



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.04.2017 - 31.03.2018
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Konsern

Morselskap i konsern:	Nei
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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:	Christian Johansson
Dato for fastsettelse av årsregnskapet:	31.07.2018

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		245 352 000	251 567 000
Annen driftsinntekt		7 569 000	9 284 000
Sum inntekter	2,11	252 921 000	260 851 000
Kostnader			
Varekostnad	2,14	224 469 000	235 740 000
Lønnskostnad	3	13 587 000	13 198 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	117 458 000	134 332 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5		355 208 000
Annen driftskostnad	3,18	4 790 000	5 408 000
Sum kostnader		360 304 000	743 886 000
Driftsresultat		-107 383 000	-483 035 000
Finansinntekter og finanskostnader			
Annen finansinntekt	4	1 501 000	1 052 000
Urealisert agio på gjeld i fremmed valuta	4	91 403 000	15 197 000
Sum finansinntekter		92 904 000	16 249 000
Annen finanskostnad	4	89 679 000	89 030 000
Sum finanskostnader		89 679 000	89 030 000
Netto finans		3 225 000	-72 781 000
Ordinært resultat før skattekostnad		-104 158 000	-555 816 000
Skattekostnad på ordinært resultat	13	0	0
Ordinært resultat etter skattekostnad		-104 158 000	-555 816 000
Årsresultat		-104 158 000	-555 816 000
Netto endring i kontantstrømsikringer ført over OCI	16	977 000	1 530 000
Totalresultat		-103 181 000	-554 286 000
Overføringer og disponeringer			



Resultatregnskap

Beløp i: NOK	Note	2018	2017
Virkelig verdi av kontantstrømsikringer		977 000	1 530 000
Udekket tap		-104 158 000	-555 816 000
Sum overføringer og disponeringer		-103 181 000	-554 286 000



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	5,10,1 9	2 276 451 000	2 393 827 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	5	41 000	120 000
Sum varige driftsmidler		2 276 492 000	2 393 947 000
Sum anleggsmidler		2 276 492 000	2 393 947 000
Omløpsmidler			
Varer			
Varer	12	12 808 000	12 456 000
Sum varer		12 808 000	12 456 000
Fordringer			
Kundefordringer	6,14,1 5,16,1 7	23 144 000	42 469 000
Andre fordringer	6,15,1 6,17	14 114 000	15 656 000
Sum fordringer		37 258 000	58 125 000
Investeringer			
Kortsiktige valutakontrakter	7,15,1 6,17	3 411 000	4 719 000
Sum investeringer		3 411 000	4 719 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	8,15,1 6,17	171 816 000	183 134 000
Sum bankinnskudd, kontanter og lignende		171 816 000	183 134 000
Sum omløpsmidler		225 293 000	258 434 000



Balanse

Beløp i: NOK	Note	2018	2017
SUM EIENDELER		2 501 785 000	2 652 381 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	9	1 120 064 000	1 120 064 000
Sum innskutt egenkapital		1 120 064 000	1 120 064 000
Opptjent egenkapital			
Virkelig verdi av kontantstrømsikringer	7,15,1 6	-603 000	-1 579 000
Udekket tap		992 182 000	888 025 000
Sum opptjent egenkapital		-992 785 000	-889 604 000
Sum egenkapital		127 279 000	230 460 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5,8,10, 11,14, 15,16, 17,19	2 122 672 000	1 829 130 000
Langsiktige valutakontrakter ført til markedsverdi	7,15,1 6,17	0	1 288 000
Sum annen langsiktig gjeld		2 122 672 000	1 830 418 000
Sum langsiktig gjeld		2 122 672 000	1 830 418 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	5,10,1 1,14,1 5,16,1 7,19	232 310 000	567 432 000
Leverandørgjeld	14,15, 16,17	17 052 000	23 780 000
Kortsiktige valutakontrakter ført til virkelig verdi	7,15,1	2 472 000	291 000



Balanse

Beløp i: NOK	Note	2018	2017
	6,17		
Sum kortsiktig gjeld		251 834 000	591 503 000
Sum gjeld		2 374 506 000	2 421 921 000
SUM EGENKAPITAL OG GJELD		2 501 785 000	2 652 381 000
POSTER UTENOM BALANSEN			
Pantstillelser	10	1 999 508 000	2 098 827 000



K LINE OFFSHORE

K LINE OFFSHORE AS ANNUAL REPORT 2017





THE FLEET

AHTS		PSV	
KL Sandefjord	2011, AH12CD, 390tBP, ROV	KL Arendalfjord	2004, UT755L, 680m ²
KL Saltfjord	2011, AH12CD, 397tBP, ROV	KL Brevikfjord	2010, PSV 06 CD, 1100m ²
		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



We have been through another fiscal year characterized by a weak market. The total revenue for the period was NOK 252.9 mill. resulting in EBITDA (earnings before interest, tax, depreciation and amortization) of only NOK 10.1 mill. The net loss turned out to be NOK 104.2 mill. which is a significant improvement compared to last fiscal year since we had no extraordinary write-downs due to impairment loss of the vessels this year.

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. Vessels being idle in other areas are searching for opportunities in the North Sea.

In the PSV segment at the end of the fiscal year 77 vessels are laid up in the North Sea, and the rate level has been low during FY 2017. For our three vessels trading out of Aberdeen we have secured medium term contracts, and we are pleased to notice the good feedback we receive from the charterers. One of these vessels are currently in the spot market. Recently we have seen some improvements in the spot market especially in Norway where we have our Norwegian-flagged vessel KL Brofjord employed. Our medium size PSV KL Arendalfjord is still in lay-up.

For the AHTS fleet 40 vessels are laid up in the North Sea, and they are mainly of small or medium size. Thus, we are cautiously optimistic for the future for our two ultra large AHTS's which often are preferred by the charterers. 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 zero LTI (Lost Time Injuries) for the last 12 months. For the fuel efficiency we have continuous efforts to make improvements. In appreciation of the shore power connections on our AHTS's, K Line gave us an Excellence Award during a ceremony in their head quarter.

By having another challenging Fiscal Year 2018, KOAS must focus to achieve better earning per day than the market, minimize downtime and continue cost cutting. The vessels will during the coming fiscal year start the interim surveys and through good planning we intend to keep the costs down for these surveys. Due to the higher and quite stable oil price and increasing activity by the oil companies which is clearly demonstrated through increased new contracts for employment of rigs, we are becoming cautiously optimistic about the coming years.

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.

Takahiko Tsurukawa
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 seven OSV's, of which five are PSV's (Platform Supply Vessels) and two are AHTS's (Anchor Handling Tug Supply). The AHTS's and four of the PSV's were delivered in 2010 and 2011 and are fully owned by the Company. The other PSV, KL Arendalfjord (built 2004), is hired in on a long-term finance lease.

The fully 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 Arendalfjord was been laid up in Porsgrunn, Norway since February 2016. 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 out of Aberdeen for the UK Continental Shelf.

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 some 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 no 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, 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 FY2017 the parent company has strengthened the liquidity of the Company by increasing the shareholder loan by NOK 250 million. As of 31 March 2018, total shareholder loan is NOK 690 million (31 March 2017: NOK 440 million).

After the financial period end, but before the reporting of the FY2017 financial statements, the parent company has guaranteed equity injection of NOK 150 million to further strengthen the liquidity of the Company and to provide readily available cash resources necessary to enable the Company to continue as a going concern.

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.

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 2018. The financial statements cover the 12-month period from 1. April 2017 to 31. March 2018. All figures in brackets are for fiscal year 2016, which covers the period from 1. April 2016 to 31. March 2017.

The Company recorded revenue for the period of NOK 252,9 million (NOK 260,9 million) and an operating profit of NOK - 107,4 million (NOK - 483,0 million) for the 12 months to 31 March 2018. EBITDA (earnings before interest, tax, depreciation and amortization) was NOK 10,1 million (NOK 6,5 million).



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The Company had a net loss after tax for the period of NOK 104,2 million (loss of NOK 555,8 million), which included an unrealized gain on translation of loans denominated in foreign currencies of NOK 91,4 million (gain of NOK 15,2 million). No impairment losses were recorded on the fleet in FY2017 (FY2016: Impairment losses of NOK 355,2 million).

During the period cash and short-term deposits decreased by NOK 11,3 million (increase of NOK 40,6 million). The Company recorded a negative cash flow from operations of NOK 14,2 million (negative with NOK 54,8 million) and net cash inflow from financing activities was NOK 3,6 million (net inflow of NOK 98,5 million).

Explanation of differences between EBITDA and cash flow from operations:

(NOK million)	FY2017	FY2016
Cash flow from operation	-14 239	-54 847
EBITDA	10 075	6 505
Difference	-24 314	-61 352
<i>Explanation of difference:</i>		
Periodical maintenance	0	-29 852
Interest received less interest paid	-32 743	-22 729
Working capital adjustments	8 429	-8 771
Gain on disposal of fixed assets	0	0
Total	-24 314	-61 352

The Board proposes to allocate the loss for the period of NOK 104,2 million to uncovered losses. At the period end the Company had a book equity of NOK 127,3 million (NOK 230,5 million). The book equity to book assets ratio was 5,1% at the period end (8,7%). 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 ten 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 0.67% 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 Pilipino 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. We are pleased that we now have for our fleet reached the goal of 0 Lost Time Injury Frequency per 31st March 2018, while the Total Recordable Injuries Frequency was 1.2 and no oils spill to the sea during FY 2017.

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 100 OSV's laid up in the North Sea area.

We have recently seen higher rates for the PSV's due to the increased activity. For our AHTS's we are quite optimistic due to no new orders for the high-end market. 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, 31 July 2018


Tomoyuki Okawa
Chairman


Takahiko Tsurukawa
Director and CEO



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INCOME STATEMENT

(All figures in 1000 NOK)

	Note	FY2017 From 1 April 2017 To 31 March 2018 12 months	FY2016 From 1 April 2016 To 31 March 2017 12 months
Revenue			
Operating revenue		245 352	251 567
Other revenue		7 569	9 284
Total revenue	2, 11	252 921	260 852
Operating Expenses			
Vessel operating expenses	2, 14	224 470	235 741
Salary and other employee benefits	3	13 587	13 198
Sales, general and administrative expenses	3, 18	4 790	5 408
Amortisation of intangible assets		0	1 252
Depreciation and impairment of fixed assets	5	117 458	488 288
Total operating expenses		360 304	743 886
Operating profit/(loss)		-107 383	-483 034
Financial Income and expenses			
Finance income	4	1 501	1 052
Finance cost	4	89 679	89 030
Unrealized finance income/(cost) on foreign currency debt	4	91 403	15 197
Net finance income		3 225	-72 781
Profit/(loss) before tax		-104 158	-555 816
Income tax	13	0	0
Profit/(loss) for the year		-104 158	-555 816



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OTHER COMPREHENSIVE INCOME

(All figures in 1000 NOK)

		FY2017 From 1 April 2017 To 31 March 2018 12 months	FY2016 From 1 April 2016 To 31 March 2017 12 months
Note			
	Profit/(loss) for the year	-104 158	-555 816
	Other comprehensive income		
	Net movement on cash flow hedges	16 977	1 530
	Income tax effect	0	0
	Net other comprehensive income to be classified to profit or loss in subsequent periods:	977	1 530
	Other comprehensive income for the year, net of tax	977	1 530
	Total comprehensive income for the year, net of tax	-103 181	-554 286
	Allocated Retained earnings	0	0
	Allocated Uncovered losses	-104 158	-555 816
	Allocated Share premium	0	0
	Allocated Cash flow hedge reserve	977	1 530
	Total allocated	-103 181	-554 286



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STATEMENT OF FINANCIAL POSITION

(All figures in 1000 NOK)

ASSETS	Note	31 MAR 2018	31 MAR 2017
Non-current assets			
Vessels	5, 10, 19	2 276 451	2 393 827
Other property, plant and equipment	5	42	120
Total non-current assets		2 276 492	2 393 947
Current assets			
Holdings on board vessels	12	12 808	12 456
Trade and other receivables	6, 14, 15, 16, 17	23 144	42 469
Prepayments	6, 15, 16, 17	14 114	15 656
Other current financial assets	7, 15, 16, 17	3 412	4 720
Cash and short-term deposits	8, 15, 16, 17	171 816	183 134
Total current assets		225 293	258 434
TOTAL ASSETS		2 501 785	2 652 381
EQUITY AND LIABILITIES			
Equity			
Issued share capital	9	1 120 064	1 120 064
Share premium		0	0
Cash flow hedge reserve	7, 15, 16	-603	-1 579
Uncovered losses		-992 182	-888 025
Total equity		127 279	230 460
Non-current liabilities			
Interest-bearing loans and borrowings	5, 8, 10, 11, 14, 15, 16, 17, 19	2 122 672	1 829 130
Other non-current financial liabilities	7, 15, 16, 17	0	1 288
Total non-current liabilities		2 122 672	1 830 418
Current liabilities			
Trade and other payables	14, 15, 16, 17	17 051	23 780
Interest-bearing loans and borrowings - current portion	5, 10, 11, 14, 15, 16, 17, 19	232 310	567 432
Other current financial liabilities	7, 15, 16, 17	2 472	291
Total current liabilities		251 834	591 503
Total liabilities		2 374 506	2 421 921
TOTAL EQUITY AND LIABILITIES		2 501 785	2 652 381



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CHANGES IN EQUITY

(All figures in 1000 NOK)

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	-992 182	-602	127 279

No dividend was proposed or paid in the year.

For the financial year ended 31 March 2017

	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2016	1 120 064	0	-332 210	-3 109	784 746
Profit/ (Loss) for the year	0	0	-555 816	0	-555 816
Other comprehensive income (Note 8,17)	0	0	0	1 530	1 530
Balance at 31 March 2017	1 120 064	0	-888 025	-1 579	230 460

No dividend was proposed or paid in the year.



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STATEMENT OF CASH FLOW

(All figures in 1000 NOK)

	Note	FY2017 From 1 April 2017 To 31 March 2018 12 months	FY2016 From 1 April 2016 To 31 March 2017 12 months
Operating activities			
Profit before tax		-104 158	-555 816
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of vessels and other PPE	5	117 458	488 288
Periodical maintenance	5	0	-29 852
Amortization of intangible assets		0	1 252
Gain on disposal of fixed assets	5	0	0
Unrealized finance income/(cost) on foreign currency debt	4	-91 403	-15 197
Finance income	4	-1 501	-1 052
Finance cost	4	89 679	89 030
Working capital adjustments:			
Change in trade and other receivables		15 509	9 595
Change in inventories		-352	-3 185
Change in trade and other payables		-6 728	-15 181
		18 503	-32 118
Interest received		867	877
Interest paid		-33 610	-23 606
Net cash flows from operating activities		-14 239	-54 847
Investing activities			
Purchases of other property, plant and equipment	5	-3	-114
Sale of other property, plant and equipment	5	0	0
Purchase of intangible assets		0	0
Net cash flows from investing activities		-3	-114
Financing activities			
Proceeds from issue of new shares	9	0	0
Net proceeds from borrowings	8	250 000	350 000
Repayment of borrowings		-235 385	-239 390
Payment of finance lease liabilities		-11 039	-12 113
Net cash flows from financing activities		3 576	98 497
Net change in cash and cash equivalents		-10 666	43 536
Effects of forex changes on cash and cash equivalents		-652	-2 931
Cash and cash equivalents at beginning of the financial year		183 134	142 529
Cash and cash equivalents at end of the financial year		171 816	183 134





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(All figures in 1000 NOK)

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 2017 were approved in the board meeting at 31 July 2018.

1.1 Accounting period

The company financial year ends on 31 March 2018. These financial statements cover the 12-month period from 1 April 2017 to 31 March 2018 (hereafter referred to as "FY2017"). Comparative figures are shown for the 12-month period from 1 April 2016 to 31 March 2017 (hereafter referred to as "FY2016").

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 FY2017 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. 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.

Intangible asset

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

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.



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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.

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.

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.



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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 not yet investigated the effect this will have on existing contracts, and this assessment will be carried out through 2018.

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.

Chartering brokering services

Chartering brokering services are capitalized and amortized in a straight line over the expected useful life. The expected useful life of chartering brokering services ended on July 1, 2016.

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.

Investments that are held to maturity, loans and receivables and other liabilities are recognized at their amortized cost. Financial



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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.

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



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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.

The exchange rates applied as of balance sheet dates were:

	March 31, 2018	March 31, 2017
USD/NOK	7,7773	8,5757
EUR/NOK	9,6423	9,1683
GBP/NOK	11,0066	10,7170
JPY/NOK	0,07327	0,076690

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 FY2017 the parent company has strengthened the liquidity of the Company by increasing the shareholder loan by NOK 250 million. As of 31 March 2018, total shareholder loan is NOK 690 million (31 March 2017: NOK 440 million).

After the financial period end, but before the reporting of the FY2017 financial statements, the parent company has guaranteed equity injection of NOK 150 million to further strengthen the liquidity of the Company and to provide readily available cash resources necessary to enable the Company to continue as a going concern.

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.

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.



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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

Segment reporting by business unit for the 12 months from 1 April 2016 to 31 March 2017

	AHTS	PSV	Non-allocated	Total
Revenue	159 801	101 050	0	260 852
Vessel operating expense	132 485	103 256	0	235 741
Gross profit	27 317	-2 205	0	25 111
SG&A and salary expenses	7 375	11 231	0	18 606
EBITDA	19 942	-13 437	0	6 505
Depreciation and amortization	70 635	63 697	0	134 332
Impairment loss	157 300	197 908	0	355 208
Operating profit/(loss)	-207 994	-275 041	0	-483 034
Net finance income/(cost) before unrealized FX loans	-60 593	-27 385	0	-87 978
Unrealized finance income/(cost) on foreign currency debt	0	0	15 197	15 197
Profit for the year	-268 586	-302 426	15 197	-555 816

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	FY2017	FY2016
North Sea and Barentz Sea	252 201	260 820
Brazil	0	0
Other	720	32
Total	252 921	260 852

OTHER REVENUE

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.

In FY2016 other revenue is related to insurance settlements with kNOK 9 253, office rental kNOK 10 and reimbursed expenses not related to vessel operation with kNOK 22.



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NOTE 3 SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries and other employee benefits:	FY2017	FY2016
Wages	11 090	10 869
Social security costs	1 674	1 655
Pension costs	437	386
Other remunerations	386	288
Total salaries and other employee benefits	13 587	13 198
 Number of full time employee years	 9,8	 9,7

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	1 498
Pension expense	0
Other employment benefits	504
Total	2 002

Payments to key employees is for the calendar year 2017. The CEO was changed on April 1, 2017, and the above includes payments to both former and present CEO.

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 FY2017.

No remuneration was paid to any other Board members.

Auditor:	FY2017	FY2016
Statutory audit	214	568
Other assurance and tax related services	94	249
Total	307	817

Amounts invoiced excluding VAT.



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NOTE 4 FINANCIAL INCOME AND EXPENSES

Net finance items	FY2017	FY2016
Finance income		
Realized forex gain on payment of finance lease	604	0
Interest income	867	577
Forex gain on other financial assets and liabilities	30	476
Total finance income	1 501	1 052
Finance cost		
Realized forex loss on repayment of borrowings	49 183	47 040
Realized forex loss on payment of finance lease	0	470
Financial cost of borrowings	35 711	34 417
Financial cost of finance lease	2 823	3 149
Forex loss on other financial assets and liabilities	1 962	3 954
Total finance cost	89 679	89 030
Unrealized forex gain/(loss) on foreign currency debt	91 403	15 197
Net finance income/(cost)	3 225	-72 781



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NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Vessels	AHTS	PSV	Total
Cost			
Balance as of 31 March 2017	1 970 212	1 809 186	3 779 398
Additions	0	0	0
Balance as of 31 March 2018	1 970 212	1 809 186	3 779 398
Depreciation			
Balance as of 31 March 2017	419 086	439 739	858 825
Depreciation for the year	63 499	53 877	117 376
Balance as of 31 March 2018	482 585	493 616	976 201
Impairment loss/ (gain)			
Balance as of 31 March 2017	157 300	369 447	526 747
Impairment loss/ (gain) for the year	0	0	0
Balance as of 31 March 2018	157 300	369 447	526 747
Carrying amounts			
Balance as of 31 March 2017	1 393 827	1 000 000	2 393 827
Balance as of 31 March 2018	1 330 327	946 123	2 276 451
Of which carrying amounts held under finance lease:			
Balance as of 31 March 2017		60 000	60 000
Balance as of 31 March 2018		54 676	54 676

The PSV KL Arendalfjord is subject to a sale and leaseback arrangement; see Note 11 – Commitments and contingencies.

Depreciation on KL Arendalfjord was kNOK 5 324 in FY2017. Five of the six owned vessels, which have a total carrying value NOK 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 FY2017 the fleet was tested for potential impairment. No impairment losses were recognized on the fleet in FY2017.

«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 6,22 % 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 2017	512
Additions	3
Sale of assets	0
Balance as of 31 March 2018	515
Depreciation	
Balance as of 31 March 2017	392
Depreciation for the year	81
Acc. Depreciation sold assets	0
Balance as of 31 March 2018	474
Carrying amounts	
Balance as of 31 March 2017	120
Balance as of 31 March 2018	42

NOTE 6
TRADE & OTHER RECEIVABLES AND PREPAYMENTS

	31 MAR 2018	31 MAR 2017
Trade receivables	16 316	18 642
Accrued revenue	3 665	9 876
Total receivable from customers	19 981	28 518
Prepayments	14 084	15 632
VAT receivable	1 811	1 222
Other receivable	1 381	12 752
Total trade & other receivables and prepayments	37 258	58 125

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 2018 no interest on late payments from customers was recognized (FY2016: 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 2018 or as of 31 March 2017. 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 2018	31 MAR 2017
Forward exchange forward contracts	3 412	4 720
Total other financial liabilities	3 412	4 720
Other financial liabilities	31 MAR 2018	31 MAR 2017
Interest rate swap contracts through OCI	603	1 579
Foreign exchange forward contracts	1 870	0
Total other financial liabilities	2 472	1 579

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 2018	31 MAR 2017
Cash at banks (non-restricted)	171 488	182 789
Restricted bank deposits	328	345
Total cash and short-term deposits	171 816	183 134

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.

The Company currently holds three credit facilities with the shareholder Kawasaki Kisen Kaisha Ltd. Three credit facilities of NOK 690 million in total are fully drawn as of 31 March 2018 (31 March 2017: NOK 440 million). All credit facilities are due for repayment no later than on 30 September, 2026, and under the loan terms, interest are charged at NIBOR 3m + 1%, The loans are non-secured.

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 2018		31 MAR 2017	
	Number of shares	Ownership	Number of shares	Ownership
Kawasaki Kisen Kaisha, Ltd	1 120 064	100 %	1 120 064	100 %
Total	1 120 064	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 2018	31 MAR 2017
JPY 4 310 million bank loan	2012 – '23	137 736	231 153
JPY 4 321 million bank loan	2012 – '23	204 069	176 148
JPY 4 297 million bank loan	2012 – '23	136 571	174 686
EUR 96 million bank loan	2012 – '23	598 944	616 777
USD 132 million bank loan	2012 – '23	449 321	604 182
Total external bank loans		1 526 640	1 802 946
Loans from shareholders - see Note 14 - Related parties		690 000	440 000
Finance lease liability - see Note 11 - Commitments and contingencies	2012 – '21	138 342	153 616
Total interest bearing loans and borrowings		2 354 982	2 396 562
Current liability portion (total installments due within 12 months)		232 310	567 432
Non-current liability		2 122 672	1 829 130

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 2018	31 MAR 2017
Carrying value of owned vessels pledged as collateral	1 999 508	2 098 827

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 company has entered into interest rate swap contracts on 50% of the loan repayments due within 27 June 2018 for the JPY 4 321 million bank loan and 50% of the loan repayments due within 4 October 2018 for the JPY 4 297 million bank loan, effectively swapping floating interest rate to fixed interest rate for 50% of the loan repayments. The swapped amounts accounts for 10.7% of outstanding nominal balance for both loans. The interest periods, installments and maturity for the interest rate swap agreements are corresponding to the loan amounts to which the interest rate swaps are intended to offset. The interest rate swap is accounted for as cash flow hedge.

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 215 776 as of 31 March 2018 (31 March 2017: accumulated loss of kNOK 299 518). The unrealized foreign exchange gain related to the loans recorded in FY2017 is kNOK 83 741 (FY2016: gain of kNOK 9 820).

	31 MAR 2018	31 MAR 2017
The amount of the bank loans due for repayment after 5 years	59 773	522 351



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NOTE 11 COMMITMENTS AND CONTINGENCIES

Finance lease - Company as lessee	31 MAR 2018		31 MAR 2017	
	Minimum payments	Present value of payments (Note 11)	Minimum payments	Present value of payments (Note 11)
< 1 year	11 247	10 588	11 772	10 922
1 to 5 years	135 700	127 754	153 806	142 695
> 5 years	0	0	0	0
Total minimum lease payments	146 947	138 342	165 578	153 616
Less amounts representing finance charges	-8 605	0	-11 962	0
Present value of minimum lease payments	138 342	138 342	153 616	153 616

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. At the end of the lease period the Company must pay either a final installment of JPY 944 million to terminate the lease or JPY 1 468 million to take legal ownership of the vessel.

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 2018	31 MAR 2017
Within one year	8 151	6 192
After one year but no more than five years	0	0
Total	8 151	6 192

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

	31 MAR 2018	31 MAR 2017
PSV	445 642	235 000
AHTS	0	0
Total	445 642	235 000

*As the call off contract is based on one vessel, 50% of the carrying value of the two AHTS is included above.

NOTE 12 HOLDINGS ON BOARD VESSELS

	31 MAR 2018	31 MAR 2017
Bonded store	0	0
Lube oils	3 918	3 732
Bunkers	8 890	8 723
Total	12 808	12 456



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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 FY2017 and FY2016. Tonnage tax is recorded as an operating cost.

	FY2017	FY2016
Payable tax:		
Profit/(loss) for the period	-104 158	-555 816
Less: Profit/(loss) outside tonnage tax regime & non-taxable	-99 874	546 263
Taxable profit/(loss)	-9 726	-9 553
Utilized/allocated to taxable losses brought forward	-9 726	9 553
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	-64 549	-54 823
Total	-64 549	-54 823
Deferred tax assets	-15 492	13 706
Nominal tax rate	24 %	25 %

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	
	FY2017	FY2016	31 MAR 2018	31 MAR 2017
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha Ltd.	11 772	7 765	690 535	440 634
Transactions with group companies of the Parent company				
K Line Brasil Ltda	115	128	0	0
Total transactions invoiced from related parties	11 887	7 894	690 535	440 634



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NOTE 14 RELATED PARTIES - CONTINUES

Finance lease - Company as lessee	Costs charged to related parties		Amounts owed by related parties	
	FY2017	FY2016	31 MAR 2018	31 MAR 2017
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha, Ltd.	708	25	0	0
Total transactions invoiced to related parties	708	25	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

See Note 8 - Cash and short term deposits regarding credit facility provided by shareholder. Amount is included as amount owed to Kawasaki Kisen Kaisha Ltd. In the table above with NOK 690 million, and in the balance sheet this is classified as non-current interest-bearing debt.

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. The company has entered into interest rate swap contracts on 50% of the loan repayments due within 27 June 2018 for the JPY 4 321 million bank loan and 50% of the loan repayments due within 4 October 2018 for the JPY 4 297 million bank loans (see Note 10), effectively swapping floating interest rate to fixed interest rate for 50% of the loan repayments. The interest periods, installments and maturity for the interest rate swap agreements are corresponding to the loan amounts to which the interest rate swaps are intended to offset. All interest rate swaps are accounted for as cash flow hedge and recognized at fair value.

As of 31 March 2018, 11% of the Company's borrowings are at a fixed interest rate, (31 March 2017: 15%).



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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.

The Company's operating activities are primarily in NOK, with a significant portion also in GBP. As the contract option periods for the two PSVs previously operated in Brazil were not extended after September/October 2015, there are no longer any significant operating activity generating USD or BRL.

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 2018		31 MAR 2017	
	Assets	Liabilities	Assets	Liabilities
Currency – JPY	18 619	618 383	22 216	737 598
Currency – BRL	1 021	0	1 140	2 541
Currency – USD	23 313	457 299	35 708	606 752
Currency – EUR	396	600 144	608	617 106
Currency – DKK	160	128	166	320
Currency – GBP	11 830	2 696	19 054	510
Total in foreign currency	55 338	1 678 649	78 891	1 964 828
Total in NOK	157 147	695 858	167 088	457 093
Total monetary assets/liabilities	212 485	2 374 507	245 978	2 421 921

As of 31 March 2018 71% of the Company's borrowings are denominated in foreign currencies (31 March 2017: 82%). 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 hedging 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 thirteen customers (31 March 2017: eight customers) that owed trade receivable balances. There were no customers (31 March 2017: 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.



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The construction of the six owned vessels has been financed by a combination of equity, and interest bearing loans from banks and from shareholders. The purchase of the PSV KL Arendalfjord has been financed by a sale and leaseback arrangement (see Note 11 – Commitments and contingencies). 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.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with earliest repayment periods.

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

31 MAR 2017	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	23 780	0	0	23 780
Interest-bearing borrowings	567 432	866 779	962 351	2 396 562
Total	591 212	866 779	962 351	2 420 341

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 2018	31 MAR 2017
Interest-bearing debt	2 354 982	2 396 562
Accounts payable	17 051	23 780
Less cash	-171 816	-183 134
Net debt	2 200 218	2 237 208
Equity	127 279	230 460
Sum equity and net debt	2 327 497	2 467 668
Debt ratio	95 %	91 %



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NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

	31 MAR 2018		31 MAR 2017	
	Assets	Liabilities	Assets	Liabilities
<i>Cash flow hedges</i>				
Interest rate swap contracts	0	603	0	1 579
Foreign exchange forward contracts	0	0	0	0
Fair value	0	603	0	1 579

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.

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 2018					
	Principal amount JPY'000	Maturity	Sold interest rate Floating	Purchased interest rate Fixed	Fair value asset/ (liability) 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

31 MAR 2017					
	Principal amount JPY'000	Maturity	Sold interest rate Floating	Purchased interest rate Fixed	Fair value asset/ (liability) NOK'000
Interest rate swap contract	316 904	27.06.2018	JPY-LIBOR-BBA+0,3%	0,9 %	-691
Interest rate swap contract	421 298	04.10.2018	JPY-LIBOR-BBA+0,3%	0,9 %	-888
Fair value					-1 579

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 2018 (31 March 2017). These contracts are not designated as hedge accounting.



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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

31 MAR 2017	Maturity	Average forex rate	Foreign currency FC'000	Notional value NOK'000	Fair value asset/ (liability) NOK'000
Buy JPY	20.06.2017	0,074890	215 000	16 101	515
Buy JPY	27.09.2017	0,075222	220 000	16 549	508
Buy JPY	20.12.2017	0,075500	215 000	16 233	482
Buy JPY	27.03.2018	0,075873	210 000	15 933	454
Buy JPY	29.06.2017	0,075643	110 000	8 321	177
Buy JPY	05.01.2018	0,075643	1 230 000	93 041	2 583
Fair value					4 720

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 2018 or 31 March 2017.

Changes in equity related to cash flow hedges	FY2017	FY2016
Fair value of cash flow hedges 1. April	-1 579	-3 109
Changes in fair value recognised in other comprehensive income	977	1 530
Fair value of cash flow hedges 31. March	-603	-1 579

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 2018		31 MAR 2017	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	171 816	171 816	183 134	183 134
Prepayments	14 114	14 114	15 656	15 656
Trade receivables	23 144	23 144	42 469	42 469
Foreign exchange derivatives	3 412	3 412	4 720	4 720
Total financial assets	212 485	212 485	245 978	245 978
Financial liabilities				
Trade and other payables	17 051	17 051	23 780	23 780
Interest rate swaps	2 472	2 472	1 579	1 579
Interest-bearing loans and borrowings:				
Bank loans	1 526 640	1 531 197	1 802 946	1 812 122
Shareholder loans	690 000	690 000	440 000	440 000
Obligations under finance lease	138 342	142 605	153 616	162 481
Total financial liabilities	2 374 507	2 383 326	2 421 921	2 439 962

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, 2018:

Assets measured at fair value	31 MAR 2018	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	3 412			3 412
Total	3 412			3 412

Liabilities measured at fair value	31 MAR 2018	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	1 870			1 870
Interest rate swap - Designated as cash-flow hedge	603			603
Total	2 472			2 472

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 977 (FY2016: kNOK 1 530) 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 2018

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total financial assets
Financial assets at fair value					
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	209 073
Available for sale financial assets					
Total					212 485

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
Financial liabilities at fair value					
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					2 374 507

31 MAR 2017

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total financial assets
Financial assets at fair value					
Held for trading in acc with IAS 39					
Designated as such upon initial recognition	4 720				4 720
Held-to-maturity investments					
Loans and receivables		42 469	15 666	183 134	241 258
Available for sale financial assets					
Total					245 978

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
Financial liabilities at fair value					
Held for trading in accordance with IAS 39					
Designated as such upon initial recognition	1 288		291		1 579
Financial liabilities measured at amortised cost	1 829 130		567 432		2 396 562
Other financial liabilities				23 780	23 780
Total					2 421 921

The Company does not have any financial investments classified as available for sale as of 31 March, 2018 or on 31 March, 2017.



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NOTE 18 SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Specification of sales, general and administrative expenses	FY2017	FY2016
Rental and leasing costs	459	428
Travel, courses and meeting costs	1 395	1 276
Office related costs	256	268
IT and telephone costs	471	472
Consultancy fees and external personnel	528	1 163
Bad debts	0	0
Other costs	1 680	1 801
Total	4 790	5 408

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 FY2017 (FY2016: 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
- Financial leasing agreement of KL Arendalfjord
- Intangible asset amortization and impairment

Vessels

«Impairment test of the vessels as of March 31, 2018 indicated no impairment need for any vessels, and no impairment loss was recognized in FY2017 (FY2016: Impairment loss of kNOK 355 208).

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.

Financial leasing

The bareboat hire of KL Arendalfjord is accounted for as financial lease obligation based on management judgement of the leasing agreement even though the Company has no obligation to purchase the vessel at the end of the hire period.

Arendal, 31 July 2018

Tomoyuki Okawa
Chairman

Takahiko Tsurukawa
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 31 March 2018, 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 present fairly, in all material respects, the financial position of the Company as at 31 March 2018, 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 the Board of Directors' report, but does not include 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 management 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. 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.



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

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

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, the going concern assumption, and the proposal for the coverage of the loss 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, 31 July 2018

RSM Norge AS

Jan Dørvik

State Authorised Public Accountant



"K" Line Offshore AS

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Norway

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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.
2012038133

Dato
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
saksbehandler

Brønnøysundregistrene

Postadresse: Regnskapsregisteret, Postboks 900, 8910 Brønnøysund
Telefoner: Opplysningstelefonen 75 00 75 00 Administrasjonen 75 00 75 09 Telefaks 75 00 75 05
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673



Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Deres dato
23.02.2011

Vår dato
25.02.2011

Telefon
22078139

Deres referanse
Johan Bringsverd

Vår referanse
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
Postboks 9200 Grønland
0134 Oslo
For elektronisk henvendelse se www.skatteetaten.no

Besøksadresse
Se www.skatteetaten.no
Org. nr: 996250318

Sentralbord
800 80 000
Telefaks
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