Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	930 197 661
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	SKS OBO & TANKERS AS
Forretningsadresse:	Zander Kaaes gate 7 5015 BERGEN

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:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Jan Håvard Faye Vågsholm
Dato for fastsettelse av årsregnskapet:	14.06.2022

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, 19.04.2023

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	3,4	41 483 000	122 447 000
Sum inntekter		**41 483 000**	**122 447 000**
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	8	19 889 000	30 970 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	66 220 000	34 800 000
Ship operating expenses	3,5,10	24 633 000	36 732 000
Administrative expenses	3,6,7	1 327 000	1 145 000
Loss from sale of non-current assets	8		19 094 000
Sum kostnader		**112 069 000**	**122 741 000**
Driftsresultat		**-70 586 000**	**-294 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	3	3 677 000	2 517 000
Annen renteinntekt			106 000
Sum finansinntekter		**3 677 000**	**2 623 000**
Annen rentekostnad		9 158 000	16 163 000
Annen finanskostnad	9	15 774 000	2 913 000
Sum finanskostnader		**24 932 000**	**19 076 000**
Netto finans		**-21 255 000**	**-16 453 000**
Ordinært resultat før skattekostnad		**-91 841 000**	**-16 747 000**
Ordinært resultat etter skattekostnad		**-91 841 000**	**-16 747 000**
Årsresultat		**-91 841 000**	**-16 747 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-91 841 000	-16 747 000
Sum overføringer og disponeringer		**-91 841 000**	**-16 747 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	8	24 019 000	359 770 000
Sum varige driftsmidler		**24 019 000**	**359 770 000**
Finansielle anleggsmidler			
Lån til foretak i samme konsern	3,11		103 607 000
Sum finansielle anleggsmidler			**103 607 000**
Sum anleggsmidler		**24 019 000**	**463 377 000**
Omløpsmidler			
Varer			
Varer	12	60 000	735 000
Sum varer		**60 000**	**735 000**
Fordringer			
Kundefordringer		1 972 000	
Andre fordringer	13	2 421 000	11 777 000
Konsernfordringer	3	90 868 000	13 459 000
Sum fordringer		**95 261 000**	**25 236 000**
Investeringer			
Andre finansielle instrumenter	18		338 000
Sum investeringer			**338 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	14	14 616 000	22 939 000
Sum bankinnskudd, kontanter og lignende		**14 616 000**	**22 939 000**
Sum omløpsmidler		**109 937 000**	**49 248 000**
SUM EIENDELER		**133 956 000**	**512 625 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	15	112 336 000	111 173 000
Overkurs		-2 202 000	84 264 000
Sum innskutt egenkapital		**110 134 000**	**195 437 000**
Sum egenkapital		**110 134 000**	**195 437 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	16		34 866 000
Langsiktig konserngjeld	3		6 288 000
Sum annen langsiktig gjeld			**41 154 000**
Sum langsiktig gjeld		**0**	**41 154 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	16	15 209 000	268 828 000
Leverandørgjeld		530 000	3 319 000
Betalbar skatt	10	166 000	259 000
Kortsiktig konserngjeld	3	7 175 000	
Other current liabiliites	17	734 000	3 628 000
Financial derivatives	18	8 000	
Sum kortsiktig gjeld		**23 822 000**	**276 034 000**
Sum gjeld		**23 822 000**	**317 188 000**
SUM EGENKAPITAL OG GJELD		**133 956 000**	**512 625 000**

To the General Meeting of SKS Obo & Tankers AS

Independent Auditor's Report

Opinion

We have audited the financial statements of SKS Obo & Tankers AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the 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 simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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 simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Bergen, 7 March 2022
PricewaterhouseCoopers AS

Fredrik Gabrielsen
State Authorised Public Accountant

(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Gabrielsen, Fredrik	BANKID_MOBILE	2022-03-16 08:28

DIRECTORS' REPORT 2021

SKS OBO & TANKERS AS
(the Company)

Business summary
SKS OBO & Tankers AS (the "Company") is fully owned by SKS Tankers Holding AS, a subsidiary of Kristian Gerhard Jebsen Skipsrederi AS (KGJS). The Company is located in Bergen, Norway.

The Company currently owns one Suezmax tanker of 159 000 dwt. (SKS S-class). The vessel is commercially operated by the related pool entity SKS Pool AS ("Pool Company"). Administrative services are provided by KGJS. Technical management is provided by OSM Bergen Tank AS.

Until 10 December 2021, the Company owned seven product carriers of 120 000 dwt. (SKS D-class) trading in the LR2/Aframax market. The vessels were sold to newly established joint venture companies partly owned by subsidiaries of SKS Tankers Holding AS. In addition, three Suezmax tankers of 159 000 dwt. (SKS S-class) were sold to external parties.

Result
The net loss for 2021 was USD 91.8 mill. compared to USD 16.8 mill. in 2020. In 2021, the Company recognised an impairment loss on vessels of USD 66.2 mill.. The impairment loss on vessels in 2020 was USD 34.8 mill..

The variance between the result and the cash flow from operating activities is mainly due depreciation and impairment of non-current assets and changes in other current assets and liabilities.

The board recommends that the Company's net loss of USD 91.8 mill. is transferred to share premium.

Investments
Total investments in non-current assets amounted to USD 24.0 mill. at the end of 2021 compared to 463.4 mill. at the end of 2020. The reduction in total investments in non-current assets is due to sale of vessels during 2021.

During 2021, the Company completed the sale of three Suezmax tankers of 159 000 dwt. and used part of the proceeds from the transactions to repay in full the associated interest bearing debt.

On 10 December, the Company completed a transaction for the sale of 7 product tankers of 120 000 dwt. to newly established joint venture companies owned by SKS Tankers Holding AS and Greentankers Holding Ltd., a company owned by Hayfin Capital Holdings Ltd.. The

Company used part of the proceeds from the transactions to repay in full all interest bearing debt related to the product tankers.

The Company has reviewed all its vessels for impairment. Value-in-use calculations are made whenever the vessels carrying value exceeds the broker value or agreed sales price. The calculations are based on assumptions for future revenue and cost levels as well as discounting rate. The assumptions are uncertain and the use of other parameters would have generated a different value-in-use and a different result of the impairment tests. Based on the review and comparison of booked values versus the broker values and/or agreed sales price, the Company made impairments of USD 66.2 mill. on vessels owned or sold in 2021.

Liquidity and financing
The Company aims to have adequate liquidity in the form of cash and/or available credit facilities at all times. At the end of 2021, the cash reserve was USD 14.6 mill. The Company has currently no outstanding capital commitment.

At 31 December 2021, the Company has financed its remaining vessel with a secured bank loan facility agreement. During December 2021, the Company agreed with the lender to extend the maturity from 31 December 2021 to 31 January 2022. On 25 January 2022, the vessel was refinanced with a new secured term loan facility agreement.

Going concern
The annual financial statements are prepared and presented based on a going concern assumption as described in clause 3.3 in the Norwegian Accounting Act and give a true and fair view of the Company's assets and liabilities, financial position and results. Based on available cashand projected cash flow, it is the Board's opinion that the Company is in a good financial standing.

Risks
The Company applies an active approach to manage market risks, operational risks and financial risks. Risks are recognised and managed within areas like credit risk, liquidity risk, currency risk, interest rate risk, bunker price risk and other general market risks as further described in notes to the financial statements.

Hedging instruments are used in order to reduce the exposure to fluctuations in several of the above risk areas.

Quality, health, safety and environment
The Company has outsourced technical management to third party contractors. Structured monitoring and audit processes are in place to ensure that our sub-suppliers meet specific quality requirements. KGJS expects that contracted ship management suppliers maintain strong focus on vessel management following a policy based on high quality requirements. Extensive regulations, locally and internationally have become the standard requiring high quality in areas such as vessel manning, vessel operation and technical maintenance. Vessel maintenance shall be carried out continuously based on a long-term preventive maintenance program.

The vessel consumes heavy fuel oil, diesel oil and liquefied natural gas. Fuel consumption is carefully monitored and measures to reduce consumption have been implemented. The Company maintains full compliance with the global 0.5% Sulphur cap since on or before the date of implementation, and monitors fuel compliance closely as part of the continuous vessel operation.

Vessel operation in general can potentially cause pollution or other incidents. Vessels owned by the Group are equipped in accordance with international rules and regulations. Vessel operation focuses on reducing risks with the use of qualified personnel and well-developed routines.
The Company has no employees.

Subsequent event
On 25 January 2022, a vessel owned by the Company was refinanced with a new secured term loan facility agreement amounting to USD 13.8 mill.

Outlook
The shipping industry continues to be affected by the Covid-19 pandemic in numerous ways, including severe restrictions for the world fleet to carry out required crew changes. Notwithstanding ongoing vaccination of seafarers, such restrictions lead to heavy burdens on seafarers and the entire maritime supply chain. The Group is engaged in several initiatives to alleviate this situation.

The world economy continues to recover as a result of increased vaccination rates and fewer restrictions on mobility. Central banks continue to stimulate economic activity. A positive development is expected to continue in the near term, however increasing inflation, geopolitical tensions, and new outbreaks of Covid-19 may pose risks to further global economic recovery.

Despite an improvement in global oil demand, tanker markets are expected to remain weak until a rebalancing of global oil markets. A gradual improvement may be expected as crude oil production and refinery output increases in accordance with improved demand. Fleet growth is expected to slow down in 2022 compared to previous years for crude and product tankers. Considering the age profile of the current tanker fleet, as well as new regulatory requirements entering into force in 2023, there is potential for increased phase out of older tankers which may improve the tanker market balance.

Volatility is expected to remain high in the tanker and dry bulk markets, including the price of vessel fuels.

Future regulations for reducing Greenhouse Gas (GHG) emissions may have a significant impact on freight markets and trading patterns for all segments of the shipping industry. The Group is following these developments closely and considers itself well prepared to handle new environmental requirements.

Currently, it is difficult to assess the impact the Russian-Ukrainian conflict will have on the shipping industry, and particularly the tanker markets. The Company is monitoring the development closely.

Bergen, 7 March 2022

The board of directors of
SKS OBO & Tankers AS

Jarle Haugsdal Board member	Hans Peter Jebsen Chairman	Hans Petter Høegh Board member
		Geir Bruvik Mjelde CEO

SKS OBO & TANKERS AS

STATEMENT OF CASH FLOWS

	Notes	31 December 2021 USD 000	31 December 2020 USD 000
Cash flows from operating activities:			
Net income/(loss) before tax		-91 841	-16 747
Payable tax	10	- 259	- 299
Depreciation and amortisation	8	19 889	30 970
Impairment losses/(Reversal impairment losses)	8	66 220	34 800
(Profit)/loss from sale of non-current assets	8	0	19 095
Impairment losses of non-current receivables		14 637	2 900
Changes in inventories		676	876
Changes in trade debtors	3	-70 027	-5 368
Changes in trade creditors	17	-5 516	2 974
Changes in other current assets/liabilities	10, 18	4	146
Net cash provided by operating activities		-66 217	69 347
Cash flows from investing activities:			
Investments in tangible assets	8	-5 619	-15 911
Sale of non-current assets		255 261	109 429
Loans to group companies	3, 11	88 970	-61 833
Net cash provided by/(used in) investing activities		338 612	31 686
Cash flows from financing activities:			
Loans from group companies	3	7 425	6 288
Repayments on interest bearing debt	16	-288 143	-105 909
Net cash provided by/(used in) financing activities		-280 718	-99 621
Net increase/(decrease) in cash and cash equivalents		-8 324	1 412
Cash and cash equivalents at beginning of year		22 939	21 527
Cash and cash equivalents at end of year	14	14 616	22 939

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Rune Tystad	18.11.2011	28.11.2011
Telefon	Deres referanse	Vår referanse
977 59 464	Nicholas Nunn	2011/1133256

Kristian Gerhard Jebsen Skipsrederi AS
Folke Bernadottes vei 38
5147 FYLLINGSDALEN

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for Kristian Gerhard Jebsen Skipsrederi AS med datter- og datterdatterselskaper

Det vises til deres brev av 18. november 2011 til Finansdepartementet hvor søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskapet:

Kristian Gerhard Jebsen Skipsrederi AS (konsern), org.nr. 914 530 393
KGJ Cement AS, org.nr. 892 749 132
Cement Shipinvest AS, org.nr. 987 625 295
SKS Obo & Tankers AS, org.nr. 930 197661
KGJS Tank AS, org.nr. 952 969 560
SKS Tankers Holding AS, org.nr. 993 452 009
Norship AS, org.nr. 936 101 283

Da Finansdepartementets kompetanse etter regnskapsloven § 3-4 tredje ledd annet punktum er delegert til Skattedirektoratet, er søknaden oversendt oss for behandling.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Kristian Gerhard Jebsen Skipsrederi AS med datter- og datterdatterselskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Bakgrunn
Kristian Gerhard Jebsen Skipsrederi AS er et internasjonalt konsern som har som hovedbeskjeftigelse å eie og drive skip herunder utføre administrative oppgaver som befraktning, operasjon og teknisk drift. Det er på telefon opplyst at selskapet er eid av Pyne Ltd med 61,2 %, Tom Dahl AS med 30,8 % og Stiftelsen Kristian Gerhard Jebsen med 8 %. Selskapene det søkes om dispensasjon for foruten morselskapet Kristian Gerhard Jebsen Skipsrederi AS, er alle direkte eller indirekte 100 % eid av morselskapet. Det er opplyst at konsernets arbeidsspråk er engelsk. Konsernet utarbeider i dag årsregnskaper både på norsk og engelsk for en rekke av sine datterselskaper. Konsernet er av internasjonal karakter innenfor skipsfart og dette innbefatter at selskapet må utarbeide engelsk versjon av konsernregnskapet samt for en rekke tilhørende datterselskaper for å tilfredsstille kravene til sine bankforbindelser, kunder, leverandører etc. De norske versjonene utarbeides kun for å tilfredsstille regnskapsloven.

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

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

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

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

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

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at konsernet er av internasjonal karakter innenfor skipsfart og at dette innbefatter at selskapet må utarbeide engelsk versjon av konsernregnskapet samt for en rekke tilhørende datterselskaper for å tilfredsstille kravene til sine bankforbindelser, kunder, leverandører etc. Det er videre lagt vekt på at konsernets arbeidsspråk er engelsk.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Torstein Helleland

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad
Rune Tystad

SKS OBO & TANKERS AS

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total equity
	USD 000	USD 000	USD 000
Equity at 31.12 2020	111 173	84 264	195 437
Net income/(loss) 2021	0	- 91 841	- 91 841
Capital contribution	1 162	5 375	6 538
Equity at 31.12 2021	112 336	- 2 202	110 134

SKS OBO & TANKERS AS

NOTES TO THE FINANCIAL STATEMENTS

1. General information

SKS OBO & Tankers AS (the "Company") is fully owned by SKS Tankers Holding AS, a subsidiary of Kristian Gerhard Jebsen Skipsrederi AS ("KGJS"). KGJS presents consolidated financial statements, which include the financial statements of the Company. The Company is located in Bergen, Norway.

The Company currently owns one Suezmax tanker of 159 000 dwt. (SKS S-class). The vessel is commercially operated by the related pool entity SKS Pool AS ("Pool Company"). Administrative services are provided by KGJS. Technical management is provided by OSM Bergen Tank AS.

Until 10 December 2021, the Company owned seven product carriers of 120 000 dwt. (SKS D-class) trading in the LR2/Aframax market. The vessels were sold to newly established joint venture companies partly owned by subsidiaries of SKS Tankers Holding AS. In addition, three Suezmax tankers of 159 000 dwt. (SKS S-class) were sold to external parties.

2. Accounting principles

a. Basis of preparation

The Company prepares its financial statements according to "Simplified International Financial Reporting Standards" (IFRS) as dealt with in The Norwegian Accounting Act and Regulations dated 18 December 2020. This principally implies that all calculations and measurement methods are carried out in accordance with IFRS, while presentation and notes follows the Norwegian Accounting Act and Norwegian GAAP. The Company employs the simplifying rules relating to dividends and group contributions as regulated in The Norwegian Accounting Act.

The accounting year equals the calendar year and the items of the income statement are classified by their nature.

b. Changes in accounting principles and errors

The impact of changes in accounting principles and correction of significant errors in previous annual accounts are reported directly to equity. Comparative figures are revised accordingly.

c. Currency

The financial statements are presented in US Dollars (USD) as the Company operates in an international market where the functional currency is USD. Transactions in non-USD currencies are recorded at the exchange rate on the date of the transaction. Monetary items and debt in non-USD currencies are converted to USD at the rate of exchange prevailing at the reporting date. Currency gains and losses are recognised in the income statement classified as financial items.

d. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable. Accounting estimates are employed in the financial statements to determine reported amounts, including the useful life and disposal value of vessels. Actual results could differ from those estimates.

e. Classification of assets and liabilities

Assets are classified as current assets when:

- the asset is expected to be disposed of or consumed within 12 months of the reporting date
- the asset is held for trading
- the asset is cash or cash equivalents, except for items having restrictions to be exchanged within 12 months of the reporting date.

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability is expected to be settled within 12 months of the reporting date
- the liability is held for trading
- the Company does not have an unconditional right to postpone settlement of the liability until at least 12 months after the reporting date.

All other liabilities are classified as non-current liabilities.

f. Segments

A business segment provides services that are subject to risks and returns that are different from those of other business segments.

The Company's primary reporting format is based on the Company's internal reporting having the following two main business segments:

- LR2/Aframax
- Suezmax

The Company's management does not evaluate performance by geographical region as the ships sail on a worldwide basis.

g. Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Operating income consist of the Company's share of the Pool net revenue (PNR) for the corresponding periods from the Pool company. Revenues and voyage expenses of the vessels in the Pool company are pooled and the resulting PNR, calculated on a time-charter equivalent basis, are allocated to pool participants according to an agreed formula. Formulas used to allocate PNR to pool participants are based on the number of days a vessel operates in the Pool with weighting adjustments made to reflect vessels' differing earnings capacities. Any cargo and voyage related loss contingencies are, as soon as expected, recorded in the Pool's net revenue. The distribution of the PNR to the vessel owners are described further in note 3b. Operating income in the Pool consist of freight, charter hire and other operating related income. Freight is recognised based on the "load to discharge" method. Freight and related voyage expenses not completed at the reporting date are recognised based on the basis of the proportion of the voyage completed at the end of the reporting date. Voyage related expenses from discharge to load is considered as cost to fulfil a contract and recognised in the balance sheet if a related contract is signed before the reporting date. If no contract is signed before the reporting date the voyage related expenses are recognised in the income statement. Charter hire is recognised over the term of the contract as the service is provided.

Interest income is recorded in the income statement during the period in which it is earned.

Group contributions are recorded as appropriations in the same year as it is proposed.

h. Taxes

The current income tax charge is calculated on the basis of the tax laws enacted or principally enacted at the reporting date. Management periodically evaluates the tax positions with respect to situations in which applicable tax regulations are subject to interpretation and on this basis establishes provisions for payable tax amounts.

Deferred income tax is provided for all temporary variances arising between the tax bases of assets and liabilities compared to the carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting 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 variances can be utilised.

Both payable tax and deferred tax are recognised directly in equity, to the extent they relate to items recognised directly in equity. In cases where the equity transaction is considered a distribution and the source of the distribution is earlier years' net profit, the tax effect of the distribution should be recognised as tax expense in the year in which the distribution is recognised.

The Company is registered under the Norwegian tax legislation for shipping companies. The shipping tax-regulations include a tonnage tax and taxation of a company's net financial income and certain parts of the equity. Other ordinary net income is not taxable. Taxation under the shipping tax rules requires compliance to certain requirements.

i. Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes purchase price, capitalised interest and other expenses directly related to the investment.

Vessels residual value, which generally arises at the end of their useful life, is estimated based on the current estimated demolition value. Vessels residual value and useful life are assessed on an annual basis and changes will affect future depreciation cost.

Depreciation of assets is calculated using the straight-line method based on their estimated useful lives and residual values. Any component of a tangible asset that is significant to the total cost of the assets is depreciated separately over their estimated useful lives. Components with similar useful lives are included as a single component. Vessels book values are divided into two components; vessels and periodic maintenance.

Vessels are considered to have a total useful life of 25 years. Periodic maintenance costs are amortised over the period until the next periodic maintenance. The period maintenance occur with intervals of either 30 months or 60 months dependant on survey and vessels condition. Day-to-day repairs and maintenance cost are charged to the income statement during the period incurred. The costs of major renovations and periodic maintenance are included in the asset's carrying amount when it is probable the Company will derive future economic benefits in excess of the originally assessed standard performance of the assets. At the time of investment in a new vessel, a portion of the purchase price is defined as periodic maintenance and depreciated as other periodic maintenance.

A vessel's useful life is reviewed annually and where new estimate vary from previous estimate depreciation is adjusted accordingly.

When vessels are sold or disposed of, any gain or loss from the disposal is reported in the income statement. Profit or loss equals the variance between sales price and book value less any sales expenses.

j. Impairment of assets

Assets that are subject to depreciation are reviewed for impairment at each reporting date, or when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss 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 costs to sell and value in use.

Fair value reduced by estimated sale costs is made up of an attainable sale price less expenses to an independent third party. The recoverable amount is calculated for each cash-generating unit (CGU).

The Company's fleet of LR2/Aframax vessels and Suezmax tankers is categorised as two separate CGUs based on the following assumptions:

- All vessels within each category can usually be operated on a portfolio basis.
- All vessels within each category having similar specifications.
- Each vessel within each category is inter-changeable within their particular markets.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses which are reported in previous years' income statement are reversed when succeeding events indicates that the cause of the write down is no longer valid. The reversal is classified in income statement as an impairment reversal. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

k. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company´s financial assets are: derivatives, trade receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus transaction costs.

The Company classifies its financial assets in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Equity instruments at fair value through other comprehensive income
- Derivatives at fair value through income statement

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to collect contractual cash flows and,
- The contractual terms of the financial asset give rise to cash flows as payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and other current deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price, ref note 2 m.

Financial assets at fair value through other comprehensive income
The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held with the objective of both collecting contractual cash flows and selling, and,
- The contractual terms of the financial asset give rise to cash flows as payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses/reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified to income statement.

The Company currently holds no investments in quoted instruments which would classify under this category.

Equity instruments at fair value through other comprehensive income
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never reclassified to income statement. Dividends are recognised as other financial income in the income statement when the right to receive payment arise. Dividends representing a recovery of part of the cost of the financial asset are instead recorded as other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Company currently holds no non-listed equity investments which would classify under this category.

Derivatives at fair value through income statement
Derivatives are recognised in the balance sheet at their fair value. Changes in the fair value are currently recorded in the income statement in the period in which the change in fair value occurs. Classification depends on the nature of the derivative.

The category includes foreign exchange contracts ref note 18.

Derecognition of financial assets
A financial asset or a part of a financial asset/group of similar financial assets is derecognised when:

- The right to receive cash flows from the asset have expired, or
- The Company has transferred its rights or has assumed an obligation to pay the received cash flows in full to a third party; and either
    I. the Company has transferred substantially all the risks and rewards of the asset, or
    II. the Company has transferred control of the asset

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, payables or as derivatives. Derivatives are recognised initially at fair value. Loans, borrowings and payables are recognised at fair value net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method if this is considered to be significant. Gains and losses are recognised in income statement when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included as finance costs in the income statement.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all instruments not held at fair value. If there is no substantial increase in credit risk since initial recognition, the ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures facing a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure. Credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. A provision for impairment of trade receivables is established when a loss is expected and indications that the Company will not be able to collect all amounts due in accordance with the original terms of the receivables are identified.

The Company considers a financial asset in default when contractual payments are considerably past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Measurement of fair value
Fair value of financial instruments actively traded are valued based on quoted prices for identical instruments. Fair value of financial instruments not actively traded are valued based on models or other valuations methodologies observable for similar instruments.

l. Inventories

Inventories include the vessels' stock of lubrication oils remaining on board at the end of the reporting period and are stated at the lower of cost or net realisable value. Cost is calculated on a first in first out (FIFO) basis. Net realisable value is based on observable market prices.

m. Accounts receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. The interest factor is ignored if insignificant. A provision for impairment of trade receivables is established when a loss is expected and indications that the Company will not be able to collect all amounts due in accordance with the original terms of the receivables are identified, ref note 2 k.

n. Cash and cash equivalents

Cash and cash equivalents include cash and cash deposits held at banks.

o. Equity

Ordinary shares are classified as equity. Transaction costs related to equity transactions, including any tax effect of the transaction costs, are charged directly to equity.

p. Contingent assets, liabilities and provisions

Contingent liabilities are defined as:

- Possible liabilities resulting from past events, but where its existence relies on future events
- Liabilities which are not accounted for as it is not likely that such liabilities will result in a cash outflow
- Liabilities which cannot be measured reliably.

Any major contingent liabilities are disclosed in notes to the accounts. Contingent assets will not be recorded in the accounts, but included as a note if it is likely that the Company will benefit from such assets.

Contingent liabilities and provisions are recognised in the accounts when it is deemed the Company has a lawful obligation that can be measured reliably and it is likely with a more than 50% probability that settlement will take place. Contingent liabilities and provisions are reviewed at each reporting date and adjusted to best estimate. When timing is insignificant, the liability is reported at the estimated cost of release from the liability. Otherwise, when timing is significant for the amount of the liability, the liability is recognised at fair value. Any increase over time in the amount of the liability is reported as interest costs.

q. Events after the reporting date

New information about the Company's financial standing at the reporting date is included in the financial statements. Events occurring after the reporting date that have no impact on the Company's financial position at the reporting date, but which have a significant impact on future periods, are presented in notes to the accounts.

r. Statement of cash flows

The statement of cash flows presents the total cash flow divided into operational activities, investment activities and financing activities. The statement is prepared using the indirect model and reflects the individual activities' impact on the cash reserve.

3. Related parties

In the normal course of its business, the Company has carried out a number of transactions with related parties. Related parties comprise principal owners of the Company and companies controlled by those owners, management of the Company and companies in which the Company can exercise significant influence over their management or operating policies.

a. Transactions relating to management services:

KGJS provides the Company with administrative services and charges management fees. These costs amounted to USD 3.1 mill. in 2021, compared to 2.7 mill. in 2020, recorded in income statement as general and administrative expenses.

b. Transactions relating to commercial services:
During 2021 the Company had one product carrier of 120 000 dwt. (SKS D-class) and one Suezmax tanker of 159 000 dwt. (SKS S-class) on timecharter to KGJS Tank AS. During 2021 the Company received USD 16.4 mill. in timecharter hire, compared to USD 22.8 mill. in 2020, recorded in income statement as vessel operating income.

The vessels are commercially operated by the related pool company SKS Pool AS (Pool company). SKS Pool AS is fully owned by SKS Tankers Holding AS, a subsidiary of KGJS. The Pool company has entered into a Pool agreement with the Company. In accordance with the agreement, the members of the Pool receives by way of hire a share of the Pool's net revenue (PNR). The PNR is arrived at by calculating the gross revenues for the year minus the expenses, including voyage related expenses and administrative expenses. The Company's share of the PNR is calculated based on the number of days the vessel has been on-hire during the year. The Pool company is obliged, by the Pool agreement, to distribute all its surplus cash, after deducting ordinary working capital, to the members of the Pool on a monthly basis.

The Company's share of the Pool company's PNR, recorded as operating income in the Company's financial statements, amounts to:

For the year ended 31 December 2021 (in US Dollar thousands)	LR2/Aframax	Suezmax	Total
The Company's share of PNR	22 340	2 615	24 955

For the year ended 31 December 2020 (in US Dollar thousands)	LR2/Aframax	Suezmax	Total
The Company's share of PNR	74 214	25 384	99 598

c. Transactions relating to financial items:
The Company has sold vessels to companies owned by SKS Tankers Holding AS, settled through sellers credit agreements. During 2021 the Company received USD 3.5 mill. in interest income compared to USD 2.5 mill. in 2020. Repayment of the loans was USD 86.9 mill. in 2021 compared to USD 13.1 mill. in 2020.

d. Receivables/payables with related parties:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Loans to group companies - SKS Tankers Holding AS	72 632	0
Loans to group companies - SKS Shipowning I AS	3 932	15 348
Loans to group companies - SKS Shipowning II AS	189	24 275
Loans to group companies - SKS Shipowning III AS	2 605	20 460
Loans to group companies - Kristian Gerhard Jebsen Group AS	8 951	31 505
Loans to group companies - Jebsen Group AS	993	12 020
Related party receivables - SKS Pool AS	1 567	13 459
Loans from group companies - SKS Shipowning II AS	-7 175	-6 288
Total	83 693	110 778

Settlement of inter-company balances takes place regularly. Interest is charged based on Nibor/Libor interest rates plus a margin.

The receivables relating to the Pool company is unsecured, interest free and repayable in cash on demand.

SKS OBO & TANKERS AS

NOTES TO THE FINANCIAL STATEMENTS

4. Vessel operating income

For the year ended 31 December 2021 (in US Dollar thousands)	LR2/Aframax	Suezmax	Total
Vessel operating income, see note 3c	22 340	2 615	24 955
Timecharter, see note 3c	7 567	8 844	16 410
Total	29 907	11 458	41 365

For the year ended 31 December 2020 (in US Dollar thousands)	LR2/Aframax	Suezmax	Total
Vessel operating income, see note 3c	74 214	25 384	99 598
Timecharter, see note 3c	9 397	13 453	22 849
Total	83 611	38 837	122 447

A geographical split of operating income is not presented as the ships sail on a worldwide basis.

5. Vessel related expenses

Vessel related expenses include vessel operating expenses comprising crewing cost, provisions, maintenance, insurance and management service cost.

6. General and administrative expenses

General and administrative expenses consist of expenses for administrative services delivered by KGJS, lawyers, auditors and others.

For the years ended 31 December (in US Dollar thousands)	2021	2020
Administrative services	1 175	1 088
Statutory audit fees	50	48
Other audit certifications	4	5
Tax advice	0	1
Legal fees	48	1
Other expenses	49	2
Total	1 326	1 145

7. Salaries, benefits and number of employees

The Company purchases all of its services from KGJS or its subsidiaries and other vessel managers and agents. Such services are covering both seagoing personnel and all administrative services. As a consequence, the Company has no employees. There is no remuneration to the Company's board members.

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NOTES TO THE FINANCIAL STATEMENTS

8. Tangible assets

Book value of tangible assets recognised in the balance sheet:

For the year ended 31 December 2021 (in US Dollar thousands)	LR2/Aframax	Suezmax	Periodic maintenance	Total
Acquisition cost 01.01.2021	710 740	411 713	23 216	1 145 669
Additions	0	0	5 486	5 486
Disposals	- 710 740	-309 986	-27 024	-1 047 750
Acquisition cost 31.12.2021	0	101 727	1 678	103 405
Accumulated depreciation at 01.01.2021	-207 844	-163 460	-7 921	- 379 225
Depreciation for the year	-11 825	-3 835	-4 229	- 19 889
Depreciation disposals	219 669	124 387	11 917	355 974
Accumulated depreciation at 31.12.2021	0	-42 907	- 234	- 43 141
Accumulated impairment losses at 01.01.2021	-263 158	-143 516	0	- 406 674
(Impairment losses)/Reversal impairment losses for the year	-55 313	-10 907	0	- 66 220
Impairment losses disposals	318 471	118 178	0	436 649
Accumulated impairment losses at 31.12.2021	0	-36 245	0	- 36 245
Net book value 31.12.2021	0	22 575	1 444	24 019

	LR2/Aframax	Suezmax	Periodic maintenance
Useful life	25 years	25 years	30-60 months
Depreciation method	Straight line	Straight line	Straight line

During 2021, the Company completed the sale of three Suezmax tankers of 159 000 dwt.

On 10 December, the Company completed a transaction for the sale of 7 product tankers of 120 000 dwt. to newly established joint venture companies owned by SKS Tankers Holding AS and Greentankers Holding Ltd., a company owned by Hayfin Capital Holdings Ltd.

During 2021, the Company reviewed all its cash-generating units for impairment, ref. note 2 j. An impairment loss should be recognised for the cash-generating unit if the carrying value is higher than the highest of market value and value-in-use calculation. Value-in-use calculations are made in accordance with IAS 36 and are based on the Company's best assumptions of future income and cost as well as discounting rate. Assumptions are associated with uncertainty and other parameters could generate a different value-in-use and a different outcome of the impairment assessment.

Based on the review, the Company made an impairment loss of USD 66.2 mill. on its vessels in 2021.

SKS OBO & TANKERS AS

NOTES TO THE FINANCIAL STATEMENTS

9. Other financial items

For the years ended 31 December (in US Dollar thousands)	2021	2020
Unrealised gains on financial derivatives	388	420
Realised gains on financial derivatives	0	282
Currency gains	64	576
Other financial income	3	0
Total financial income	455	1 278
Unrealised losses on financial derivatives	- 346	- 0
Realised losses on financial derivatives	- 108	- 708
Currency losses	- 170	- 273
Other financial expenses	- 15 604	- 3 209
Total financial expenses	- 16 229	- 4 191
Net other financial items	- 15 774	- 2 913

10. Taxes

For the years ended 31 December (in US Dollar thousands)	2021	2020
Changes in deferred tax……………………………………………………	-8 810	-4 101
Deferred tax assets expensed……………………………………………	8 810	4 101
Total tax expense/(income)	0	0

Reconciliation of nominal and effective tax rate:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Net income/(loss) before tax…………………………………….	-91 841	-16 747
Estimated tax expense (22%) …………………………………….	-20 205	-3 684
Difference between estimated and actual tax expense ……….	20 205	3 684
Total tax expense/(income)	0	0

Specification of differences between estimated and actual tax expense:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Non-taxable operating result in accordance with shipping tax	15 529	65
Effect of shipping taxation – financial items ………………….	-4 107	- 511
Unrealised gains/losses on hedges ……………………………	- 27	30
Deferred tax assets expensed …………………………………….	8 810	4 101
Total difference between estimated and actual tax expense	20 205	3 684

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NOTES TO THE FINANCIAL STATEMENTS

Tax calculations are based on financial statements in US Dollars converted to Norwegian Kroner using varying rates of exchange for both balance sheet and income statement. The currency transaction differences arise when converting the Norwegian kroner tax calculation to US Dollar in the specification.
Summary of temporary differences:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Derivatives …………………………………………………………………	- 7	120
Other differences …………………………………………………………	- 215	-222
Net temporary differences ………………………………………………	- 222	- 102
Taxable deficit …………………………………………………………………	-130 402	-90 476
Total basis for deferred tax(+)/tax assets (-)	-130 624	-90 578

For the years ended 31 December (in US Dollar thousands)	2021	2020
Deferred tax (+)/ tax assets (-) …………………………………………	0	0
Changes in deferred tax (+)/ assets (-) …………………………………	-8 810	-4 101
Non-recorded deferred tax (+)/ tax assets (-) - shipping taxation …….	-28 737	-19 927

Payable tax:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Payable tax - shipping taxation …………………………………………	166	259
Total	166	259

11. Non-current receivables

For the years ended 31 December (in US Dollar thousands)	2021	2020
Loans to group companies - SKS Shipowning I AS …………	0	15 348
Loans to group companies - SKS Shipowning II AS ……….	0	24 275
Loan to group companies - SKS Shipowning III AS …………	0	20 460
Loans to group companies - Kristian Gerhard Jebsen Group A	0	31 505
Loans to group companies - Jebsen Group AS ………………	0	12 020
Total	0	103 607

Interest is charged based on Nibor/Libor interest rates plus a margin.

12. Inventories

Inventories comprise mainly of vessels' stock of lubrication oils. See note 2 l.

SKS OBO & TANKERS AS

NOTES TO THE FINANCIAL STATEMENTS

13. Other current assets

For the years ended 31 December (in US Dollar thousands)	2021	2020
Prepaid expenses …………………………………………………	0	2 886
Other receivables …………………………………………………	2 421	8 890
Total	2 421	11 776

14. Cash and cash equivalents

For the years ended 31 December (in US Dollar thousands)	2021	2020
Cash in bank …………………………………………………	14 616	22 939
Total	14 616	22 939

15. Share capital and shareholder information

At 31 December 2021 the share capital of the Company consists of one class of 999 996 ordinary shares at NOK 730 each.

Ownership structure	Number of shares	Share of ownership	Voting rights
SKS Tankers Holding AS …………………………………………	999 996	100.0%	100.0%

16. Interest bearing debt

For the years ended 31 December (in US Dollar thousands)	2021	2020
Non-current mortgage loan ……………………………………	0	35 208
Debt issue cost …………………………………………………	0	- 342
Current portion mortgage loan …………………………………	15 209	268 828
Total	15 209	303 694

During 2021, the Company completed the sale of three Suezmax tankers of 159 000 dwt. and used part of the proceeds from the transactions to repay in full the associated interest bearing debt.

On 10 December, the Company completed a transaction for the sale of 7 product tankers of 120 000 dwt. to newly established joint venture companies owned by SKS Tankers Holding AS and Greentankers Holding Ltd., a company owned by Hayfin Capital Holdings Ltd. The Company used part of the proceeds from the transactions to repay in full all interest bearing debt related to the product tankers.

At 31 December 2021, the Company has financed its remaining vessel with a secured bank loan facility agreement, which amounted to USD 15.2 mill. During December 2021, the Company agreed with the lender to extend the maturity from 31 December 2021 to 31 January 2022.

On 25 January 2022, the vessel was refinanced with a new secured term loan facility agreement amounting to USD 13.8 mill. The loan has a quarterly repayment schedule and the loan balances shall be repaid in full at maturity in 2023. The vessel is pledged to lender together with assignment of vessel earnings, and rights to insurance claims or any requisition compensation. The loan agreements contain certain covenants, which among other require:

- Current assets not to be less than the current liabilities
- The aggregate market value of the fleet should at all times be no less than 135%.
- Minimum cash to be equal to six months' instalments.

SKS OBO & Tankers AS was not in breach of any covenants during the year.

17. Other current liabilities

For the years ended 31 December (in US Dollar thousands)	2021	2020
Accrued interest expenses ………………………………………	0	61
Accrued vessels related expenses ……………………………..	580	3 473
Administration expense accruals ..…......……………………….	0	0
Other accruals …………………………………………………….	321	95
Total	900	3 628

18. Risk management and other hedging activities

Risk management

a. Credit risk
The Company is exposed to credit risk in the event of failure of counter-parties to meet their obligations under a trading transaction. The Company's theoretical risk is the cost of replacement at current market prices of such transactions in the event of default by counter-parties. However, counter-parties are established with high credit ratings, and management believes that the possibility of non-performance by the counter-parties is remote. The Company therefore regards its maximum exposure to credit risk as being the carrying amount of receivables and other current assets. No collateral is held as security against receivables, none of which are considered to be impaired. The Company does not believe it is exposed to any material concentrations of credit-risk.

b. Liquidity risk
The Company's strategy is to have adequate liquid assets either in form of cash and/or available credit facilities at all times.

c. Market risk
Market risk comprises interest rate- and currency risk, and other price risks. The Company's financial derivatives are aimed to mitigate currency and interest rate risk, as detailed below.

d. Interest rate risk
The Company is exposed to interest rate risk for debt with floating interest rates. The Company may enter into hedging instruments in order to hedge portions of its exposure to the floating interest rates. Realised gains or losses associated with such instruments are currently recorded as interest expenses.

e. Currency risk
The Company incurs operating expenses in Norwegian Kroner. The Company may enter into hedging instruments in order to hedge portions of its exposure to floating currency rates on forecast expenditures in Norwegian Kroner. Realised gains or losses associated with currency rate changes on forward currency

contracts are recorded as other financial income/(expenses). At the reporting date the Company has no non-current monetary assets or liabilities in non-USD currencies.
f. Other risks
The Company is indirectly exposed to general freight and bunker price fluctuations, as all of the vessels are operated commercially through pools. To reduce such risks the Pool company may enter into bunker derivatives to hedge against fluctuations in the results for Contracts of Affreightments without World Scale compensation.

Financial derivatives and hedging

The Company effectively monitors its use of financial derivatives and the risks associated with them. To mitigate credit risk the Company contracts only with high quality counterparties. In addition, the Company's hedging policy establishes the use of defined market risk limits and timely reporting.

a. Hedge accounting:
   The Company does not apply hedge accounting as per 31 December 2021.

b. Currency contracts:
   The Company estimates future expenses in non-USD currencies and secures part of the net cash flow in non-USD currencies by using hedging instruments. All currency contracts are recognised at fair value. Changes in the fair value of such derivatives are recorded as other financial income/ (expenses), see also note 9.

c. Fair value financial derivatives:
   The fair value of financial derivatives are based upon quotations obtained from banks or brokers that the Company would receive or would have to pay if the financial derivatives had been terminated/sold at the reporting date.

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

Fair value

The following table presents the fair value of financial instruments:

For the years ended 31 December (in US Dollar thousands)	2021	2020
Current assets:		
Currency contracts…………………………………………………………	0	338
Total current assets ………………………………………………………	0	338
Current liabilities:		
Currency contracts ………………………………………………………	8	0
Total current liabilities …………………………………………………	8	0

19. Contingencies

The Company maintains insurance coverage for its activities consistent with industry practice. In the course of 2021 the Company has not been involved in any incidents which have resulted in material loss or liability to the Company.

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NOTES TO THE FINANCIAL STATEMENTS

20. Subsequent events

On 25 January 2022, a vessel owned by the Company was refinanced with a new secured term loan facility agreement amounting to USD 13.8 mill., ref note 16.

There has not been any other events that would materially impact the financial statements for 2021 after 31 December 2021.