



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 860 533
Organisasjonsform: Aksjeselskap
Foretaksnavn: K LINE OFFSHORE AS
Forretningsadresse: Kirkegaten 5
4836 ARENDAL

Regnskapsår

Årsregnskapets periode: 01.04.2018 - 31.03.2019

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: Henrik Mortensen
Dato for fastsettelse av årsregnskapet: 02.07.2019

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

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, 19.11.2020



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		314 086 000	245 352 000
Annen driftsinntekt		3 931 000	7 569 000
Sum inntekter	2,11	318 017 000	252 921 000
Kostnader			
Varekostnad	2,14	266 131 000	224 469 000
Lønnskostnad	3	13 263 000	13 587 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	117 850 000	117 458 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5	142 387 000	
Annen driftskostnad	3,18	5 586 000	4 790 000
Sum kostnader		545 217 000	360 304 000
Driftsresultat		-227 200 000	-107 383 000
Finansinntekter og finanskostnader			
Annen finansinntekt	4	4 123 000	1 501 000
Urealisert agio på gjeld i fremmed valuta	4	-46 564 000	91 403 000
Sum finansinntekter		-42 441 000	92 904 000
Annen finanskostnad	4	76 373 000	89 679 000
Sum finanskostnader		76 373 000	89 679 000
Netto finans		-118 814 000	3 225 000
Ordinært resultat før skattekostnad		-346 014 000	-104 158 000
Skattekostnad på ordinært resultat	13		
Ordinært resultat etter skattekostnad		-346 014 000	-104 158 000
Årsresultat		-346 014 000	-104 158 000
Netto endring i kontantsstrømssikring	16	603 000	977 000
Sum resultatkomponenter for IFRS-foretak		603 000	977 000
Totalresultat		-345 411 000	-103 181 000



Resultatregnskap

Beløp i: NOK	Note	2019	2018
Overføringer og disponeringer			
Virkelig verdi av kontantsstrømsikring		603 000	977 000
Udekket tap		-346 014 000	-104 158 000
Sum overføringer og disponeringer		-345 411 000	-103 181 000



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	5,10,1 9	2 016 458 000	2 276 451 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	5		41 000
Sum varige driftsmidler		2 016 458 000	2 276 492 000
Sum anleggsmidler		2 016 458 000	2 276 492 000
Omløpsmidler			
Varer			
Varer	12	13 058 000	12 808 000
Sum varer		13 058 000	12 808 000
Fordringer			
Kundefordringer	6,14,1 5,16	243 621 000	23 144 000
Andre fordringer	6, 15, 16, 17	21 198 000	14 114 000
Sum fordringer		264 819 000	37 258 000
Investeringer			
Kortsiktige valutakontrakter	7, 15, 16, 17	390 000	3 411 000
Sum investeringer		390 000	3 411 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	8,15,1 6,17	76 837 000	171 816 000
Sum bankinnskudd, kontanter og lignende		76 837 000	171 816 000
Sum omløpsmidler		355 104 000	225 293 000



Balanse

Beløp i: NOK	Note	2019	2018
SUM EIENDELER		2 371 562 000	2 501 785 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	9	2 296 919 000	1 120 064 000
Sum innskutt egenkapital		2 296 919 000	1 120 064 000
Opptjent egenkapital			
Virkelig verdi av kontantstrømssikring	7, 15, 16		-603 000
Udekket tap		1 338 196 000	992 182 000
Sum opptjent egenkapital		-1 338 196 000	-992 785 000
Sum egenkapital		958 723 000	127 279 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5, 8, 10, 11, 14, 15, 16, 17, 19	1 155 115 000	2 122 672 000
Sum annen langsiktig gjeld		1 155 115 000	2 122 672 000
Sum langsiktig gjeld		1 155 115 000	2 122 672 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	5, 10, 11, 14, 15, 16, 17, 19	221 585 000	232 310 000
Leverandørgjeld	14, 15, 16, 17	31 657 000	17 051 000
Annen kortsiktig gjeld	7, 15, 16, 17	4 482 000	2 473 000



Balanse

Beløp i: NOK	Note	2019	2018
Sum kortsiktig gjeld		257 724 000	251 834 000
Sum gjeld		1 412 839 000	2 374 506 000
SUM EGENKAPITAL OG GJELD		2 371 562 000	2 501 785 000
POSTER UTENOM BALANSEN			
Pantstillelser	10	1 804 122 000	1 999 508 000



RSM Norge AS

To the General Meeting of K Line Offshore AS

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2019, 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 March 2019, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements 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

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS er medlem av RSM, a member of Den norske Revisorforbund.



Independent Auditor's Report 2018 for K Line Offshore AS



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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 2 July 2019
RSM Norge AS

Jan Dønvik
State Authorised Public Accountant



K LINE | OFFSHORE

K LINE OFFSHORE AS ANNUAL REPORT 2018





THE FLEET

AHTS		PSV	
KL Sandefjord	2011, AH12CD, 390tBP, ROV	KL Brevikfjord	2010, PSV 06 CD, 1100m ²
KL Saltfjord	2011, AH12CD, 397tBP, ROV	KL Brisfjord	2011, PSV 06 CD, 1100m ²
		KL Brofjord	2011, PSV 06 CD, 1100m ²
		KL Barentsfjord	2011, PSV 06 CD, 1100m ²



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VISION

«BE THE PREFERRED OSV SERVICE PROVIDER BY OFFERING INNOVATIVE SOLUTIONS AND ADDED VALUE TO CUSTOMERS.»

MISSION STATEMENT

«"K" LINE OFFSHORE WILL EVERYDAY EXCEED OUR CUSTOMERS' EXPECTATIONS, BUILDING A BRIDGE TO THE FUTURE TOGETHER BASED ON A PROFESSIONAL PARTNERSHIP FOCUSING ON SAFETY, EXCELLENT SERVICE AND INNOVATION.»



VALUES

B – BEHAVIOUR **E – EXCELLENCE** **S – SAFETY** **T – TRUST**

BEHAVIOUR – WE ALWAYS ACT PROPERLY AND PROFESSIONALLY, BOTH AT WORK AND OUTSIDE OF WORK. BEHAVIOUR IS ABOUT HOW WE CONDUCT OURSELVES EACH AND EVERY DAY, HOW WE APPEAR TO OTHERS, HOW WE COMMUNICATE WITH OTHERS. IT'S ABOUT BEING POLITE, RESPECTFUL AND ETHICAL.

EXCELLENCE – EXCELLENCE IN EVERYTHING WE DO. EXCELLENCE IN OUR ACTIONS, OUR SERVICE TO CUSTOMERS. NOT ONLY DO WE DO THINGS TO THE BEST OF OUR ABILITY, WE EXCEL AT WHAT WE DO.

SAFETY – THIS IS ABOUT KOAS, THE EMPLOYEES, THE CREW, EVERYONE ASSOCIATED WITH US ALWAYS ACTING WITH SAFETY AT THE FOREFRONT OF ALL DECISIONS. SAFETY FIRST, SAFETY CONSCIOUS.

TRUST – THIS IS ABOUT US BUILDING TRUST INTERNALLY (EG. AMONG EMPLOYEES) AND EXTERNALLY (EG. WITH CUSTOMERS). TRUST IS BUILT OVER TIME. TRUST IS ALSO BUILT BY BEHAVING PROPERLY, BY BEING EXCELLENT AT WHAT WE DO AND BY HAVING A SAFETY FIRST ATTITUDE.





CEO'S REPORT



During the last 10 years since the foundation of K Line Offshore AS(KOAS) the CEO has been recruited from K Line Head Quarter in Tokyo. This winter I was asked to take over as CEO, I accepted the new position and from 1st April 2019 I became the CEO of the company. Over the years we have had three Japanese employees in KOAS, however, now we are all Norwegians. This change does not reflect any change in the long term view from our shareholder related to their subsidiary KOAS as we have the same support financially and in all other respects as before.

Fiscal Year (FY) 2018 has as the previous four years been characterized by a weak market. The total revenue for the period was NOK 318.0 mill. resulting in EBITDA (earnings before interest, tax, depreciation and amortization) of only NOK 33.0 mill. The net loss turned out to be NOK 346.0 mill. which is including an extraordinary write-down due to impairment loss of the vessels of NOK 139.0 mill.

The major problem is still low rates and rather low utilization for vessels operating in the spot-market. Although there has been an increase in the activity by the oil companies there are too many vessels fighting for the employment.

In the PSV segment we have now four vessels after the sale at the end of the fiscal year of the medium-sized and 2004-built KL Arendalfjord. The vessel had been in lay-up for more than three years. Our three vessels trading out of Aberdeen have all secured medium-term contracts, and we are pleased to notice the good feedback we receive from the charterers. Our Norwegian-flagged vessel KL Brofjord are still trading in the spot-market and has since calendar year-end experienced a significant increase in the market rates.

Our two ultra large AHTS's have compared to the market had acceptable utilization since they are often preferred by the charterers. Further we are pleased that we under the existing market conditions are able to maintain and secure new call-off contracts with esteemed charterers.

KOAS has continuous focus together with our technical manager OSM for improving HSEQ-matters and specially to avoid personal injuries. We are proud of having very low LTI (Lost Time Injuries) for the last 12 months as well as good figures for the overall HSEQ-statistics. For the fuel efficiency we have continuous efforts to make improvements. We have during the year done the interim surveys for all our vessels.

By having another challenging coming year, KOAS must focus to achieve better earning per day than the market, minimize downtime and continue cost cutting. Due to the higher and quite stable oil price and increasing activity by the oil companies, we are cautiously optimistic about the coming years. We have already seen an improved revenue for the start of FY 2019.

In this challenging time the importance of continuous hard work, team spirit and high motivation must be emphasized, and I am pleased with all efforts shown by our skilled employees on board the vessels and on shore. With the performance achieved we are having excellent cooperation with clients and business partners which is an important success factor. We are also pleased of having a strong shareholder in K Line providing the continuous support of our activity.

Petter Norbby
Director and CEO



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DIRECTORS' REPORT

1. Company background, operating activity and place of business

K Line Offshore AS ("the Company") was incorporated in 2007 and is fully owned by one of Japan's largest shipping companies, Kawasaki Kisen Kaisha, Ltd. ("K" Line).

The Company owns and operates a fleet of Offshore Support Vessels ("OSV"). The Company is registered and has its head office in Arendal, Norway. During the period, the Company's fleet operated in the Norwegian and UK parts of the North Sea.

2. Vessel fleet

The Company operates a fleet of six OSV's, of which four are PSV's (Platform Supply Vessels) and two are AHTS's (Anchor Handling Tug Supply). The vessels were delivered in 2010 and 2011 and are fully owned by the Company. In March 2019 the Company entered a MOA for sale of the PSV named KL Arendalfjord (built 2004). The vessel was delivered the new owner in April 2019.

All the owned vessels have high specification and were built at Vard-yards in Norway. They are large, powerful, modern units aimed at meeting future offshore demand in the most challenging oil and gas fields, particularly in deep waters, harsh environments and remote areas.

PSV

KL Brofjord has been operated in the North Sea spot market mainly on the Norwegian Continental Shelf, while the three sister-vessels are currently trading on short term time charters or in the spot market out of Aberdeen for the UK Continental Shelf. KL Arendalfjord was laid up in Porsgrunn, Norway since February 2016.

AHTS

The AHTS's KL Sandefjord and KL Saltfjord, which are the two most powerful vessels in the North Sea, have both been trading in the North Sea spot market. There has been entered frame agreements (call-off agreements) with some charterers which secure a certain fixed activity for this fiscal year. The vessels are well received by the charterers and have established a very good track record during their years of operation. Both vessels have work-class Remote Operated Vehicles (ROV), and the ROV's have had acceptable utilization and very little downtime during the year.

The technical management, including crewing, of the vessels has since delivery been performed by OSM Offshore AS.

3. Going concern

The financial statements are prepared using the going concern assumption. The assumption is based on the Company's level of cash and short-term deposits at the end of the period, forecasted cash flows and the market value of its assets. The Company is financed by a combination of equity and by long-term bank loans for the vessels from Japanese financial institutions.

Throughout FY2018 the parent company has strengthened the liquidity of the Company by increasing the share capital from NOK 1.120,0 million to NOK 2.296,9 million partly by converting shareholder loan of NOK 690 million. Of this amount NOK 336,9 is decided in March 2019 but registered in May 2019. NOK 190 million of the increased share capital was paid from the shareholder in April 2019 and recorded as Other Receivables as per 31. March 2019.

Over the last years during the downturn of the market the Company has had the strong support from "K" Line by raising new equity and granting new shareholders' loans. Based on this background and the fact that "K" Line has granted guarantees to the lenders for all vessel loans of the Company, the Board's opinion is that the Company is meeting the criteria for continuation as a going concern.

4. Company Vision, mission and core values

During 2013 the Company established and launched the K Line Offshore AS company Vision, Mission Statement and Core Values.

Vision:

Be the preferred OSV service provider by offering innovative solutions and added value to customers.

Mission Statement:

K Line Offshore AS will every day exceed our customers' expectations, building a bridge to the future together based on a professional partnership focusing on safety, excellent service and innovation.

Core Values:

Behaviour
Excellence
Safety
Trust

5. Comments related to the financial statements

The financial year of the Company ends on 31. March 2019. The financial statements cover the 12-month period from 1. April 2018 to 31. March 2019. All figures in brackets are for fiscal year 2017, which covers the period from 1. April 2017 to 31. March 2018.

The Company recorded revenue for the period of NOK 318,0 million (NOK 252,9 million) and an operating loss of NOK 227,2 million (NOK 107,4 million) for the 12 months to 31 March 2019. EBITDA (earnings before interest, tax, depreciation and amortization) was NOK 33,0 million (NOK 10,1 million).

The Company had a net loss after tax for the period of NOK 346,0 million (loss of NOK 104,2 million), which included an unrealized loss on translation of loans denominated in foreign currencies of NOK 46,6 million (gain of NOK 91,4 million).



Impairment losses were recorded on the fleet in FY2018 of NOK 139,0 million (FY2017: No impairment losses).

During the period cash and short-term deposits decreased by NOK 95,0 million (decrease of NOK 11,3 million). The Company recorded a negative cash flow from operations of NOK 354,6 million (negative with NOK 14,2 million) and net cash inflow from financing activities was NOK 262,6 million (net inflow of NOK 3,6 million).

The Board proposes to allocate the loss for the period of NOK 345,4 million to uncovered losses. At the period end the Company had a book equity of NOK 958,7 million (NOK 127,3 million). The book equity to book assets ratio was 40,4% at the period end (5,1%). The equity comprises of share capital, which is the nominal value of shares, less accumulated uncovered losses, and the cash flow hedge reserve.

The accounts give a fair view of the financial performance and position of the company

6. The working environment and the employees

There were eight employees employed by the Company at the period end. One of the employees is a woman.

The working environment is perceived to be good. The Company does not discriminate regarding sex, race, religions or otherwise. All Directors of the Board are men. The employee absence due to sickness was 0.81% during the period. (FY2017: 0.67%)

All crew on the Company's vessels are employed through a third-party contractor (companies within the OSM Group). Seafarer nationality reflects the trading areas of the vessels, and for international flag vessels, the seafarers are Filipino and Polish. All crew are employed on contracts that are in compliance with local legislation.

7. Health, safety, environment and quality (HSEQ)

The Company has implemented a health, safety, environment and quality (HSEQ) management system with the goal to reduce the risk of injuries to people and harm to the environment to a minimum. The Company's management system is based upon internationally recognised standards and is supported by management commitment, personal accountability, training and performance measurement. The Company's management system is certified pursuant the ISO 9001:2015. During the last audit no findings were observed.

The vessels have not polluted the environment beyond what such vessels normally do (emissions to air) and all the vessels being delivered in 2010/11 are designed to be environment friendly with clean design as a class notation. There have been no significant accidents involving employees, the vessels or crew on board during the year.

OSM Offshore AS being the technical and crewing manager for the vessels is certified pursuant ISO 9001, OHSAS 14000 and ISO 19000. HSEQ is a focus-area for the Manager and is closely followed up by the Company. The Lost Time Injury Frequency per 31. March 2019 was 1.2, while the Total Recordable Injuries Frequency was 2.4 and no oils spill to the sea during FY 2018.

8. Financial risk

For details of the financial risks affecting the Company see Note 16 – Financial risk.

9. Market outlook

During the fiscal year 2014, we experienced a significant change in the market conditions which has lasted for the years thereafter. After this period when the oil companies focused on cost-cutting and reduced E&P budgets, we are now in a situation with higher stable oil price and increased activity and investments from the oil companies. Still there are many OSV's laid up in the North Sea, however, some of the vessels especially the more modern units, are back in operation. Today we record about 80 OSV's laid up in the North Sea area.

We have recently seen significantly higher rates for the PSV's due to the increased activity, and we have been able to secure term contracts on attractive rate levels. For our AHTS's we are quite optimistic, and we have secured a certain basic revenue through call off contracts with charterers. Since our AHTS's are the "strongest there is," with 390 and 397 tons bollard pull, they are very well suited and preferred for anchoring in ultra-deep water and pre-laying of anchors.

The main geographical focus is basically the North Sea, but the Company will also consider markets globally.

Arendal, July 2nd 2019

Satoshi Kanamori
Chairman

Petter Nørdby
Director and CEO



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INCOME STATEMENT

(All figures in 1000 NOK)

	Note	FY2018 From 1 April 2018 To 31 March 2019 12 months	FY2017 From 1 April 2017 To 31 March 2018 12 months
Revenue			
Operating revenue		314 086	245 352
Other revenue		3 931	7 569
Total revenue	2, 11	318 017	252 921
Operating Expenses			
Vessel operating expenses	2, 14	266 131	224 470
Salary and other employee benefits	3	13 263	13 587
Sales, general and administrative expenses	3, 18	5 586	4 790
Depreciation and impairment of fixed assets	5	260 236	117 458
Total operating expenses		545 217	360 304
Operating profit/(loss)		-227 200	-107 383
Financial Income and expenses			
Finance income	4	4 123	1 501
Finance cost	4	76 374	89 679
Unrealized finance income/(cost) on foreign currency debt	4	-46 564	91 403
Net finance income		-118 814	3 225
Profit/(loss) before tax		-346 014	-104 158
Income tax	13	0	0
Profit/(loss) for the year		-346 014	-104 158



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OTHER COMPREHENSIVE INCOME

(All figures in 1000 NOK)

		FY2018 From 1 April 2018 To 31 March 2019 12 months	FY2017 From 1 April 2017 To 31 March 2018 12 months
	Note		
Profit/(loss) for the year		-346 014	-104 158
Other comprehensive income			
Net movement on cash flow hedges	18	603	977
Income tax effect		0	0
Net other comprehensive income to be classified to profit or loss in subsequent periods:		603	977
Other comprehensive income for the year, net of tax		603	977
Total comprehensive income for the year, net of tax		-345 412	-103 181
Allocated Retained earnings		0	0
Allocated Uncovered losses		-346 014	-104 158
Allocated Share premium		0	0
Allocated Cash flow hedge reserve		603	977
Total allocated		-345 412	-103 181



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STATEMENT OF FINANCIAL POSITION

(All figures in 1000 NOK)

ASSETS	Note	31 MAR 2019	31 MAR 2018
Non-current assets			
Vessels	5, 10, 19	2 016 458	2 276 451
Other property, plant and equipment	5	0	42
Total non-current assets		2 016 458	2 276 492
Current assets			
Holdings on board vessels	12	13 058	12 808
Trade and other receivables	6, 14, 15, 16, 17	243 621	23 144
Prepayments	6, 15, 16, 17	21 198	14 114
Other current financial assets	7, 15, 16, 17	390	3 412
Cash and short-term deposits	8, 15, 16, 17	76 837	171 816
Total current assets		355 104	225 293
TOTAL ASSETS		2 371 562	2 501 785
EQUITY AND LIABILITIES			
Equity			
Issued share capital	9	2 296 919	1 120 064
Share premium		0	0
Cash flow hedge reserve	7, 15, 16	0	-603
Uncovered losses		-1 338 196	-992 182
Total equity		958 723	127 279
Non-current liabilities			
Interest-bearing loans and borrowings	5, 8, 10, 11, 14, 15, 16, 17, 19	1 155 115	2 122 672
Other non-current financial liabilities	7, 15, 16, 17	0	0
Total non-current liabilities		1 155 115	2 122 672
Current liabilities			
Trade and other payables	14, 15, 16, 17	31 657	17 051
Interest-bearing loans and borrowings - current portion	5, 10, 11, 14, 15, 16, 17, 19	221 585	232 310
Other current financial liabilities	7, 15, 16, 17	4 482	2 472
Total current liabilities		257 724	251 834
Total liabilities		1 412 840	2 374 506
TOTAL EQUITY AND LIABILITIES		2 371 562	2 501 785



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CHANGES IN EQUITY

(All figures in 1000 NOK)

For the financial year ended 31 March 2019

	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2018	1 120 064	0	-992 183	-602	127 279
Profit/ (Loss) for the year	0	0	-346 014	0	-346 014
Other comprehensive income (Note 8,17)	0	0	0	603	603
Capital increase	840 000	0	0	0	840 000
Decided, not registered capital increase	336 855				336 855
Balance at 31 March 2019	2 296 919	0	-1 338 197	1	958 723

No dividend was proposed or paid in the year.

For the financial year ended 31 March 2018

	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2017	1 120 064	0	-888 025	-1 579	230 460
Profit/ (Loss) for the year	0	0	-104 158	0	-104 158
Other comprehensive income (Note 8,17)	0	0	0	977	977
Balance at 31 March 2018	1 120 064	0	-992 183	-602	127 279

No dividend was proposed or paid in the year.



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STATEMENT OF CASH FLOW

(All figures in 1000 NOK)

	Note	FY2018 From 1 April 2018 To 31 March 2019 12 months	FY2017 From 1 April 2017 To 31 March 2018 12 months
Operating activities			
Profit before tax		-346 014	-104 158
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of vessels and other PPE	5	266 254	117 458
Periodical maintenance	5	0	0
Amortization of intangible assets		0	0
Loss on disposal of fixed assets	5	0	0
Unrealized finance income/(cost) on foreign currency debt	4	46 687	-91 403
Finance income	4	-4 123	-1 501
Finance cost	4	76 374	89 679
Working capital adjustments:			
Change in trade and other receivables		-37 561	15 509
Change in inventories		-250	-352
Change in trade and other payables		14 605	-6 728
		15 972	18 503
Interest received		226	867
Interest paid		-32 029	-33 610
Net cash flows from operating activities		-15 831	-14 240
Investing activities			
Purchases of other property, plant and equipment	5	-6 219	-3
Sale of other property, plant and equipment	5	0	0
Purchase of intangible assets		0	0
Net cash flows from investing activities		-6 219	-3
Financing activities			
Proceeds from issue of new shares	9	0	0
Net proceeds from borrowings	8	299 314	250 000
Repayment of borrowings		-221 215	-235 385
Payment of finance lease liabilities		-148 264	-11 039
Net cash flows from financing activities		-70 165	3 576
Net change in cash and cash equivalents		-92 214	-10 666
Effects of forex changes on cash and cash equivalents		-2 765	-652
Cash and cash equivalents at beginning of the financial year		171 816	183 134
Cash and cash equivalents at end of the financial year		76 837	171 816





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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K Line Offshore AS is a limited company, incorporated in Norway, headquartered in Arendal.

Address to Company headquarter is: Kirkegaten 5, 4836 Arendal, Norway.

The financial statements of K Line Offshore AS for the fiscal year 2018 were approved in the board meeting at 2 July 2018.

1.1 Accounting period

The company financial year ends on 31 March 2019. These financial statements cover the 12-month period from 1 April 2018 to 31 March 2019 (hereafter referred to as "FY2018"). Comparative figures are shown for the 12-month period from 1 April 2017 to 31 March 2018 (hereafter referred to as "FY2017").

1.2 Basis for preparation of the annual accounts

The financial statements have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Regulations for simplified IFRS (2014) issued by the Ministry of Finance on 3 November 2014.

This means that recognition and measurement complies with International Financial Reporting Standards (IFRS) and the presentation and disclosures are in accordance with the Norwegian Accounting Act, general accepted accounting practice and chapter 4 in the regulations for simplified IFRS. A detailed reference for legal framework of each part of the financial statements are listed below:

Item:	Legal framework:
Measurement and recognition	Regulations for simplified IFRS (2014) § 3-1
Director's report	Norwegian Accounting Act § 3-3a
P&L	Norwegian Accounting Act § 6-1
Other comprehensive income	IAS 1
Balance sheet	Norwegian Accounting Act § 6-2
Statement of changes in equity	Norwegian Accounting Act § 7-25
Cash flow statement	IAS 7
Notes disclosures	Norwegian Accounting Act Chapter 7, NGAAP and Regulations for simplified IFRS (2014) § 4-2 and § 4-3

1.3 Accounting policy

The Company has the option to adopt simplification to the measurement and recognition criteria's according to IFRS in accordance with the Norwegian Accounting Act § 3-9 and Regulations for simplified IFRS § 3-1, issued by the Ministry of Finance on 3 November 2014. In the FY2018 financial statements the Company has however not adopted any simplifications to the measurement and recognition criteria's according to IFRS.

Financial instruments designated as cash flow hedges are measured at fair value through other comprehensive income, vessel loans are measured at amortized cost. Otherwise the financial statements are based on historical cost.

The financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

1.4 Functional currency and presentation currency

The Company's presentation and functional currency is NOK.

1.5 The use of estimates and assessment of accounting policies when preparing the annual accounts

Estimates and assumptions

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities. This particularly applies to the evaluation of impairment and depreciation of vessels and amortization of intangible assets. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Changes in accounting estimates are recognized during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods. Refer also to note 5.

Judgments

The management has, when preparing the financial statements; made certain significant assessments based on critical judgment when it comes to application of the accounting principles. The following items have been subjected to a significant level of judgment when applying the accounting principles:

Financial leasing agreement

The Company has entered into a lease agreement regarding a lease of KL Arendalfjord. This contract is treated as a financial lease agreement based on the length of the contract, likelihood of purchase when lease period expires and the fact that the risk and the control of the vessel is still with the Company, the lease agreement is considered as a financial lease. KL Arendalfjord was sold in April 2019. Cancellation of lease agreement and purchase of KL Arendalfjord in completed in FY2018 and the vessel is sold in April FY2019.

Intangible asset

Intangible assets related to previously purchased chartering and commercial services are capitalized and amortized over expected useful lifetime of the services purchased..



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Impairment of vessels

The vessels are reviewed for impairment on an annual basis or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined individually for each PSV, while the two AHTS is considered to be one cash generating unit (CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the recoverable amount.

For the PSV fleet the recoverable amount is based on two brokers average assessment of the vessel's fair value less costs of disposal. Capitalized costs for recent special due class surveys resulted in application of high-end broker estimates for some vessels. The value in use calculation for the PSVs as performed by the Company, indicated higher value in use than the recoverable amounts as estimated by the two brokers. As there are no charter contracts or additional services provided by the PSVs that are not reflected by the two brokers estimates, the value in use calculation is not applied as the basis for determining the recoverable amount. For the CGU consisting of the two AHTS, the recoverable amount is determined by value in use calculation, as the Company can achieve additional profit due to ROV services and charter contracts, not reflected in the broker estimates.

The value in use is present value of discounted estimated future cash flows from the CGU, applying a discount rate that reflect current market conditions relevant to the CGU at the time of the assessment. The cash flows are projected for the entire period until the vessel terminal value is zero.

Impairment losses of NOK 139 million is recognized in FY2018. No impairment losses are recognized for any vessels in FY2017, and no previous impairment of vessels are reviewed for reversal in FY2017.

1.6 Revenue recognition

Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the company and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts.

Revenues from charter parties, both spot and time charters including ROV services are recognized as revenue on a straight line basis over the term of the charter party.

Revenues from the sale of bunkers and other charterer's expenses are recognized as revenue once delivery has taken place and most of the risk and return has been transferred.

The new IFRS 15 standard on revenue contracts with customers is based on the principle that income is recognized when the control of a product or service is transferred to the customer. For the Company this standard has effect for accounting periods starting from 31. March 2018 (FY2018) and thereafter. The Company has analyzed the effects of the new standard through a review of existing contracts and accounting principles, and concluded that there will not be any material implementation effects.

1.7 Segments

The Company concluded that the operating segments in accordance with IFRS 8 are the same as the business segments previously identified under NGAAP. The Company separates the PSVs and the AHTSs into separate operating segments.

For management purposes, the Company is organized into three departments which are technical and operation, chartering and corporate departments. These departments does however not comprise the basis for primary segment reporting. The financial information relating to segments and geographical distribution is presented in Note 2.

1.8 Borrowing costs

All borrowing costs, including borrowing costs directly related to the construction of a qualifying asset, are recorded in the income statement when they occur. Borrowing costs consist of interest and other costs that the Company has incurred in connection with the borrowing of funds, which together form the effective interest cost calculated on interest-bearing debt. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognized. Vessel loans and leasing obligations are recognized by amortized cost and interest expenses are calculated and recognized based on the effective interest.

1.9 Income tax

Income tax expense consists of tax payable and any changes in deferred tax. Deferred tax is calculated based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is only recognized if it is probable that the Company will have sufficient taxable profit in future periods to utilize the tax asset. The Company accounts for previously not recognized deferred tax assets in the occurrence that it becomes probable that the Company will be able to utilize the deferred tax asset.

The Company is taxed in compliance with the Norwegian Tonnage Tax regime for shipping companies. This scheme entails no tax on profits and, instead, an amount based on the tonnage of the vessels is charged. Under the scheme, net taxable finance income is taxable at a rate of 24% in 2017 and 23% in 2018. The tonnage tax charge is recorded as a vessel operating expense.

1.10 Tangible assets

Property, plant and equipment is recorded at cost, net of accumulated depreciation and accumulated impairment, if any. The cost of an asset includes all costs directly attributable to preparing the asset for its intended use. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates accordingly. Likewise, when a major inspection is performed, such as special surveys and dry docking, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vessels	30 years
Periodical maintenance	3 - 5 years
Office equipment and stationary	3 - 5 years

Costs directly attributable to obtaining TC contracts are capitalized as part of the related vessel asset cost and depreciated over the lifetime of the TC contract.



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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recorded in the income statement when the asset is derecognized.

The assets' residual values, estimated useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

1.11 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the expected minimum lease payments. Finance lease payments are apportioned between finance charges and a reduction in the lease liability so to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

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

Lease agreements not meeting the definition of a finance lease are operating leases. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

For the Company the new IFRS 16 standard on leases will take effect for accounting periods starting from 31. March 2019 (FY2019) and thereafter. As a result of the new standard almost all rental agreements will be capitalized as financial lease. The Company has reviewed the new standard and it will not have a material impact on the accounts.

1.12 Intangible assets

Intangible assets that have been acquired separately are carried at cost. The costs of intangible assets acquired through an acquisition are recognized at their fair value in the Company's opening balance sheet. Capitalized intangible assets are recognized at cost less any amortization and impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized but are expensed as occurred.

The economic life is either definite or indefinite. Intangible assets with a definite economic life are amortized over their economic life and tested for impairment if there are any indications. The amortization method and period are assessed at least once a year. Changes to the amortization method and/or period are accounted for as a change in estimate.

1.13 Financial instruments

In accordance with IAS 39, Financial Instruments: Recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: at fair value with changes in value through profit or loss, held to maturity, loans and receivables, available for sale and other liabilities.

Financial instruments that are primarily held with the objective of selling them or buying them back in the short term, financial instruments that form part of a portfolio of identified instruments which are managed together and where there are clear traces of short-term gain realization, or derivatives that are not designated as hedging instruments are classified as held for trading purposes. These instruments form part of the category of financial instruments recognized at their fair value with changes in value through profit or loss, together with financial instruments which qualify for, and have been designated as, instruments recognized at their fair value with changes in value through profit or loss. Financial guarantee contracts are measured according to IAS 37 or IAS 18, whichever produces the higher amount, unless the contracts qualify for and have been designated as instruments at fair value with changes in value through profit or loss.

Financial assets with fixed or determinable cash flows and a specific redemption date which the Company intends and is able to keep until maturity are classified as investments held to maturity, with the exception of those instruments which the company designates as being at fair value with changes in value through profit or loss or available for sale or which meet the criteria for forming part of the loans and receivables category.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables, with the exception of instruments that the Company has designated as being at fair value with changes in value through profit or loss or available for sale.

All other financial assets are classified as being available for sale.

Financial liabilities that do not form part of the held for trading purposes category and which have not been designated as being at fair value with changes in value through profit or loss are classified as other liabilities.

Financial instruments that are held to maturity are included in fixed asset investments unless the redemption date is less than 12 months after the end of the reporting period. Financial instruments in the held for trading purposes group are classified as current assets. Financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within the 12-month period following the end of the reporting period.



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Investments that are held to maturity, loans and receivables and other liabilities are recognized at their amortized cost. Financial instruments that are classified as available for sale and held for trading purposes are recognized at their fair value, as observed in the market at the end of the reporting period, without deducting costs linked to a sale.

The gain or loss resulting from changes in the fair value of financial investments that are classified as available for sale is recognized directly in equity until the investment is sold. When the investment is sold, the accumulated gain or loss on the financial instrument that has previously been recognized in equity is reversed and the gain or loss is recognized in the statement of comprehensive income. Changes in the fair value of financial instruments classified as held for trading purposes or designated as being at fair value with changes in value through profit or loss are recognized in the statement of comprehensive income and presented as a financial income/expense.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transaction; reference to the current fair value of other instruments that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

1.14 Hedging

Before a hedging transaction is carried out, the Company's finance department assesses whether a derivative (or possibly another financial instrument in the case of a currency hedge) is to be used to

- hedge the fair value of a recognized asset or liability or a firm commitment,
- hedge a future cash flow from a recognized asset, obligation, identified very probable future transaction or, in the case of a currency risk, a firm commitment or

The Company's criteria for classifying a derivative or other financial instrument as a hedging instrument are as follows:

- the hedge is expected to be very effective in that it counteracts changes in the fair value of or cash flows to an identified asset - a hedging efficiency of 80-125% is expected,
- the effectiveness of the hedge can be reliably measured,
- there is adequate documentation when the hedge is entered into that the hedge is effective, among other things,
- for cash-flow hedges, the forthcoming transaction must be highly probable, and
- the hedge is evaluated regularly and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Cash-flow hedges

The effective part of changes in the fair value of a hedging instrument is recognized directly in equity. The ineffective part of the hedging instrument is recognized directly in the statement of comprehensive income.

Should the expected transaction later lead to the recognition of a non-financial asset or liability or an expected transaction relating to a non-financial asset or liability become a firm commitment that is hedged by a fair value hedge, the associated accumulated gain or loss is removed from equity and included in the initial measurement of the non-financial asset or liability or the firm commitment.

Should the hedging of an expected transaction later lead to the recognition of a financial asset or liability, the associated gain or loss is reclassified from equity to the statement of comprehensive income during the same period(s) as the asset or liability affects the profit or loss.

For cash-flow hedges other than those mentioned above, associated accumulated gains and losses are reclassified from equity to the statement of comprehensive income during the same period(s) as the hedged expected transaction affects the profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the enterprise cancels the hedging relationship despite the fact that the hedged transaction is still expected to take place, the accumulated gains or losses at that time remain in equity and are recognized in the statement of comprehensive income in accordance with the above guidelines when the transaction takes place.

Should the hedging relationship no longer meet the criteria for hedge accounting as specified above, accumulated gains and losses that are recognized in equity up to this date remain in equity and are recognized in the statement of comprehensive income in accordance with the above guidelines only when the transaction takes place.

If the hedged transaction is no longer expected to take place, accumulated unrealized gains or losses on the hedging instrument that have previously been recognized directly in equity are recognized in the statement of comprehensive income immediately.

1.15 Inventory on board vessels

Inventory consists of fuel, lube oil and other supplies on board the vessels. Inventory is valued at the lower of historic cost and net realizable value.

1.16 Classification of items in the balance sheet

Current assets and current liabilities consist of receivables and payables due within one year, and items related to the normal operating cycle. Other balance sheet items are classified as non-current assets / liabilities.

1.17 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.



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1.18 Equity

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities. Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

1.19 Pension

The Company contributes to a defined contribution pension scheme. Contributions are based on a percentage of the employees' gross salaries and there is no mandatory contribution required from the employees. The pension contributions are recorded in the income statement when incurred.

1.20 Contingent liabilities and assets

Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognized in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Company.

1.21 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recorded in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

NOTE 2

SEGMENT REPORTING AND OTHER REVENUE

SEGMENT REPORTING

For management purposes the Company is organised into two business units based on the different types of vessels it operates and has two reportable segments, as follows:

- AHTS – Anchor Handling Tug Supply
- PSV – Platform Supply Vessel

Management monitors the operating results of its business units separately for the purpose of making decisions about performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

The exchange rates applied as of balance sheet dates were:

	March 31, 2019	March 31, 2018
USD/NOK	8,5972	7,7773
EUR/NOK	9,6590	9,6423
GBP/NOK	11,2536	10,0066
JPY/NOK	0,07613	0,07327

The company applies foreign currency rates as reported by Norges Bank.

1.22 Events after the reporting period

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

1.23 Going concern assumption

The financial statements are prepared using the going concern assumption. The assumption is based on the Company's level of cash and short-term deposits at the end of the period, available funding from shareholder, forecasted cash flows and the market value of its assets. The Company is financed by a combination of equity, long term shareholder loan and by long-term bank loans for the vessels from Japanese financial institutions.

Throughout FY2018 the parent company has strengthened the liquidity of the Company by increasing the equity by NOK 487 million. The parent company has also converted the shareholder loan of NOK 690 million to equity As of 31 March 2019, total shareholder loan is NOK 0 (31 March 2018: NOK 690 million).

Over the last years during the downturn of the market the Company has had the strong support from "K" Line by raising new equity and granting new shareholders' loans as described above. Based on this background and the fact that "K" Line has granted guarantees to the lenders for all vessel loans of the Company, the Board's opinion is that the Company is meeting the criteria for continuation as a going concern.



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Segment reporting by business unit for the 12 months from 1 April 2018 to 31 March 2019

	AHTS	PSV	Non-allocated	Total
Revenue	177 360	140 657	0	318 017
Vessel operating expense	142 667	123 465	0	266 131
Gross profit	34 693	17 193	0	51 886
SG&A and salary expenses	7 462	11 386	0	18 849
EBITDA	27 231	5 806	0	33 037
Depreciation and amortization	63 614	54 237	0	117 850
Impairment loss	99 000	40 000	0	139 000
Operating profit/(loss)	-135 383	-88 430	0	-223 813
Net finance income/(cost) before unrealized FX loans	-60 959	-14 678	0	-75 637
Unrealized finance income/(cost) on foreign currency debt	0	0	-46 564	-46 564
Profit for the year	-196 342	-103 108	-46 564	-346 014

Segment reporting by business unit for the 12 months from 1 April 2017 to 31 March 2018

	AHTS	PSV	Non-allocated	Total
Revenue	144 198	108 723	0	252 921
Vessel operating expense	126 040	98 430	0	224 470
Gross profit	18 158	10 293	0	28 452
SG&A and salary expenses	7 330	11 047	0	18 377
EBITDA	10 829	-754	0	10 075
Depreciation and amortization	63 532	53 926	0	117 458
Impairment loss	0	0	0	0
Operating profit/(loss)	-52 703	-54 680	0	-107 383
Net finance income/(cost) before unrealized FX loans	-63 413	-24 765	0	-88 178
Unrealized finance income/(cost) on foreign currency debt	0	0	91 403	91 403
Profit for the year	-116 116	-79 445	91 403	-104 158

Company financing is only allocated to a segment if it relates directly to that segment. Realized foreign exchange gains and losses on such segment financing are allocated to the segment. Unrealized foreign exchange gains and losses are not allocated to operating segments, nor are realized foreign exchange gains and losses on items such as trade payables and receivables.

The table below shows the geographic location of where revenue was generated in the period.

Geographic reporting of revenue	FY2018	FY2017
North Sea and Barentz Sea	317 823	252 201
Other	194	720
Total	318 017	252 921

OTHER REVENUE

In FY2018 other revenue is related to insurance settlements with kNOK 3 710, other vessel related settlements with kNOK 19 reimbursed expenses not related to vessel operation with kNOK 194 and office rental kNOK 8.

In FY2017 other revenue is related to insurance settlements with kNOK 6 263, other vessel related settlements with kNOK 586 reimbursed expenses not related to vessel operation with kNOK 720.



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NOTE 3 SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries and other employee benefits:	FY2018	FY2017
Wages	10 664	11 090
Social security costs	1 563	1 674
Pension costs	468	437
Other remunerations	569	386
Total salaries and other employee benefits	13 263	13 587
Number of full time employee years	9,3	9,8

Pension scheme

The Company has set up a defined contribution pension scheme in favour of the employees. The pension fund is managed by a third party pension fund provider. Under the pension scheme the Company contributes an amount on behalf of each employee into the pension fund. The contribution is a fixed percentage of the employee's gross salary and is equal for all Norwegian employees. Japanese employees participates in a defined contribution pension scheme in Japan. No mandatory contribution is required from the employees. The Company has no ownership of the pension fund and its only obligation is to pay pension contributions to the pension fund in line with earned salary. The pension scheme fulfills the Company's obligations under Norwegian law regarding pensions for employees.

Payments to key employees	CEO & Board member
Salary	1 710
Pension expense	0
Other employment benefits	349
Total	2 059

Payments to key employees is for the calendar year 2018.

Other employment benefits include taxable benefits such as company car, housing for foreign commuter, travel and personal insurance schemes, telephone and internet allowances. The CEO does not have any compensation benefit package in relation to termination of employment contract.

The Company does not have a formal bonus scheme for any employees, nor share-based compensation schemes. No bonuses were paid out for FY2018.

No remuneration was paid to any other Board members.

Auditor:	FY2018	FY2017
Statutory audit	217	214
Other assurance and tax related services	95	94
Total	312	308

Amounts invoiced excluding VAT.



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NOTE 4
FINANCIAL INCOME AND EXPENSES

Net finance items	FY2018	FY2017
Finance income		
Realized forex gain on repayment of borrowings	1 045	0
Realized forex gain on payment of finance lease	1 648	604
Interest income	226	867
Forex gain on other financial assets and liabilities	1 205	30
Total finance income	4 124	1 501
Finance cost		
Realized forex loss on repayment of borrowings	34 785	49 183
Financial cost of borrowings	35 936	35 711
Financial cost of finance lease	2 641	2 823
Forex loss on other financial assets and liabilities	3 013	1 962
Total finance cost	76 375	89 679
Unrealized forex gain/(loss) on foreign currency debt	-46 564	91 403
Net finance income/(cost)	-118 815	3 225



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NOTE 5
PROPERTY, PLANT AND EQUIPMENT

Vessels	AHTS	PSV	Total
Cost			
Balance as of 31 March 2018	1 970 212	1 809 186	3 779 398
Additions	1 537	4 682	6 219
Sale of assets	0	-9 326	-9 326
Balance as of 31 March 2019	1 971 749	1 804 542	3 776 291
Depreciation			
Balance as of 31 March 2018	482 585	493 616	976 201
Depreciation for the year	63 597	54 289	117 886
Balance as of 31 March 2019	546 182	547 905	1 094 087
Impairment loss/ (gain)			
Balance as of 31 March 2018	157 300	369 447	526 747
Impairment loss/ (gain) for the year	99 000	40 000	139 000
Balance as of 31 March 2019	256 300	409 447	665 747
Carrying amounts			
Balance as of 31 March 2018	1 330 327	946 123	2 276 451
Balance as of 31 March 2019	1 169 267	847 190	2 016 458
Of which carrying amounts held under finance lease:			
Balance as of 31 March 2018		54 676	54 676
Balance as of 31 March 2019		0	0

The PSV KL Arendalfjord is subject to a sale and leaseback arrangement; see Note 11 – Commitments and contingencies. The leasing agreement is terminated in FY2018 and the vessel is sold in April FY2019

Depreciation on KL Arendalfjord was kNOK 5 272 in FY2018. Five of the six owned vessels, which have a total carrying value kNOK 1 999 508, are pledged as security for the non-current bank loans, see Note 10 *Interest bearing loans and borrowings*.

In the fourth quarter of FY2018 the fleet was tested for potential impairment. A total impairment loss of kNOK 139 000 was recognized on the fleet in FY2018.

«Two independent brokers provided estimates on fair value of the vessels, excluding charter contracts. As part of the impairment test, the Company also performed value in use calculation based on present value of estimated future net cash flows for the vessels. On the PSV fleet, both the value in use calculations performed by the company and the average of the broker estimates indicated vessel values in excess of the carrying value of the vessels.

The two AHTS are defined as one cash-generating unit (CGU). The broker estimates indicated a potential impairment loss, but no impairment loss was recognized, as the value in use calculations also accounted for utilization of the vessels ROV services, and no impairment loss was thus indicated by the value in use calculation.»

The value in use calculations were based on a weighted average cost of capital (WACC) of 6,32 % for all PSVs and the AHTS as one CGU. The projection of utilization rate, charter revenue and operating expenses including dry dock, are based on a combination of historical data and best estimates by management, when historical data are either not available or considered unreliable for projection of future cash flows under the current market conditions. Growth in charter revenue and operating expenses including dry dock, are based on historical data combined with publicly published analysis on estimated growth for the relevant factors. The uncertainty related to projection of future cash flows are considered by weighting of different potential market scenarios. A sensitivity analysis has been performed, and the most critical factors are the vessel utilization, charter hire rates and the discount rate.



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NOTE 5
PROPERTY, PLANT AND EQUIPMENT - CONTINUES

Other property, plant & equipment	Office equipment
Cost	
Balance as of 31 March 2018	515
Additions	0
Sale of assets	0
Balance as of 31 March 2019	515
Depreciation	
Balance as of 31 March 2018	474
Depreciation for the year	42
Acc. Depreciation sold assets	0
Balance as of 31 March 2019	516
Carrying amounts	
Balance as of 31 March 2018	42
Balance as of 31 March 2019	0

NOTE 6
TRADE & OTHER RECEIVABLES AND PREPAYMENTS

	31 MAR 2019	31 MAR 2018
Trade receivables	18 072	16 316
Accrued revenue	18 948	3 665
Total receivable from customers	37 020	19 981
Prepayments	21 198	14 084
VAT receivable	1 146	1 811
Other receivable	205 455	1 381
Total trade & other receivables and prepayments	264 819	37 258

The standard terms of trade receivables are 30 days credit terms and interest is chargeable at 8,50% per annum on overdue amounts. During the financial year ended 31 March 2019 no interest on late payments from customers was recognized (FY2017: kNOK 0).

Accrued revenue is revenue earned at the period end that has not yet been invoiced to customers. For term contracts, the Company invoices customers for revenue at the beginning of the next month. For spot contracts, generally the Company invoices customers on completion of the spot contract.

The Company's typical customer base consists of large, well known oil and oil service companies, with good credit ratings. The Company has not recognized any provision for doubtful debt either as of 31 March 2019 or as of 31 March 2018. Furthermore the company has not experienced losses on bad debt to date.

The other receivables are not interest bearing and are all short-term in nature.



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NOTE 7 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets	31 MAR 2019	31 MAR 2018
Forward exchange forward contracts	390	3 412
Total other financial liabilities	390	3 412

Other financial liabilities	31 MAR 2019	31 MAR 2018
Interest rate swap contracts through OCI	0	603
Foreign exchange forward contracts	4 482	1 870
Total other financial liabilities	4 482	2 472

Financial assets and liabilities reflects fair value of open foreign exchange contracts booked to P&L as well as fair value of interest rate swap contracts booked through other comprehensive income (OCI) and designated as cash flow hedges to hedge contracted future loan repayments. See also note 16 - Derivative financial instruments and hedging.

NOTE 8 CASH AND SHORT-TERM DEPOSITS

	31 MAR 2019	31 MAR 2018
Cash at banks (non-restricted)	76 578	171 488
Restricted bank deposits	260	328
Total cash and short-term deposits	76 837	171 816

Cash at banks earn interest at floating rates based on the daily bank deposit rates.

Restricted bank deposits are employee salary taxes withheld and paid over to the taxation authorities on behalf of the employees.

NOTE 9 SHARE CAPITAL

The total issued share capital of K Line Offshore AS as of 31 March 2018 consists of 1 120 064 shares (31 March 2017: 1 120 064 shares), each with par value NOK 1 000. All issued shares are fully paid. There is only one class of share. Each share carries the same voting rights.

	31 MAR 2019		31 MAR 2018	
	Number of shares	Ownership	Number of shares	Ownership
Kawasaki Kisen Kaisha, Ltd	2 296 919	100 %	1 120 064	100 %
Total	2 296 919	100 %	1 120 064	100 %

The Company's financial statements is consolidated into the consolidated financial statements of parent company Kawasaki Kisen Kaisha Ltd, which is headquartered in Tokyo, Japan. The consolidated financial statements of Kawasaki Kisen Kaisha Ltd. can be delivered by sending a request to Kawasaki Kisen Kaisha Ltd., Iino Building, 1-1, uchisaiwaicho 2- Chome, Chiyoda- ku, Tokyo 100-8540, Japan.



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NOTE 10
INTEREST BEARING LOANS AND BORROWINGS

Non-current liabilities measured at amortized cost	Maturity	31 MAR 2019	31 MAR 2018
JPY 4 310 million bank loan	2012 - '23	114 741	137 736
JPY 4 321 million bank loan	2012 - '23	199 857	204 069
JPY 4 297 million bank loan	2012 - '23	113 899	136 571
EUR 96 million bank loan	2012 - '23	554 594	598 944
USD 132 million bank loan	2012 - '23	393 610	449 321
Total external bank loans		1 376 701	1 526 640
Loans from shareholders - see Note 14 - Related parties		0	690 000
Finance lease liability - see Note 11 - Commitments and contingencies	2012 - '21	0	138 342
Total interest bearing loans and borrowings		1 376 701	2 354 982
Current liability portion (total installments due within 12 months)		221 585	232 310
Non-current liability		1 155 115	2 122 672

The external loans are secured by a mortgage on the owned vessels, see Note 5 - Property, plant and equipment.

Vessels as collateral for bank loans	31 MAR 2019	31 MAR 2018
Carrying value of owned vessels pledged as collateral	1 804 122	1 999 508

The shareholder, Kawasaki Kisen Kaisha Ltd., has provided bank guarantees for the bank loans.

Portions of bank loans with fixed or floating interest rates:	Fixed interest rate portion	Floating interest rate portion
JPY 4 310 million bank loan	60 %	40 %
JPY 4 321 million bank loan	50%*	50 %
JPY 4 297 million bank loan	50%*	50 %
EUR 96 million bank loan	0 %	100 %
USD 132 million bank loan	0 %	100 %

The implicit interest rate in the finance lease liability contract is fixed. See also note 16 for details on maturity and interest rate.

The bank loans are denominated in foreign currencies and the carrying values of the loans includes accumulated unrealized foreign currency exchange loss of kNOK 247 106 as of 31 March 2019 (31 March 2018: accumulated loss of kNOK 215 776). The unrealized foreign exchange loss related to the loans recorded in FY2018 is kNOK 31 330 (FY2017: gain of kNOK 83 741).

	31 MAR 2019	31 MAR 2018
The amount of the bank loans due for repayment after 5 years	0	59 773



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NOTE 11 COMMITMENTS AND CONTINGENCIES

Finance lease - Company as lessee	31 MAR 2019		31 MAR 2018	
	Minimum payments	Present value of payments (Note 11)	Minimum payments	Present value of payments (Note 11)
< 1 year	0	0	11 247	10 588
1 to 5 years	0	0	135 700	127 754
> 5 years	0	0	0	0
Total minimum lease payments	0	0	146 947	138 342
Less amounts representing finance charges	0	0	-8 605	0
Present value of minimum lease payments	0	0	138 342	138 342

In September 2011 the Company entered into a sale and leaseback transaction, under which the vessel was sold to a third party and immediately leased back based on USD 32.9 million. The lease period is 10 years and the leasing fee is JPY 154 million annually. The final lease payment is due in September 2021. The financial lease is terminated in March 2019 and the company became legal owner of the vessel. The vessel is sold in April 2019.

The sale and leaseback agreement is accounted for as a finance lease.

Operating lease - Company as lessor

Future minimum rentals receivable from non-cancellable operating leases at period end are as follows:

	31 MAR 2019	31 MAR 2018
Within one year	8 882	8 151
After one year but no more than five years	0	0
Total	8 882	8 151

The total carrying value of the vessels that are leased out on TC:

	31 MAR 2019	31 MAR 2018
PSV	423 331	445 642
AHTS	0	0
Total	423 331	445 642

NOTE 12 HOLDINGS ON BOARD VESSELS

	31 MAR 2019	31 MAR 2018
Lube oils	4 077	3 918
Bunkers	8 961	8 890
Total	13 058	12 808



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NOTE 13
 TAXATION

The Company is taxed under the Norwegian tonnage tax regime for shipping companies. Under this scheme the Company pays no standard corporate income taxation on operational shipping activities and only pays income tax on certain net finance income.

The Company pays a tonnage duty based on the Company's net tonnage of its vessels. An amount of kNOK 53 relating to tonnage duty was paid in both FY2018 and FY2017. Tonnage tax is recorded as an operating cost.

	FY2018	FY2017
Payable tax:		
Profit/(loss) for the period	-346 014	-104 158
Less: Profit/(loss) outside tonnage tax regime & non-taxable	331 894	-99 874
Taxable profit/(loss)	-14 120	-9 726
Utilized/allocated to taxable losses brought forward	14 120	-9 726
Payable tax	0	0
Tax charge:		
Income tax charge	0	0
Change in deferred tax	0	0
Total tax charge:	0	0
Specification of deferred tax:		
Taxable losses carried forward	-78 669	-64 549
Total	-78 669	-64 549
Deferred tax assets	18 094	-15 492
Nominal tax rate	23 %	24 %

The taxable loss carried forward is the accumulated net taxable finance cost/income that is taxable as a corporate income tax under the Norwegian tonnage taxation scheme. The deferred tax asset is not recognized as there is uncertainty as to whether the Company will make a future taxable net finance income in order to utilize the deferred tax asset.

NOTE 14
 RELATED PARTIES

Finance lease - Company as lessee	Costs charged by related parties		Amounts owed to related parties	
	FY2018	FY2017	31 MAR 2019	31 MAR 2018
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha Ltd.	10 446	11 746	472	690 535
Transactions with group companies of the Parent company				
K Line Brasil Ltda	0	0	0	0
Total transactions invoiced from related parties	10 446	11 746	472	690 535



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NOTE 14
RELATED PARTIES - CONTINUES

Finance lease - Company as lessee	Costs charged to related parties		Amounts owed by related parties	
	FY2018	FY2017	31 MAR 2019	31 MAR 2018
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha, Ltd,	194	708	0	0
Total transactions invoiced to related parties	194	708	0	0

Costs charged by related parties include both operating costs and interest on shareholder loans. Amounts owed to related parties include both amounts included in trade and other payables and interest-bearing loans and borrowings.

Transactions with the Parent and Group companies

The Parent company of the Company is Kawasaki Kisen Kaisha, Ltd, a Japanese company. Transactions with Kawasaki Kisen Kaisha, Ltd relate to a loan from the shareholder, bank loan guarantee fees, consultancy fees and reimbursements of expenses. Transactions with other Group companies are consultancy fees and service fees. The Company has a service agreement with K Line Brasil Ltda whereby the Company pays a monthly fee in return for management services relating to the Company's operations in Brazil.

Loans from shareholders

The loan of NOK 690 million included as amount owed to Kawasaki Kisen Kaisha Ltd as of March 31st 2018 is converted to equity during FY18.

NOTE 15
FINANCIAL RISK

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings. The main purpose of these financial liabilities is to finance the Company's vessels and operations. In addition the Company has financial instruments such as account receivables, accounts payables etc. which are directly linked to the every day operation. The Company uses some financial derivatives for hedging purposes. The Company's principal financial assets are trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of financial risks, supported by the Board of Directors. There has been no change since the previous year in the type of financial risk exposure, nor in the way the Company manages or measures its financial risk.

The Company seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments the Company has that are affected by market risk include loans and borrowings, and trade receivables. The Company does not have any financial instruments significantly affected by commodity price risk or other price risk.

Interest rate risk

The Company is exposed to interest rate risk because the Company borrows funds at both floating and fixed interest rates.

The Company manages its interest rate risk by having what it views as an appropriate mix of fixed and variable rate loans. To further diversify the interest rate risk, the variable interest rates are pegged against a spread of currency interest rates, NIBOR, LIBOR and EURIBOR, so to increase the chance that any adverse changes in one of the interest rates may be offset by positive changes in another. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite and Management evaluate the need to enter into interest rate swaps and forward interest rate contracts on an ongoing basis.

As of 31 March 2019, 11% of the Company's borrowings are at a fixed interest rate, (31 March 2018: 11%).

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency), long-term debt obligations and trade receivables.



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The Company's operating activities are primarily in NOK, with a significant portion also in GBP. Trade receivables denominated in foreign currencies are payable on standard credit terms within 30-days and due to the short nature of trade receivables the foreign currency risk related to trade receivables is considered negligible.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	31 MAR 2019		31 MAR 2018	
	Assets	Liabilities	Assets	Liabilities
Currency – JPY	18 298	429 011	18 619	618 383
Currency – BRL	1 021	0	1 021	0
Currency – USD	9 109	10 617	23 313	457 299
Currency – EUR	685	558 885	396	600 144
Currency – DKK	0	0	160	128
Currency – GBP	37 939	395 586	11 830	2 696
Total in foreign currency	67 052	1 394 100	55 338	1 678 649
Total in NOK	274 994	18 741	157 147	695 858
Total monetary assets/liabilities	342 046	1 412 840	212 485	2 374 507

As of 31 March 2019 99% of the Company's borrowings are denominated in foreign currencies (31 March 2018: 71%). The Company manages its exposure to foreign currency risk related to borrowings by potentially entering into forward foreign exchange contracts for the installments due up to one year ahead. The position of the Company is evaluated on an ongoing basis by Management with respect to expectations about the foreign exchange rates and the Company's risk appetite.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Company has not provided any guarantees for third parties liabilities, except for apartment rent guarantees for Japanese employees.

Trade receivables

The Company's customers are primarily established, credit worthy oil and oil service companies and management evaluate the creditworthiness of each customer on an individual basis when evaluating whether or not to enter a contract with the customer. Outstanding customer receivables are monitored on an ongoing basis. Each customer has a standard credit period of 30 days and interest is chargeable on late payments.

As of 31 March 2018 the Company had fifteen customers (31 March 2018: thirteen customers) that owed trade receivable balances. There were no customers (31 March 2018: no customers) with a balance greater than kNOK 10 000. The Company has no history of customers who have defaulted on balances owed and, therefore, the Company has not recorded any bad debts to date. The Company's maximum exposure to credit risk relating to trade receivables is the amount presented as trade and other receivables in the balance sheet.

Cash deposits

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company's maximum exposure to credit risk relating to cash deposits is the amount presented as cash and short-term deposits in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company has insufficient liquid funds to meet obligations when they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors.

The construction of the six owned vessels has been financed by a combination of equity, and interest bearing loans from banks and from shareholders. Servicing of the loans and repayment of the principal amounts are expected to be repaid by expected future positive cash flows on operations, and the maturity profile of the loans has been contracted so that the majority of the loans are repaid over 12 years (see Note 10 – Interest bearing loans and borrowings). The expected operating cash flows are based on assumptions about future market rates for both PSV's and AHTS's and utilization levels of the Company's fleet. Should the actual rates and levels be significantly lower than those assumptions then there is a risk that additional equity or debt may be required to cover any cash flow shortfalls.

The Company is financed by a combination of debt and equity. As is inherent for any company financed by debt, there is no assurance that cash generated from future operations is sufficient to cover all debt repayments.



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31 MAR 2019	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	31 657	0	0	31 657
Interest-bearing borrowings	221 585	1 155 115		1 376 700
Total	253 242	1 155 115	0	1 408 357

31 MAR 2018	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	17 051	0	0	17 051
Interest-bearing borrowings	232 310	1 372 898	749 773	2 354 982
Total	249 362	1 372 898	749 773	2 372 033

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the amount is based on the interest rate at the end of the reporting period. For liabilities denominated in foreign currencies, the amounts have been translated to NOK at exchange rates prevailing at the end of the reporting period.

Other disclosures

No financial assets have been reclassified in such a way that the valuation method has been changed from amortised cost to fair value or vice versa.

Capital structure and equity

The primary focus of the Company's capital management is to ensure that it maintains a strong liquidity and healthy capital ratio in order to support its business and maximise shareholders value. The company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, draw on shareholder loan facility or issue new shares. No changes were made in the objectives policies or processes during FY2017 and FY2016. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	31 MAR 2019	31 MAR 2018
Interest-bearing debt	1 376 700	2 354 982
Accounts payable	31 657	17 051
Less cash	-76 837	-171 816
Net debt	1 331 520	2 200 217
Equity	958 723	127 279
Sum equity and net debt	2 290 243	2 327 496
Debt ratio	58 %	95 %

NOTE 16

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

	31 MAR 2019		31 MAR 2018	
	Assets	Liabilities	Assets	Liabilities
<i>Cash flow hedges</i>				
Interest rate swap contracts	0	0	0	603
Foreign exchange forward contracts	0	0	0	0
Fair value	0	0	0	603

Hedging activities

Cash flow hedges - Interest rate swap contracts

The Company enters into interest rate swap contracts to secure fixed interest rate on portions of the outstanding loan amounts. These transactions are highly probable as they are contracted loan principal repayments and interest payments.



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The hedging instruments are assessed for effectiveness on an ongoing basis and only the effective portion of the hedge is recorded as a cash flow hedge at fair value through other comprehensive income. Gains and losses recognized in the hedging reserve in equity on forward foreign exchange contracts are recognized in the income statement in the period(s) during which the hedged transaction affects the income statement.

The following table details the interest rate swap forward (IRC) contracts outstanding at the end of the reporting period.

31 MAR 2019						Fair value
	Principal amount	Maturity	Sold interest rate	Purchased interest rate		asset/ (liability)
	JPY'000		Floating	Fixed		NOK'000
Fair value						0

31 MAR 2018						Fair value
	Principal amount	Maturity	Sold interest rate	Purchased interest rate		asset/ (liability)
	JPY'000		Floating	Fixed		NOK'000
Interest rate swap contract	102 054	27.06.2018	JPY-LIBOR-BBA+0,3%	0,9 %		-204
Interest rate swap contract	205 248	04.10.2018	JPY-LIBOR-BBA+0,3%	0,9 %		-399
Fair value						-603

BBA = British Bankers' Association

The principals are amortized in accordance with the corresponding loan repayment schedules, see note 10 - Interest bearing loans and borrowings above.

Cash flow hedges - Foreign exchange forward contracts

The Company enters into forward currency contracts to fix the exchange rate for certain contractual payments related to its foreign currency denominated borrowings. These transactions are highly probable as they are contracted loan principal repayments and interest payments. The hedged FX transactions are all expected to occur within 12 months of the reporting period.

The hedging instruments are assessed for effectiveness on an ongoing basis and only the effective portion of the hedge is recorded as a cash flow hedge at fair value through other comprehensive income. Gains and losses recognized in the hedging reserve in equity on forward foreign exchange contracts are recognized in the income statement in the period(s) during which the hedged transaction affects the income statement.

The following table details the forward foreign currency (FC) contracts outstanding as of 31 March 2019 (31 March 2018). These contracts are not designated as hedge accounting.

31 MAR 2019						Fair value
	Maturity	Average forex rate	Foreign currency	Notional value		asset/ (liability)
			FC'000	NOK'000		NOK'000
Buy JPY	03.04.2019	12,841700	5 580 755	434 581		-364
Buy EUR	03.04.2019	9,744000	57 720	562 424		-4 118
Buy USD	11.04.2019	8,537900	5 000	42 690		390
Fair value						-4 091



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31 MAR 2018	Maturity	Average forex rate	Foreign currency FC'000	Notional value NOK'000	Fair value asset/ (liability) NOK'000
Buy JPY	28.12.2018	0,071429	115 000	8 214	357
Buy JPY	02.07.2018	0,071429	115 000	8 214	302
Buy JPY	04.04.2018	0,073964	7 462 055	551 927	-859
Buy USD	04.04.2018	7,835000	57 773	452 654	838
Buy EUR	04.04.2018	9,670000	62 115	600 656	-1 011
Buy JPY	21.06.2018	0,071250	210 000	14 963	589
Buy JPY	27.09.2018	0,071250	210 000	14 963	640
Buy JPY	21.12.2018	0,071250	210 000	14 963	687
Fair value					1 542

All FX forward contracts have forward dates less than 12 months from the reporting period.
No separate hedging instruments relating to items other than borrowings were held at 31 March 2019 or 31 March 2018.

Changes in equity related to cash flow hedges	FY2018	FY2019
Fair value of cash flow hedges 1. April	-602	-1 579
Changes in fair value recognised in other comprehensive income	603	977
Fair value of cash flow hedges 31. March	0	-602

Determination of fair value

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The fair value of interest rate swaps is determined by the present value of future cash flows. For the interest rate swaps, the fair value is confirmed by the financial institution with which the Company has entered into the contracts.

The following of the Company's financial instruments are not measured at fair value: cash and cash equivalents, trade receivables, other current receivables, trade payables, other current liabilities, current portion of long-term debts and long-term debts.

The fair value of loan notes have been calculated using interest rates for debt with similar time to maturity and credit risk.

The fair value of financial assets and liabilities recognised at their carrying amount is calculated as the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets at the end of the reporting period. This applies to liabilities resulting from finance lease of KL Arendalfjord.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments.



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	31 MAR 2019		31 MAR 2018	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	76 837	76 837	171 816	171 816
Prepayments	21 198	21 198	14 114	14 114
Trade receivables	243 621	243 621	23 144	23 144
Foreign exchange derivatives	390	390	3 412	3 412
Total financial assets	342 046	342 046	212 485	212 485
Financial liabilities				
Trade and other payables	31 657	31 657	17 051	17 051
Interest rate swaps	4 482	4 482	2 472	2 472
Interest-bearing loans and borrowings:				
Bank loans	1 376 701	1 377 498	1 526 640	1 531 197
Shareholder loans	0	0	690 000	690 000
Obligations under finance lease	0	0	138 342	142 605
Total financial liabilities	1 412 841	1 413 637	2 374 507	2 383 325

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For recurring level 3 measurements, transfers between the levels in the fair value hierarchy are evaluated when reassessing the categories of the financial instruments at the end of the period.

The following groups of financial instruments were measured at fair value as of 31 March, 2019:

Assets measured at fair value	31 MAR 2019	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	390			390
Total	390			390

Liabilities measured at fair value	31.mar.19	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging				
Interest rate swap - Designated as cash-flow hedge	4 482			4 482
Total	0			0
	4 482			4 482

During the reporting period there were no changes in the fair value measurement which caused transfers between level 1 and level 2, and no transfers to or from level 3. The changes in the fair value of kNOK 1 012 (FY2017: kNOK 977) on the interest rate swaps designated as cash-flow hedge has been recognised in other comprehensive income (OCI).



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NOTE 17 CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 MAR 2019

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total Financial assets
<i>Financial assets at fair value</i>					
Held for trading in acc with IAS 39					
Designated as such upon initial recognition	390				390
Held-to-maturity investments					
Loans and receivables		243 621	21 198	76 837	341 656
Available for sale financial assets					
Total					342 046

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
<i>Financial liabilities at fair value</i>					
Held for trading in accordance with IAS 39					
Designated as such upon initial recognition			4 482		4 482
Financial liabilities measured at amortised cost	1 155 115		221 585		1 376 701
Other financial liabilities				31 657	31 657
Total					1 412 841

31 MAR 2018

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total Financial assets
<i>Financial assets at fair value</i>					
Held for trading in acc with IAS 39					
Designated as such upon initial recognition	3 412				3 412
Held-to-maturity investments					
Loans and receivables		23 144	14 114	171 816	209 074
Available for sale financial assets					
Total					212 485

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
<i>Financial liabilities at fair value</i>					
Held for trading in accordance with IAS 39					
Designated as such upon initial recognition			2 472		2 472
Financial liabilities measured at amortised cost	2 122 672		232 310		2 354 982
Other financial liabilities				17 051	17 051
Total					2 374 505

The Company does not have any financial investments classified as available for sale as of 31 March, 2019 or on 31 March, 2018.



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NOTE 18
SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Specification of sales, general and administrative expenses	FY2018	FY2017
Rental and leasing costs	427	459
Travel, courses and meeting costs	1 395	1 395
Office related costs	295	256
IT and telephone costs	509	471
Consultancy fees and external personnel	910	528
Bad debts	0	0
Other costs	2 051	1 680
Total	5 586	4 790

The company is located in rented office facilities. The Company has an option to terminate the rent agreement with three months notice period annually from October 1. Rent expenses was kNOK 291 600 in FY2018 (FY2017: kNOK 291 600).

Auditor remuneration is included in Consultancy fees and external personnel expenses listed above. See note 3 regarding specification of remuneration to auditors.

NOTE 19
ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

The company's most important accounting estimates are the following items:

- Depreciation and impairment of vessels
- Impairment of vessels

Vessels

«Impairment test of the vessels as of March 31, 2019 indicated impairment of kNOK 139 000 for the vessels. No impairment loss was recognized in FY2017

There is uncertainty related to the estimation of future cash flows for the remaining lifetime of the vessels. Even so, the impairment testing was based on management application of best judgement as the five PSVs were tested against broker estimates and the two AHTS were tested against estimated value in use. See also Note 5 - Property, plant and equipment.»

Current estimated useful lifetime for the vessels may be affected by technological developments and changes to industry standards and requirements.

Arendal July 2nd 2019

Satoshi Kanamori
Chairman

Petter Nordby
Director and CEO



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To the General Meeting of K Line Offshore AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2019, 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 March 2019, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists.



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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>

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 2 July 2019
RSM Norge AS

Jan Dørvik
State Authorised Public Accountant



"K" Line Offshore AS

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N-4836 Arendal
Norway

Telephone: [+47] 40 00 06 68
e-mail: chartering@klineoffshore.no

Organisation no.:
Org No 991 860 533 MVA

www.klineoffshore.no



Brønnøysundregistrene

Kundenr : 1987307
K LINE OFFSHORE AS
Att: Ben B Boiling
Kirkegaten 5
4836 ARENDAL

Deres ref.	Vår ref.	Dato
	2012038133	24.10.2012

**Endring av regnskapsåret for
991 860 533 K LINE OFFSHORE AS**

Vi viser til din henvendelse mottatt den 24.10.2012.

Regnskapsregisteret har registrert at enheten har endret avslutningsdato. Den registrerte avslutningsdatoen er nå 31.03.

Årsregnskapet som skal sendes inn, må omfatte regnskapsperioden:

01.01.2012 - 31.03.2013

Årsregnskapet skal fastsettes senest seks måneder etter regnskapsårets slutt, jf. regnskapsloven § 3-1. Komplette årsregnskap skal sendes til Regnskapsregisteret senest innen en måned etter at det er fastsatt, jf. regnskapsloven § 8-2.

Altinn

Vi oppfordrer dere til å sende årsregnskapet elektronisk ved å bruke Regnskapsregisteret sine skjema på www.altinn.no. Dersom dere skal sende årsregnskapet i posten, må dere laste ned og fylle ut skjemaet "Vedlegg til årsregnskap" fra www.brreg.no/regnskap/vedlegg/. Skjemaet må dere skrive under og legge ved årsregnskapet.

Med hilsen

Brønnøysundregistrene - Regnskapsregisteret

Anne Claassen
Anne Claassen
saksbehandler



Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	23.02.2011	25.02.2011
Telefon	Deres referanse	Vår referanse
22078139	Johan Bringsverd	2011/214162

Ernst & Young AS
Oslo Atrium, P.O.Box 20
0051 Oslo

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for K Line Offshore AS, org. nr. 991 860 533

Det vises til deres brev av 23. februar 2011 i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for K Line Offshore AS.

Bakgrunn

K Line Offshore AS er et shippingselskap som driver med utleie av fartøy både time charter og spot marked i internasjonalt farvann og opererer i en bransje av sterk internasjonal karakter. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Selskapet benytter også engelsk som arbeidsspråk og rapporterer all informasjon på engelsk. Selskapets største aksjonær, Kawasaki Kisen Kaisha Ltd, med en eierandel på 95,30 % er basert i Japan. De fleste av selskapets kontraktsparter er utenlandske eller har engelsk som arbeidsspråk. Selskapet har ansatte fra mange land og det interne arbeidsspråk er på denne bakgrunn engelsk. Det er opplyst at det er ingen indikasjoner på at det vil kunne oppstå problemer ved å benytte et annet språk. Brukerne av regnskapet utgjør en lukket krets av interessenter bestående av utenlandske brukere. Selskapets administrerende direktør samt to av styremedlemmene ikke norsk-kyndige. Det er ingen forhold rundt selskapets finansiering som skulle tilsi behov for regnskap på norsk da bankforbindelser etterspør kun informasjon på engelsk. Den norske versjonen utarbeides kun for å tilfredsstille regnskapsloven.

Skattedirektoratets vurdering og konklusjon

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."

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



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. Selskapets virksomhet er utpreget internasjonal og arbeidsspråket er engelsk. Selskapet er i det vesentlige eiet av et japansk selskap. Videre er selskapets leder og to av styremedlemmene ikke norsk språklige. Brukerne av selskapets regnskap er en lukket krets av interessenter som ikke stiller krav til norsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering K Line Offshore AS 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.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Høelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland