



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 996 745 848
Organisasjonsform: Aksjeselskap
Foretaksnavn: KLAVENESS SHIP MANAGEMENT AS
Forretningsadresse: Drammensveien 260
0283 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Solveig Sundby
Dato for fastsettelse av årsregnskapet: 22.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 30.06.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Management fee	2	6 368 508	5 766 881
Other operating revenues	3	2 897 745	557 319
Sum inntekter		9 266 253	6 324 200
Kostnader			
Salaries and other personnel expenses	4,5	2 561 695	1 652 390
Other administration expenses	6,7	5 596 114	3 642 728
Sum kostnader		8 157 809	5 295 118
Driftsresultat		1 108 444	1 029 082
Finansinntekter og finanskostnader			
Income from investments in joint ventures	8	101 000	12 381
Renteinntekt fra foretak i samme konsern		9 611	58 535
Other interest income		58	5
Sum finansinntekter		110 669	70 921
Interest paid to group companies		10	1 582
Other financial expenses		2 103	2 037
Gain / (loss) on foreign exchange		-122 026	5 780
Sum finanskostnader		-119 913	9 399
Netto finans		230 582	61 522
Ordinært resultat før skattekostnad		1 339 026	1 090 604
Tax on ordinary result	15	339 482	228 709
Ordinært resultat etter skattekostnad		999 544	861 895
Årsresultat		999 544	861 895
Overføringer og disponeringer			
Net paid / (received) group contribution without tax effect		0	-1 274 969
Net paid / (received) group contribution with tax effect	13	1 122 622	1 274 969
Transferred to / (from) other equity		-123 077	861 895



Resultatregnskap

Beløp i: USD	Note	2020	2019
Sum overføringer og disponeringer		999 545	861 895



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	15	20 836	113 341
Sum immaterielle eiendeler		20 836	113 341
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	8	15 949	15 949
Lån til tilknyttet selskap og felles kontrollert virksomhet	8	150 000	150 000
Sum finansielle anleggsmidler		165 949	165 949
Sum anleggsmidler		186 785	279 290
Omløpsmidler			
Varer			
Inventory		46 104	46 104
Sum varer		46 104	46 104
Fordringer			
Other short-term receivables	10	2 097 487	786 493
Konsernfordringer	9	3 282 340	2 815 668
Sum fordringer		5 379 827	3 602 161
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		285 765	135 583
Sum bankinnskudd, kontanter og lignende		285 765	135 583
Sum omløpsmidler		5 711 696	3 783 848
SUM EIENDELER		5 898 481	4 063 138

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: USD	Note	2020	2019
Share capital (1000 shares at NOK 2 000)	12,13	360 562	360 562
Sum innskutt egenkapital		360 562	360 562
Opptjent egenkapital			
Other equity	13	2 805 396	2 681 496
Sum opptjent egenkapital		2 805 396	2 681 496
Sum egenkapital		3 165 958	3 042 058
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		92 417	63 833
Public duties payable		268 714	142 477
Kortsiktig konserngjeld	14	1 927 681	489 242
Incurred expenses		242 066	138 183
Other current liabilities		201 643	187 344
Sum kortsiktig gjeld		2 732 521	1 021 079
Sum gjeld		2 732 521	1 021 079
SUM EGENKAPITAL OG GJELD		5 898 479	4 063 137



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 02.11.2011	Vår dato 15.11.2011
Telefon 22078139	Deres referanse Theo Thorkildsen	Vår referanse 2009/275763

KLAVENESS CORPORATE SERVICES AS
Postboks 182 Skøyen
0212 OSLO

Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk for THK Holding AS, org. nr. 988 942 642 og Klaveness Ship Management AS, org. nr. 996 745 848

Det vises til deres brev av 2. november 2011 der det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk for THK Holding AS og Klaveness Ship Management AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering THK Holding AS og Klaveness Ship Management 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.

Bakgrunn

Selskapene som søker om dispensasjon inngår i Torvald Klaveness Gruppen. Selskapene som inngikk i Torvald Klaveness Gruppen fikk i vedtak (2009/275763) av 25. januar 2010 dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk. Siden vedtaket ble gitt har det skjedd endringer i selskapsstrukturen. THK Holding AS er nytt morselskap og Klaveness Ship Management AS er et nystiftet selskap i konsernet. Øvrige forhold som ble lagt til grunn i det tidligere vedtaket er fortsatt gjeldende.

Skattedirektoratets vurdering

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

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

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentraltbord 800 80 000 Telefaks 22 17 08 60
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ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

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

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

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapene som søker om dispensasjon er nye selskaper som inngår i et konsern som tidligere er gitt dispensasjon.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland



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Statsautoriserte revisorer
Ernst & Young AS

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www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Ship Management AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Ship Management AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 management for the financial statements

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

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 International Standards on Auditing (ISAs) will always detect a material



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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 22 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report – Klaveness Ship Management AS

A member firm of Ernst & Young Global Limited

Pemneo Dokumentnøkkel: T2CLT-KU1D8-SZTAC-HF5EY-WCDA6-0YH14



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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Johan Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

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KLAVENESS SHIP MANAGEMENT AS

BOARD OF DIRECTOR'S REPORT 2020

Klaveness Ship Management AS (KSM) was established March 17th, 2011 and acquired the ship management activity from Klaveness Maritime Logistics AS on April 15th, 2011. The company is 100% owned by Klaveness AS, a wholly owned subsidiary of Rederiaksjeselskapet Torvald Klaveness. The company has its office in Oslo. The share capital is NOK 2 000 000 based on 1 000 shares of NOK 2 000 each.

KSM provides technical and commercial ship management services and consultancy, as well as services related to newbuilding and vessel modification projects. The vessels under technical and commercial management are owned by other group companies, fully or partly, and are managed according to standard management agreements.

The company owns 50% of the shares in Barklav (Hong Kong) Ltd and 24.96% of Klaveness Maritime Agency, Inc. in the Philippines. These companies provide mainly crew management services.

At the end of 2020 KSM had technical and crew management of 22 vessels, and technical project management for 3 vessels under construction.

The company has as ship manager established principles for quality operations and control of vessels according to the ISM-code. KSM is certified to ISO 9001, ISO 14001, ISO 37001 and OHSAS 18001. The operations during 2020 have overall been acceptable.

Safety

Work related injuries are down 10% reduction in 2020 vs 2019. Also, accidents without injury such as oil spills, collisions, grounding and main engine break downs have reduced by 20% in 2020. More importantly, medium accidents categorized by severe personnel injuries have significantly improved since Q1 2020 when we had the last business review. We regard this as a the most important strategic progress in 2020. However, the goal is not achieved before we have demonstrated sustained zero medium accidents over time. It is of strategic importance that zero medium accidents are the normal to operate in the tanker market.

Health

COVID-19 represent an extraordinary health risk for our personnel. Strict management are put in place to protect our vessels from getting the virus onboard from visitors and new crew. Before the summer we followed IMO regulations for crew changes which was not enough as we experienced an outbreak on one of our vessels in July. Following this incident, a much stricter regime was implemented where all



crew are required to spend 10 days in dedicated hotels for isolation and testing before traveling to the country of embarkation. Currently, around 10% of onboarding crew are testing positive during the isolation phase and needs replacement. It means that our system is absolutely required to keep our vessels healthy and tradeable. Many countries and ports are not allowing crew changes whatsoever. Positive tests are also creating cascading effects throughout our rotation schemes and has made crew changes a very complicated business. It has become impossible to stick to contact durations and many crew members have been onboard over the maximum allowable 12 months. We have focused on mental health in this period and has had a very successful campaign named "Be a Buddy". We hope this campaign has given some remedy to the stress our colleagues at sea is suffering from long periods in isolation, cancelled crew changes and risk of getting the virus onboard.

The company continues to monitor the development of the COVID-19 virus outbreak and is continuously assessing current and potential impact on employees, crew and operations.

Vetting and Port State Control

The improved safety records are reflected in our vetting and port state performance. We have had 55 port state control inspections in 2020 with no detentions. We see significant improvement also taking into consideration that the frequency of inspections has increased. It's also noticeable that vetting observations categorized as high-risk is reduced.

Environment

The company has the ambition to become a partner to ship owners that wants to develop and operate low and zero-emission vessels. The project team has developed a concept vessel which are specified to carry out the same scope of work as the current CLEANBUs. The concept will be used when specifying CLEANBU Mark II and CABU Mark III to introduce features and characteristics enabling feasible conversion to combust green ammonia in the engines.

We are monitoring grams of CO₂ emitted per ton transported per nautical mile (EEOI), average CO₂ emission per vessel and fuel main engine fuel consumption relative to baseline for all CABUs and CLEANBUs. KSM cannot influence the EEOI which is a function of ballasting ratio, but we are aiming to reduce fuel consumption and CO₂ emission from smarter operations. By having these dashboards available for all on shore and vessels decisions can be made on a continuous basis to perform hull and propeller cleaning. This contrasts with previous practice with retroactive follow up from quarterly reports and no live comparisons between vessels.

The Project team is working systematically to address new technologies that can help reduce fuel consumption and subsequent CO₂ emissions. These subjects are related to machinery, rudder, anti-fouling, propulsion and wind-concepts. The goal is to identify projects that can be piloted for experimentation.

The company is aiming to consume less plastics in our operations. Plastic bottles are reduced to a minimum and solutions to minimize paint residuals from cargo holds are being developed.

We have worked to reduce noise levels from our CLEANBU's since the first delivery. Several cost efficient and smart solutions have been implemented across the fleet to significantly reduce noise levels from port operations. The ambition is to get the QUIET class notation for this fleet.



The operations caused no spill or any other accidental effects to the environment in 2020.

Employees

KSM employed 20 people as per 31 December 2020. The work environment is good and the sick leave is low among the employees. Average sick leave in 2020 was 0.42%. The company endeavours to offer all employees, regardless of gender, religion, beliefs or nationality, equal and attractive career opportunities. At the end of 2020 the company employed two women.

Result and finance

Total operating revenues were USD 9.3 million. The company's opinion is that the pricing is according to the arms-length principle. Total revenue increased with USD 2.9 million in 2020 due to technical management of two new vessels owned by an affiliated company, and new services provided by the company from Q1 2020. Further growth is expected in 2021 with 3 additional vessels, also from an affiliated company, reduced by 1 vessel sold to an external party.

Total operating expenses were USD 8.2 million. The net profit for the year was USD 1.0 million.

The accounts are prepared under the assumption of going concern. No other major issues have occurred after the balance sheet date, which may significantly influence the result or the balance sheet. The Board of Directors finds that the accounts represent a true and fair view of the company's equity and debt, financial position and result.

The board of directors of Klaveness Ship Management AS

Oslo, 31 December 2020

22 March 2021

Morten Skedsmo
Chairman

Martin Prokosch
Board member

Trine Hellum
Board member

Ernst André Meyer
General Manager



KLAVENESS SHIP MANAGEMENT AS

PROFIT AND LOSS ACCOUNT

		<u>2020</u>	<u>2019</u>
		USD	USD
<u>OPERATING REVENUES AND EXPENSES</u>			
Management fee	Note 2	6 368 508	5 766 881
Other operating revenues	Note 3	2 897 745	557 319
Total operating revenues		<u>9 266 254</u>	<u>6 324 200</u>
Salaries and other personnel expenses	Note 4,5	(2 561 695)	(1 652 390)
Other administration expenses	Note 6,7	(5 596 114)	(3 642 728)
Total operating expenses		<u>(8 157 809)</u>	<u>(5 295 118)</u>
Operating result		<u>1 108 445</u>	<u>1 029 082</u>
<u>FINANCIAL INCOME AND EXPENSES</u>			
Income from investments in joint ventures	Note 8	101 000	12 381
Interest received from group companies		9 611	58 535
Other interest income		58	5
Interest paid to group companies		(10)	(1 582)
Other financial expenses		(2 103)	(2 037)
Gain / (loss) on foreign exchange		122 026	(5 780)
Result of financial items		<u>230 582</u>	<u>61 522</u>
Ordinary result before tax		<u>1 339 027</u>	<u>1 090 604</u>
Tax on ordinary result	Note 15	(339 482)	(228 709)
Net profit / (loss) for the year		<u>999 545</u>	<u>861 894</u>
<u>Details on transfers and allocations:</u>			
Net paid / (received) group contribution without tax effect		0	(1 274 969)
Net paid / (received) group contribution with tax effect	Note 13	1 122 622	1 274 969
Transferred to / (from) other equity		(123 077)	861 895
		<u>999 545</u>	<u>861 895</u>



KLAVENESS SHIP MANAGEMENT AS

BALANCE SHEET

		<u>At December 31, 2020 USD</u>	<u>At December 31, 2019 USD</u>
ASSETS			
<u>FIXED ASSETS</u>			
Intangible assets			
Deferred tax asset	Note 15	20 836	113 341
Total intangible assets		<u>20 836</u>	<u>113 341</u>
Financial fixed assets			
Investments in joint ventures	Note 8	150 000	150 000
Investments in associated companies	Note 8	15 949	15 949
Total financial fixed assets		<u>165 949</u>	<u>165 949</u>
Total fixed assets		<u>186 785</u>	<u>279 290</u>
<u>CURRENT ASSETS</u>			
Inventories			
Inventory		46 104	46 104
Total inventories		<u>46 104</u>	<u>46 104</u>
Receivables			
Receivables from group companies	Note 9	3 282 340	2 815 668
Other short-term receivables	Note 10	2 097 487	786 493
Total receivables		<u>5 379 827</u>	<u>3 602 161</u>
Cash and bank deposits	Note 11	<u>285 765</u>	<u>135 583</u>
Total current assets		<u>5 711 695</u>	<u>3 783 849</u>
TOTAL ASSETS		<u>5 898 480</u>	<u>4 063 138</u>



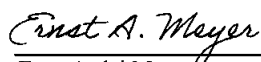
KLAVENESS SHIP MANAGEMENT AS

BALANCE SHEET

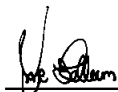
		At December 31, 2020 USD	At December 31, 2019 USD
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Paid-in capital			
Share capital (1000 shares at NOK 2 000)	Note 12, 13	360 562	360 562
Total paid-in capital		360 562	360 562
Retained earnings			
Other equity	Note 13	2 805 396	2 681 496
Total retained earnings		2 805 396	2 681 496
Total equity		3 165 958	3 042 059
Current liabilities			
Accounts payable		92 417	63 833
Debt to group companies	Note 14	1 927 681	489 242
Public duties payable		268 714	142 477
Incurred expenses		242 066	138 183
Other current liabilities		201 642	187 344
Total current liabilities		2 732 520	1 021 079
Total liabilities		2 732 520	1 021 079
TOTAL EQUITY AND LIABILITIES		5 898 480	4 063 138

Oslo, December 31, 2020

March 22, 2021



Ernst André Meyer
General Manager



Trine Hellum
Board Member



Martin Prokosch
Board Member



Morten Skedsmo
Chairman



KLAVENESS SHIP MANAGEMENT AS

CASH FLOW STATEMENT

	2020	2019
	USD	USD
Ordinary result before tax	1 339 027	1 090 604
Share of profit from joint ventures	(101 000)	(12 381)
Change in inventories	-	(46 104)
Change in receivables	(1 777 665)	414 883
Change in current liabilities	588 821	(1 812 826)
A: Net cash flow from operating activities	49 182	(365 824)
Payments received from joint ventures	101 000	12 381
B: Net cash flow from investment activities	101 000	12 381
C: Net cash flow from financing activities	-	-
Net change in liquidity in the period (A+B+C)	150 181	(353 443)
Cash and cash equivalents at beginning of period	135 583	489 027
Cash and cash equivalents at close of period	285 765	135 583
Net change in cash and cash equivalents in the period	150 181	(353 443)



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 1

ACCOUNTING PRINCIPLES

The financial statements have been prepared and presented according to Norwegian Accounting Act and generally accepted accounting principles in Norway. The most important accounting principles applied by the company are described below.

CHANGE IN ACCOUNTING PRINCIPLES

No changes have been made in accounting principles in the current year.

CLASSIFICATION OF ITEMS IN THE ACCOUNTS

Assets designed for permanent ownership or use and receivables with maturities exceeding one year from the balance sheet date are presented as fixed assets. Other assets are classified as current assets. Debt with maturity within one year from the balance sheet date, is classified as current debt. All other debt is classified as long-term debt.

VALUATION OF ASSETS AND LIABILITIES

Fixed assets are stated at historical cost, less subsequent depreciation and impairment. Fixed assets with a limited useful life are depreciated according to a depreciation schedule which has been determined based on best estimates taking into account each operating asset's wear and tear and age, and expected useful life. Fixed assets are written down to the recoverable amount if it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of the net sales value and value in use.

Current assets are valued at the lower of cost and net realizable value.

Loans are recognized at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

ESTIMATES AND ASSUMPTIONS

Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures generally will differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis.

REVENUE RECOGNITION

The company provides ship management services, ship operation services, consultancy and project management related to construction of new vessels and other technical projects, as well as advisory services related to sale and purchase of vessels. The services are mainly provided to companies within the Torvald Klaveness group, but supervision, technical management and crewing services may also be provided to external customers. Revenue is recognized when the services has been provided.

INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies are defined as entities in which the company has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest that constitutes at least 20 percent of the voting rights in the entity. Investments treated as associated companies are recorded according to the purchase method. Investments that are defined as temporary are valued at the lower of acquisition cost or fair market value, and are reported as current assets under the items shares and ownership interests. Investments are defined as temporary when the main motivation for the investment is to achieve a return on equity, and where the transaction frequency historically support that the intention is not of a long-term nature.

In recognizing investments using the purchase method of accounting, repayments of paid-in capital and distribution of retained earnings that are attributable to periods prior to the period of the company's ownership are treated as reductions in the acquisition cost of the investment. Distributions of profits earned during the period when the company owns the investment are recognized in the profit and loss account.

If the recoverable amount of an investment is lower than the carrying amount, and the decline in value is not expected to be temporary, the investment is written down to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. Write-downs are reversed to the extent the basis for the write-downs no longer exists.

TAX

Tax expense in the profit and loss account includes both tax payable for the period, adjustment of previous years' tax expense, and changes in deferred tax liability and deferred tax asset. The year's payable tax is the tax expense that falls due for payment as a result of the period's taxable profit. Deferred tax represents the tax that on the balance sheet date is associated with profit for the year and previous years and that will fall due for payment in subsequent periods. The deferred tax asset comprises tax already paid but not yet expensed in the accounts and future tax savings associated with loss carry forwards. Deferred tax and deferred tax asset are calculated using 22 percent of the value of the temporary differences between accounting and tax values and the tax loss to be carried forward at the close of the accounting year. Tax-increasing and tax-reducing temporary differences that are reversed or can be reversed in the same period and under the same tax regime are offset. Net deferred tax benefit is entered in the balance sheet to the extent it is likely that it will be used.



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 1

ACCOUNTING PRINCIPLES

PRESENTATION CURRENCY AND FUNCTIONAL CURRENCY

The company presents its accounts in USD. The company's functional currency is USD.

RECEIVABLES

Receivables are recorded at their nominal value, less expected losses. Provisions for losses are made following assessment of each receivable.

INVENTORY

Inventory is valued at the lower of acquisition cost or fair market value based on the FIFO (First In - First Out) principle. Acquisition cost includes cargo expenses.

INTANGIBLE ASSETS

Intangible assets are recorded in the balance sheet if future economic benefits are likely to be associated with the assets, if the assets are controlled by the company, and if the cost of the asset can be reliably estimated.

Intangible assets are recognized at acquisition cost. Intangible assets with unlimited useful life are not depreciated; they are written down upon identification of impairment that is not expected to be temporary. Intangible assets with a limited lifetime are amortized based on expected economic life, and written down to fair value upon value impairment that is not expected to be temporary. Write-downs are reversed to the extent the basis for the write-downs is no longer present.

Goodwill recorded in the balance sheet can result from mergers or demergers recognized at fair value, from the transfer of business activities by means other than a merger, and from application of the gross method of accounting for joint ventures. Goodwill is the difference between the compensation paid and fair value of identifiable assets and liabilities in the aforementioned transactions. Goodwill is based on an expectation of future earnings; such earnings can result from synergy effects among identifiable or non-identifiable assets of the company. Goodwill is amortized according to a depreciation schedule that reasonably reflects the expected profile of future earnings. At a decline in value that is not expected to be temporary, goodwill is written down to fair value. Write-downs of goodwill are reversed to the extent the basis for the write-down no longer exists.

PENSIONS

All employees on-shore have a defined contribution plan. All the pension plans in the Company are in compliance with local laws and regulations.

A defined contribution plan is one under which the Company pays fixed contributions to a separate legal entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The responsibility for managing the individual pension account, within the insurance company's prevailing selection of funds, lies with the employee.

For defined contribution plans, the group and the parent company pay contributions till publicly or privately administered pension insurance plans on an obligatory, contractual basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Individual agreements between the Company and the employee, resulting in an early retirement scheme, is treated in the financial statements as a contribution based pension scheme in which the total premium payments for the period up till the age of 67 are recognized as a pensions cost at the time of signing the contract.

RELATED PARTIES

Transactions with related parties are conducted at arm's length on market terms.

Interest on long-term loans and debt among companies in the Torvald Klaveness Group, is calculated at arm's length. Loans between affiliated companies are priced using a floating reference rate (LIBOR/NIBOR) plus a margin. The margin is set based on a rating of the borrower and on the loan terms.

CASH FLOW STATEMENT

The cash flow statement is prepared and presented according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term liquid investments with settlement within three months.



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 2	2020	2019
<u>MANAGEMENT FEE</u>	<u>USD</u>	<u>USD</u>
Management fees - intragroup		
Technical management fee	4 583 256	4 109 174
Crewing fee	1 657 728	1 530 188
Insurance fee	127 524	127 519
Totalt management fee	<u>6 368 508</u>	<u>5 766 881</u>

Note 3	2020	2019
<u>OTHER OPERATING REVENUES</u>	<u>USD</u>	<u>USD</u>
Other operating revenues - intragroup		
Ship operation services	1 044 942	0
IT fee	103 137	164 559
Project services	1 690 534	370 800
Other income	44 311	21 960
Sum	<u>2 882 924</u>	<u>557 319</u>
Other operating revenues - external		
Other income - external	14 821	0
Sum	<u>14 821</u>	<u>0</u>
Other operating revenues	<u>2 897 745</u>	<u>557 319</u>

Ship operation services for Klaveness owned vessels and technical project management has been transferred from Klaveness AS to Klaveness Ship Management AS during Q1 2020.

Note 4	2020	2019
<u>SALARIES AND OTHER PERSONNEL EXPENSES</u>	<u>USD</u>	<u>USD</u>
Salaries	2 069 321	1 278 889
Employer's social security contribution	282 225	213 144
Net pension costs	182 448	120 198
Other remuneration	27 701	40 159
Total	<u>2 561 695</u>	<u>1 652 390</u>

Defined contribution plan

All employees on-shore have a defined contribution plan. The defined contribution plans cover full-time employees and contributions comprise between 3 % and 5 % of salaries. As at 31 December 2020, 20 members were covered by the plans.

The contributions recognised as expenses were TUSD 182 and TUSD 120 in 2020 and 2019 respectively.

NUMBER OF EMPLOYEES

The average number of employees in the company was 18,6 in 2020 and 12 in 2019.



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 5	2020	2019
<u>REMUNERATION TO KEY PERSONNEL</u>	<u>USD</u>	<u>USD</u>
<i>General Manager</i>		
Salary	210 390	149 333
Pension cost	14 283	14 919
Total	<u>224 673</u>	<u>164 252</u>

The salary expenses for the General Manager includes all salary and bonus paid during 2020. Accrued bonus to be paid in 2021 is not included.

The pension cost for the General Manager does not include expenses related to closure of the insured collective pension plan in 2020.

Members of the Board of Directors are employees of the Torvald Klaveness Group. No special remuneration has been paid to the various members of the Board of Directors, because such positions of office are a part of their regular employment. Compensation for Board work is thus included in the regular salary of such employees.

Note 6	2020	2019
<u>REMUNERATION TO THE AUDITOR</u>	<u>USD</u>	<u>USD</u>
Fee for statutory audit, excluding VAT	3 486	22 630
Fee for other assurance services, excluding VAT	1 090	1 756
Total	<u>4 576</u>	<u>24 386</u>

Note 7	2020	2019
<u>OTHER ADMINISTRATION EXPENSES</u>	<u>USD</u>	<u>USD</u>
Services from group companies and other related companies	2 229 123	1 455 322
Other services from external parties (incl premises outside Norway)	1 379 046	707 059
IT-cost	844 801	479 807
Office rent	181 899	147 925
Various expenses (incl. Remuneration to the Auditor)	961 244	852 615
Total	<u>5 596 114</u>	<u>3 642 728</u>



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 8

INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES, AND JOINT VENTURES

Company	Date of acquisition	Location	Company's share capital	Par value	Number of shares	Direct ownership (in %)	Direct + indirect ownership (in %)	Voting rights (in %)
Investments in associated companies								
Klaveness Maritime Agency, Inc	08.11.2011	Manila	Php 2 000 000	Php 100	20 000	24,97 %	24,97 %	24,97 %
Investments in joint ventures								
Barklav (Hong Kong) Ltd.	21.12.2011	Hong Kong	HKD 5 000	HKD 1	5000	50,0 %	50,0 %	50,0 %

INVESTMENT IN ASSOCIATED COMPANIES

	2020 Klaveness Maritime Agency, Inc	2019 Klaveness Maritime Agency, Inc
USD		
<i>Book value</i>		
Direct ownership interests	24,97 %	24,97 %
Acquisition cost as of 1 January	39 686	39 686
(Write-downs) / reversal of write-downs	-23 737	-23 737
Book value as of 1 January	15 949	15 949
Write-down of shares / ownership interests	0	0
Total profit items	0	0
Increases / (reductions) of ownership interests incl. change of paid-in	0	0
Transfers to/ from the company upon dividend payments/capital changes	0	0
Mergers	0	0
Total other changes	0	0
Book value as of 31 December	15 949	15 949
Share of equity in the company:		
Share of equity as of 1 January	47 687	38 403
Increases / (reductions) of ownership interests	0	0
Share transferred to / (from) the company upon payments received/(payments)/ (dividends)	0	0
Share of profit for the year	3 318	9 704
Other changes (incl. currency gain /loss adjustments)	2 537	-419
Share of equity as of 31 December, direct ownership interests	53 543	47 687

INVESTMENTS IN JOINT VENTURES

	2020 Barklav (Hong Kong) Ltd	2019 Barklav (Hong Kong) Ltd
USD		
<i>Book value</i>		
Direct ownership interests	50,0 %	50,0 %
Acquisition cost as of 1 January	150 000	150 000
(Write-downs) / reversal of write-downs	0	0
Book value as of 1 January	150 000	150 000
Total profit items	0	0
Increases / (reductions) of ownership interests incl. changes in paid-in capital	0	0
Transfers to / from the company upon dividends/capital changes	0	0
Total other changes	0	0
Book value as of 31 December	150 000	150 000
Share of equity in the company:		
Share of equity as of 1 January	574 926	346 808
Increases / (reductions) of ownership interests	0	0
Share transferred to / (from) the company upon payments received/(payments)/ (dividends)	-101 000	-12 381
Share of profit for the year	137 698	228 118
Other changes (incl. currency gain /loss adjustments)	0	12 381
Share of equity as of 31 December, direct ownership interest	611 624	574 926



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 9	At December 31,	At December 31,
	2020	2019
<u>RECEIVABLES FROM GROUP COMPANIES</u>	<u>USD</u>	<u>USD</u>
Klaveness Finans AS	1 999 357	2 809 158
KCC Charteiring AS	586 530	0
Klaveness Combination Carriers ASA	147 250	0
KCC Shipowning AS	549 203	0
Klaveness Shore Services, Inc.	0	6 510
Total	3 282 340	2 815 668

Short-term intragroup receivables are defined as items that fall due within one year after the close of the accounting year.

Several companies in the Torvald Klaveness Group participate in a multi-currency group account system operated by DNB Bank ASA. Klaveness Finans AS is the account holder of the group account system. Group companies' deposits and withdrawals in the accounts system are regulated by the group account agreements and treated as receivables / liabilities in the account of Klaveness Finans AS, and classified accordingly in the annual accounts. All companies that participate in the group account system are jointly and severally liable for any deficit in the group account structure.

Note 10

OTHER SHORT-TERM RECEIVABLES

	At December 31,	At December 31,
	2020	2019
	<u>USD</u>	<u>USD</u>
Barklav (Romania) SRL (working capital)	1 922 489	773 374
Other	13 667	1 795
Prepaid	161 330	11 324
Total external debtors	2 097 487	786 493

Short-term receivables are defined as items that fall due within one year after the close of the accounting year.

Note 11

CASH AND BANK DEPOSITS

	At December 31,	At December 31,
	2020	2019
	<u>USD</u>	<u>USD</u>
Cash	29 604	0
Bank deposits, NOK	5 127	4 964
Bank deposits, EUR	86 484	44 154
Tax withholding accounts, restricted	164 550	86 465
Total cash and bank deposits	285 765	135 583

The company participates in a group account system for which Klaveness Finans AS is the account holder. For further information, see the note on group accounts receivable / payable.



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 12

SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company's share capital comprises the following share classes:

	Number	Par value (NOK)	Book value (NOK)
Class A shares	1 000	2 000	2 000 000
Total	1 000	2 000	2 000 000

The company's articles of association stipulate that only class A shares carry voting rights.

Ownership structure

Shareholders as of 31 December:

	Number of shares	Ownership interest	Votes (in %)
Klaveness AS	1 000	100 %	100 %
Total number of shares	1 000	100 %	100 %

The company is a subsidiary of Rederiaksjeselskapet Torvald Klaveness; as such, it is exempt from the requirement to prepare consolidated accounts, cf. Section 3-7 of the Accounting Act of 1998.

The company is included in the consolidated accounts of Rederiaksjeselskapet Torvald Klaveness, Drammensveien 260, P.O. Box 182 Skøyen, NO-0212 Oslo, Norway. The annual accounts of Rederiaksjeselskapet Torvald Klaveness are available at www.klaveness.com.

Note 13

EQUITY

USD	Share capital	Other equity	Total equity
Equity as of 1 January 2019	360 562	1 539 107	1 899 670
CHANGE IN EQUITY DURING THE YEAR			
Profit for the year		861 895	861 895
Net group contribution received/ (paid) without tax effect		1 274 969	1 274 969
Net group contribution received/ (paid) with tax effect		-994 476	-994 476
Equity as of 31 December 2019	360 562	2 681 496	3 042 059
CHANGE IN EQUITY DURING THE YEAR			
Profit for the year		999 545	999 545
Net group contribution received/ (paid) with tax effect		-875 645	-875 645
Equity as of 31 December 2020	360 562	2 805 396	3 165 958



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 14	At December 31,	At December 31,
<u>LIABILITIES TO GROUP COMPANIES</u>	2020	2019
	USD	USD
Klaveness AS	751 255	376 387
Klaveness Shore Services, Inc.	9 749	0
KCC Shipowning AS	0	91 440
Klaveness Container AS	39 128	21 416
Bulkhandling Handymax AS	4 927	0
Klaveness finans AS - group contribution with tax effect	1 099 366	0
Baumarine AS - group contribution with tax effect	23 257	0
Total liabilities	<u>1 927 681</u>	<u>489 242</u>

Current liabilities are defined as liabilities that fall due within one year after the close of the accounting year.



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 15

A. TAX EXPENSE

Tax expense in the profit and loss account consists of:

	2020	2019
	USD	USD
Change in deferred tax / deferred tax asset	92 505	(51 784)
Effect of group contribution	246 977	280 493
Total tax expense	339 482	228 709

B. CALCULATION OF TAX BASIS - TAX PAYABLE

	2020 Basis	2020 Tax 22 %	2019 Basis	2019 Tax 22 %
Profit before tax	1 339 027	294 586	1 090 604	239 933
Non-deductible expenses	1 346	296	7 447	1 638
Dividends from investments in associated companies covered by the tax exemption model	(101 000)	(22 220)	0	0
Tax-free dividends from shares covered by the tax exemption model	101 000	0	0	0
Accounting revenues from ownership interests in limited partnerships / NOKUS	3 030	667	0	0
Share of taxable result from investments in limited partnerships/ NOKUS	0	0	(12 381)	(2 724)
Exchange differences	(97 610)	(21 474)	22 964	5 052
Subtotal - permanent differences	(194 234)	(42 731)	219 023	48 185
Change in temporary differences	(22 170)	(4 877)	(34 658)	(7 625)
Group contribution from KLAVENESS SHIP MANAGEMENT AS to:				
Klaveness Finans AS	(1 099 366)	(241 860)	(1 274 969)	(280 493)
Baumarine AS	(23 257)	(5 116)		
Subtotal - group contribution	(1 122 622)	(246 977)	(1 274 969)	(280 493)
Use of tax losses carried forward	0	0	0	0
Total tax basis and tax payable	0	0	0	0

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:

	2020	2019
Profit before tax	1 339 027	1 090 604
Nominal tax rate	22 %	22 %
Expected income tax according to the nominal taxation rate	294 586	239 933
Exchange differences	(21 474)	5 808
Tax effect, shares and units	(21 553)	0
Tax effect, non-deductible costs	296	1 638
Tax adjustment previous year	0	(18 670)
Tax effect, change of tax treatment for joint venture investment	87 628	0
Tax expense for the year	339 482	228 709
Effective tax rate	25,35 %	20,97 %



KLAVENESS SHIP MANAGEMENT AS

NOTES

Note 15

D. DEFERRED TAX / (DEFERRED TAX ASSET)

Specification of the tax effect of temporary differences:

USD	Status 01.01.2020	Endring	Status 31.12.2020	Skatteeffekt 31.12.2020 22 %	Status 31.12.2019	Skatteeffekt 31.12.2019 22 %
Fixed assets	(18 030)	4 995	(13 035)	(2 868)	(18 030)	(3 967)
Goodwill	(98 848)	17 175	(81 673)	(17 968)	(98 848)	(21 746)
Total temporary differences that have not been specially adjusted	(116 878)	22 170	(94 708)	(20 836)	(116 878)	(25 713)
Investments in limited partnerships/NOKUS	(398 307)	398 307	0	0	(398 307)	(87 628)
Total temporary differences - adjusted / not adjusted	(515 185)	420 478	(94 708)	(20 836)	(515 185)	(113 341)
Tax losses carried forward	0	0	0	0	0	0
Total temp. differences - basis for calc. deferred tax/(deferred tax as	(515 185)	420 478	(94 708)	(20 836)	(515 185)	(113 341)

Deferred tax / (deferred tax assets) recorded in the balance sheet	(20 836)	(113 341)
Change in deferred tax / (deferred tax assets)	92 505	(51 784)



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Ship Management AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Ship Management AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 management for the financial statements

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

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 International Standards on Auditing (ISAs) will always detect a material



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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 22 March 2021
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report – Klaveness Ship Management AS

A member firm of Ernst & Young Global Limited

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Johan Nordby

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