000 |

Owner structure

The shareholders of the company as at 31 December were;

| Name | Number of shares | Owner stake |
|--------------------------|---------------------|-------------|
| Nesttun Invest AS | 93 044 | 90,61 % |
| Nest Trading AS | 3 102 | 3,02 % |
| Skagerak Holding Pte Ltd | 4 418 | 4,30 % |
| Champion Tankers AS | 1 839 | 1,79 % |
| Transportfinans AS | 287 | 0,28 % |
| Total | 102 690 | 100,00 % |

Number of shares controlled by board directors are 94 883 shares corresponding to 92,4% of the shares.

Note 8 – Equity

| | Share capital | Share premium | Retained earnings | Total |
|-----------------------------------|---------------|------------------|----------------------|------------|
| Equity at 1.1. | 1 019 918 | 1 526 188 | 16 350 961 | 18 897 067 |
| Capital increase on 23rd of March | 440 983 | 10 502 605 | | 10 943 588 |
| Profit for the year | | | 2 828 879 | 2 828 879 |
| Equity at 31.12. | 1 460 901 | 12 028 793 | 19 179 840 | 32 669 534 |



Champion Shipping AS

Notes to the financial statements 2021

Note 9 – Long term liabilities, mortgages and guarantee liabilities

| Mortgages and guarantee liabilities | 2021 | 2020 |
|--|--------------------------|--------------------------|
| | USD | USD |
| Balance sheet value of mortgage debt | 36 409 282 | 29 209 282 |
| | | |
| Balance sheet value of pledged assets | 2021 | 2020 |
| | USD | USD |
| Vessels | 66 449 783 | 45 204 100 |
| Accounts receivables | 124 030 | 598 250 |
| Stores | 2 908 811 | 1 459 585 |
| Cash and bank deposits | 1 832 415 | 2 738 271 |
| Total | <u>71 315 039</u> | <u>50 000 206</u> |

Debt payable after 5 years:

| | 2021 | 2020 |
|--|-----------------|-----------------|
| | USD | USD |
| Long term debt to financial institutions | <u>0</u> | <u>0</u> |
| Total | <u>0</u> | <u>0</u> |

Maturity date of the loan was 30th of September 2022 but is now postponed to 30th of March 2023. Financial covenants are met as per 31 December 2021.

Instalment profile of long-term debt to financial institutions;

| Year | USD |
|--------------|--------------------------|
| 2021 | 7 200 000 |
| 2022 | 7 200 000 |
| 2023 | 22 009 282 |
| Total | <u>36 409 282</u> |

Note 10 – Shareholder loans

The shareholders have granted a subordinated and unsecured loan of USD 1,5 mill. Interest rate is 2,5% p.a. Accrued interest is added to the loan.



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To the General Meeting of Champion Shipping AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Champion Shipping AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

Penneo Dokumentnr: 1A1L8-L3OHJ-K0NE5-H0A7J-7YXKT-UXHHC



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side 2
Independent Auditor's Report -
Champion Shipping AS

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bergen, 8 March 2022
Deloitte AS

Bjarne Ryland
State Authorised Public Accountant

Penneo Dokumentnøkkel: 1A1L8-L3OH-KONES-H0A7J-7XEKT-UXHKC



PENNEO

Bjarne Ryland

State Authorised Public Accountant (Norway)

Serienummer: 9578-5993-4-2318195

IP: 193.32.xxx.xxx

2022-03-08 14:34:43 UTC



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Skattedirektoratet

| | | |
|--|------------------------------------|-------------------------------|
| Saksbehandler Torstein Kinden Helleland | Deres dato 05.12.2016 | Vår dato 12.12.2016 |
| Telefon 22078139 | Deres referanse Tone B. Solstad | Vår referanse 2016/1190826 |

CHAMPION TANKERS AS
Postboks 413 Nesttun
5853 BERGEN

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

— Vi viser til deres brev av 5. desember 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

| | |
|----------------------|---------------------|
| Champion Shipping AS | org.nr. 967 074 888 |
| Champion Tankers AS | org.nr. 980 512 738 |
| Trust AS | org.nr. 996 330 389 |
| Ebony AS | org.nr. 814 720 942 |

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de ovennevnte selskapene dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Selskapene inngår i Nesttun Invest konsernet der konsernspissen er Nesttun Invest AS. Konsernet driver med rederivirksomhet. Virksomheten foregår i utlandet. Arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som

| | | |
|--|--|--|
| Postadresse Postboks 9200 Grønland 0134 Oslo | Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318 E-post: skatteetaten.no/sendepost | Sentralbord 800 80 000 Telefaks 22 17 08 60 |
|--|--|--|



tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapene inngår i et konsern. Eierkretsen er begrenset. Arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer