



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 860 533
Organisasjonsform: Aksjeselskap
Foretaksnavn: K LINE OFFSHORE AS
Forretningsadresse: Kystveien 14
4841 ARENDAL

Regnskapsår

Årsregnskapets periode: 01.04.2020 - 31.03.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Henrik Mortensen
Dato for fastsettelse av årsregnskapet: 18.06.2021

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 14.06.2022



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		300 690 000	420 781 000
Annen driftsinntekt		26 000	789 000
Sum inntekter	2, 11	300 716 000	421 570 000
Kostnader			
Varekostnad	2, 14	257 327 000	285 300 000
Lønnskostnad	3	11 081 000	9 380 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	118 148 000	111 606 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		122 700 000	
Annen driftskostnad	3, 18	3 463 000	4 273 000
Sum kostnader		512 719 000	410 559 000
Driftsresultat		-212 003 000	11 011 000
Finansinntekter og finanskostnader			
Annen finansinntekt	4	14 472 000	16 997 000
Urealisert agio på gjeld i fremmed valuta	4	30 493 000	-1 418 000
Sum finansinntekter		44 965 000	15 579 000
Annen finanskostnad	4	89 720 000	70 196 000
Sum finanskostnader		89 720 000	70 196 000
Netto finans		-44 755 000	-54 617 000
Ordinært resultat før skattekostnad		-256 758 000	-43 606 000
Skattekostnad på ordinært resultat	13		
Ordinært resultat etter skattekostnad		-256 758 000	-43 606 000
Årsresultat		-256 758 000	-43 606 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	5, 10, 19	1 789 456 000	1 918 103 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	11	3 203 000	268 000
Sum varige driftsmidler		1 792 659 000	1 918 371 000
Sum anleggsmidler		1 792 659 000	1 918 371 000
Omløpsmidler			
Varer			
Varer	12	9 305 000	11 993 000
Sum varer		9 305 000	11 993 000
Fordringer			
Kundefordringer	6, 14, 15, 16, 17	49 513 000	57 548 000
Andre fordringer	6, 15, 16, 17	20 279 000	16 634 000
Sum fordringer		69 792 000	74 182 000
Investeringer			
Andre finansielle instrumenter	7, 15, 16, 17	164 000	206 231 000
Sum investeringer		164 000	206 231 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	5, 15, 16, 17	85 040 000	140 500 000
Sum bankinnskudd, kontanter og lignende		85 040 000	140 500 000
Sum omløpsmidler		164 301 000	432 906 000



Balanse

Beløp i: NOK	Note	2021	2020
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SUM EIENDELER 1 956 960 000 2 351 277 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Selskapskapital 9 2 511 919 000 2 296 919 000

Sum innskutt egenkapital 2 511 919 000 2 296 919 000

Opptjent egenkapital

Udekket tap 1 638 561 000 1 381 803 000

Sum opptjent egenkapital -1 638 561 000 -1 381 803 000

Sum egenkapital 873 358 000 915 116 000

Gjeld

Langsiktig gjeld

Annen langsiktig gjeld

Gjeld til kredittinstitusjoner 5, 8, 778 873 000 1 170 930 000
10, 11,
14, 15,
16, 17,
19

Sum annen langsiktig gjeld 778 873 000 1 170 930 000

Sum langsiktig gjeld 778 873 000 1 170 930 000

Kortsiktig gjeld

Gjeld til kredittinstitusjoner 5, 10, 199 137 000 244 659 000
11, 14,
15, 16,
17, 19

Leverandørgjeld 14, 15, 60 125 000 20 572 000
16, 17

Annen kortsiktig gjeld 7, 15, 45 467 000

16, 17

Sum kortsiktig gjeld 304 729 000 265 231 000



Balanse

Beløp i: NOK	Note	2021	2020
Sum gjeld		1 083 602 000	1 436 161 000
SUM EGENKAPITAL OG GJELD		1 956 960 000	2 351 277 000
POSTER UTENOM BALANSEN			
Pantstillelser	10	778 873 000	1 170 930 000



Directors' report for the 12 months ended 31 March 2021

1. Company background, operating activity and place of business

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

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

2. Vessel fleet

The Company operates a fleet of six OSV's, of which four are Platform Supply Vessels ("PSV") and two are Anchor Handling Tug Supply ("AHTS"). The vessels were delivered in 2010 and 2011 and are fully owned by the Company.

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

PSV

KL Brofjord with NOR-flag has been operated in the North Sea spot market mainly on the Norwegian Continental Shelf, while the three sister-vessels with international flag are currently trading on short term time charters or in the spot market out of Aberdeen for the UK Continental Shelf.

AHTS

The AHTS's with NOR-flag 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. Company has been entered into frame agreements (call-off agreements) with some charterers which secure a certain fixed activity for this fiscal year. The vessels are well received by the charterers and have established a very good track record during their years of operation. Both vessels have work-class Remote Operated Vehicles ("ROV"), and the ROV's have had acceptable utilization and very little downtime during the year.

The technical management, including crewing, of the vessels has since delivery been performed by OSM Offshore AS. Except for one PSV all vessels had their 10 years special survey in FY2020 and were drydocked at yards in Norway and Denmark.

3. Going concern

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



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The company has during FY2020 strengthened its liquidity by receiving the proceeds from the recorded increase in the share capital.

Over the last years during the downturn of the market the Company has had the strong financial support from "K" Line by raising new equity. 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 2021. The financial statements cover the 12-month period from 1. April 2020 to 31. March 2021. All figures in brackets are for fiscal year 2019, which covers the period from 1. April 2019 to 31. March 2020.

The Company recorded revenue for the period of NOK 300,7 million (NOK 421,6 million) and an operating loss of NOK 212,0 million (income of NOK 11,0 million). EBITDA (earnings before interest, tax, depreciation and amortization) was NOK 28,8 million (NOK 122,6 million).

The Company had a net loss after tax for the period of NOK 256,8 million (loss of NOK 43,6 million), which included an unrealized gain on translation of loans denominated in foreign currencies of NOK 30,5 million (loss of NOK 1,4 million). An impairment loss on the fleet of NOK 122,7 million was recorded in FY2020. No impairment losses were recorded on the fleet in FY2019.

During the period cash and short-term deposits decreased by NOK 55,5 million (increase of NOK 63,7 million).

The Board proposes to allocate the loss for the period of NOK 256,8 million to uncovered losses. At the period end the Company had a book equity of NOK 873,4 million (NOK 915,1 million). The book equity to book assets ratio was 44,6% at the period end (38,4%). The equity comprises of share capital, which is the nominal value of shares, less accumulated uncovered losses.



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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 0.58% during the period (FY2019: 0.72%)

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.

FY2020 has been strongly affected by the Covid-19 pandemic. The crew have experienced many challenges and complications in connection with crew changes. In the office the work has for longer periods been performed from home office.

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 according to the ISM and ISPS codes, MLC2006 Convention, ISO 9001, ISO 14001 and OHSAS 18001 standards. HSEQ is a focus-area for the Manager and is closely followed up by the Company. The Lost Time Injury Frequency per 31. March 2021 was 0, while the Total Recordable Injuries Frequency was 1.2 until 18.03.21. No environmental incidents recorded for FY2020.

8. Financial risk

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



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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 several years when the oil companies focused on cost-cutting and reduced E&P budgets, we experienced during FY2019 a situation with increased activity and higher investments from the oil companies. Then we benefitted from improved revenue and the operating result for the year was the best since FY2014.

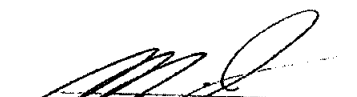
In March 2020 we all were hurt by the effects of the COVID-19 virus and the collapse of the oil price. The demand for OSV-vessels had a sharp decrease, term contracts for vessels were either cancelled or renegotiated, and several vessels went to lay-up. For the last two months the list of laid up OSV's increased by about 40 units mainly PSV's.

Now we are very uncertain about the market conditions during FY2021, which all players expect to be a tough year. We will focus on as high utilization as possible for our vessels and to be cost-efficient. For the PSV's we will continue to search for term contracts although there will be a smaller number of contracts at lower rate-levels. For the AHTS's there will be reduced supply of vessels during the summer due to the fact that several projects have secured vessels, however, the fall and winter will be more difficult. Since our AHTS's are the "strongest there is," with 391- and 399-tons bollard pull, they are very well suited and preferred for anchoring in ultra-deep water and pre-laying of anchors. We have secured a certain basic revenue through call off contracts with charterers.

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

Arendal, 18th June 2021


Tomoyuki Okawa
Chairman and CEO


Michitomo Iwashita
Director



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INCOME STATEMENT		FY2020		FY2019	
		From 1 April 2020		From 1 April 2019	
(All figures in 1 000 NOK)		To 31 March 2021		To 31 March 2020	
	Note	12 months	12 months		
Revenue					
Operating revenue		300,690		420,781	
Other revenue		26		788	
Total revenue	2, 11	300,715		421,570	
Operating Expenses					
Vessel operating expenses	2, 14	257,327		285,300	
Salary and other employee benefits	3	11,081		9,380	
Sales, general and administrative expenses	3, 18	3,462		4,273	
Depreciation and impairment of fixed assets	5	240,848		111,606	
Total operating expenses		512,718		410,558	
Operating profit/(loss)		-212,003		11,011	
Financial income and expenses					
Finance income	4	14,472		16,997	
Finance cost	4	89,720		70,196	
Unrealized finance income/(cost) on foreign currency debt	4	30,491		-1,418	
Net finance income		-44,756		-54,617	
Profit/(loss) before tax		-256,758		-43,606	
Income tax	13	0		0	
Profit/(loss) for the year		-256,758		-43,606	

OTHER COMPREHENSIVE INCOME		FY2020		FY2019	
		From 1 April 2020		From 1 April 2019	
(All figures in 1 000 NOK)		To 31 March 2021		To 31 March 2020	
	Note	12 months	12 months		
Profit/(loss) for the year		-256,758		-43,606	
Other comprehensive income					
Net movement on cash flow hedges	16	0		0	
Income tax effect		0		0	
Net other comprehensive income to be classified to profit or loss in subsequent periods:		0		0	
Other comprehensive income for the year, net of tax		0		0	
Total comprehensive income for the year, net of tax		-256,758		-43,606	
Allocated Retained earnings		0		0	
Allocated Uncovered losses		-256,758		-43,606	
Allocated Share premium		0		0	
Allocated Cash flow hedge reserve		0		0	
Total allocated		-256,758		-43,606	


STATEMENT OF FINANCIAL POSITION

(All figures in 1 000 NOK)	Note	31/03/2021	31/03/2020
ASSETS			
Non-current assets			
Vessels	5, 10, 19	1,789,456	1,918,103
Other property, plant and equipment	11	3,203	268
Total non-current assets		1,792,659	1,918,371
Current assets			
Holdings on board vessels	12	9,305	11,993
Trade and other receivables	6, 14, 15, 16, 17	49,513	57,548
Prepayments	6, 15, 16, 17	20,279	16,634
Other current financial assets	7, 15, 16, 17	164	206,231
Cash and short-term deposits	8, 15, 16, 17	85,040	140,500
Total current assets		164,301	432,906
TOTAL ASSETS		1,956,960	2,351,277
EQUITY AND LIABILITIES			
Equity			
Issued share capital	9	2,511,919	2,296,919
Share premium		0	0
Cash flow hedge reserve	7, 15, 16	0	0
Uncovered losses		-1,638,561	-1,381,803
Total equity		873,358	915,116
Non-current liabilities			
Interest-bearing loans and borrowings	5, 8, 10, 11, 14, 15, 16, 17, 19	778,873	1,170,930
Total non-current liabilities		778,873	1,170,930
Current liabilities			
Trade and other payables	14, 15, 16, 17	60,125	20,572
Interest-bearing loans and borrowings - current portion	5, 10, 11, 14, 15, 16, 17, 19	199,137	244,659
Other current financial liabilities	7, 15, 16, 17	45,467	0
Total current liabilities		304,729	265,230
Total liabilities		1,083,602	1,436,160
TOTAL EQUITY AND LIABILITIES		1,956,960	2,351,277



CHANGES IN EQUITY

(All figures in 1 000 NOK)

For the financial year ended 31 March 2021	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2020	2,296,919	0	-1,381,803	0	915,116
Profit/ (Loss) for the year	0	0	-256,758	0	-256,758
Other comprehensive income (Note 8,17)	0	0	0	0	0
Capital increase	215,000	0	0	0	215,000
Decided, not registered capital increase	0	0	0	0	0
Balance at 31 March 2021	2,511,919	0	-1,638,561	0	873,358

No dividend was proposed or paid in the year.

For the financial year ended 31 March 2020	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2019	2,296,919	0	-1,338,197	1	958,723
Profit/ (Loss) for the year	0	0	-43,606	0	-43,606
Other comprehensive income (Note 8,17)	0	0	0	0	0
Balance at 31 March 2020	2,296,919	0	-1,381,803	1	915,116

No dividend was proposed or paid in the year.



STATEMENT OF CASH FLOW		FY2020	FY2019
	Note	From 1 April 2020 To 31 March 2021 12 months	From 1 April 2019 To 31 March 2020 12 months
(All figures in 1 000 NOK)			
Operating activities			
Profit before tax		-256,758	-43,606
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and impairment of vessels and other PPE	5	240,848	111,606
Periodical maintenance	5	0	0
Amortization of intangible assets		0	0
Loss on disposal of fixed assets	5	0	0
Unrealized finance income/(cost) on foreign currency debt	4	-30,491	1,418
Finance income	4	-14,472	-16,997
Finance cost	4	89,720	70,196
<i>Working capital adjustments:</i>			
Change in trade and other receivables		15,253	11,562
Change in inventories		2,688	1,065
Change in trade and other payables		39,553	-11,085
		86,340	124,159
Interest received		0	0
Interest paid		-16,940	-17,890
Net cash flows from operating activities		69,400	106,269
Investing activities			
Purchases of other property, plant and equipment	5	-111,858	-13,032
Sale of other property, plant and equipment	5	0	0
Purchase of intangible assets		0	0
Net cash flows from investing activities		-111,858	-13,032
Financing activities			
Proceeds from issue of new shares	9	215,000	190,000
Net proceeds from borrowings	8	0	0
Repayment of borrowings		-221,678	-223,111
Payment of finance lease liabilities		0	0
Net cash flows from financing activities		-6,678	-33,111
Net change in cash and cash equivalents		-49,137	60,126
Effects of forex changes on cash and cash equivalents		-6,323	3,538
Cash and cash equivalents at beginning of the financial year		140,500	76,837
Cash and cash equivalents at end of the financial year		85,041	140,500



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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of K Line Offshore AS for the fiscal year 2020 were approved in the board meeting at June 18th 2021.

1.1 Accounting period

The company financial year ends on 31 March 2021. These financial statements cover the 12-month period from 1 April 2020 to 31 March 2021 (hereafter referred to as "FY2020"). Comparative figures are shown for the 12-month period from 1 April 2019 to 31 March 2020 (hereafter referred to as "FY2019").

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:

<u>Item:</u>	<u>Legal framework:</u>
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 FY2020 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 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Company during the current financial year. Below



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we have listed the amendments in IFRS which have been applicable for the Company's 2019 financial statements.

The following new and amended standards and interpretations have been implemented for the first time in 2019:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The company as a lessee

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Effective 1 April 2019 the Company adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated.

1.5 Functional currency and presentation currency

The Company's presentation and functional currency is NOK.

1.6 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.

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:

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. The brokers have however not explained in detail how they arrived at the estimated values, and when basing the impairment testing on these fair values, KOAS must ensure that the estimates provided by the brokers corresponds with KOAS assumptions for valuation of these vessels. Internal reasonable test of the broker's assumptions is especially important as the book value of KOAS PSVs are between middle and high end of the broker's fair value estimates for the B-type PSVs. In order to ensure that the estimates provided are reasonable, KOAS have made a value in use calculation also for the PSVs.

For the CGU consisting of the two AHTS, the recoverable amount is determined by value in use calculation, as the Company can achieve additional profit due to ROV services and charter contracts, not reflected in the broker estimates.

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

Impairment losses of NOK 123 million is recognized in FY2020. No impairment losses are recognized for any vessels in FY2019.

1.7 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

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.

1.8 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.

1.9 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.

1.10 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.



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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 22% in 2020 and 22% in 2019. The tonnage tax charge is recorded as a vessel operating expense.

1.11 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.

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

1.12 Leasing

The Company has applied IFRS 16 using the modified retrospective approach.

Significant accounting policies

Identifying a lease

At the inception of a contract, the company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as a lessee

Separating components in the lease contract

For contracts that constitute, or contain a lease, the company separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The company then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.



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Recognition of leases and exemptions

At the lease commencement date, the company recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the company recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities

The lease liability is recognized at the commencement date of the lease. The company measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the company is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the company under residual value guarantees
- The exercise price of a purchase option, if the company is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The company does not include variable lease payments in the lease liability. Instead, the company recognizes these variable lease expenses in profit or loss.

The company presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The company measures the right-of-use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the company. An estimate of the costs to be incurred by the company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The company applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.



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The company applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The company as a lessor

Separating components in the lease contract

For a contract that contains a lease component and one or more additional lease or non-lease components, The company allocates the consideration in the contract applying the principles in IFRS 15 Revenue from Contracts with Customers.

Recognition of leases and income

For contracts where the company acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The company as a lessor does not have any finance leases.

Operating leases

For operating leases, the company recognizes lease payments as other income, mainly on a straight-line basis, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The company recognizes costs incurred in earning the lease income in other operating expenses. The company adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the rental income.

1.13 Intangible assets

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

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

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

1.14 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.



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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 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.

1.15 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.



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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 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, 2021	March 31, 2020
USD/NOK	8,5249	9,5004
EUR/NOK	9,9955	11,2943
GBP/NOK	11,7306	12,6168
JPY/NOK	0,076942	0,095004

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.



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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 FY2020 the parent company has strengthened the liquidity of the Company by increasing the equity by NOK 215 million.

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



NOTES

(All figures in 1 000 NOK)

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.

Segment reporting by business unit for the 12 months from 1 April 2020 to 31 March 2021

	AHTS	PSV	Non-allocated	Total
Revenue	175,766	124,950	0	300,715
Vessel operating expense	138,691	118,636	0	257,327
Gross profit	37,075	6,313	0	43,388
SG&A and salary expenses	5,779	8,765	0	14,543
EBITDA	31,297	-2,452	0	28,845
Depreciation and amortization	62,021	54,034	2,093	118,147
Impairment loss	60,600	62,100	0	122,700
Operating profit/(loss)	-91,324	-118,585	-2,093	-212,002
Net finance income/(cost) before unrealized FX loans	-65,490	-9,757	0	-75,247
Unrealized finance income/(cost) on foreign currency debt	0	0	30,491	30,491
Profit for the year	-156,814	-128,342	28,398	-256,758

Segment reporting by business unit for the 12 months from 1 April 2019 to 31 March 2020

	AHTS	PSV	Non-allocated	Total
Revenue	235,268	186,302	0	421,570
Vessel operating expense	170,355	114,945	0	285,300
Gross profit	64,913	71,357	0	136,270
SG&A and salary expenses	5,334	8,319	0	13,653
EBITDA	59,579	63,038	0	122,617
Depreciation and amortization	60,432	51,173	0	111,605
Impairment loss	0	0	0	0
Operating profit/(loss)	-853	11,865	0	11,012
Net finance income/(cost) before unrealized FX loans	-54,217	1,018	0	-53,199
Unrealized finance income/(cost) on foreign currency debt	0	0	-1,418	-1,418
Profit for the year	-55,070	12,883	-1,418	-43,606

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	FY2020	FY2019
North Sea and Barentz Sea	300,690	421,542
Other	26	27
Total	300,715	421,570

OTHER REVENUE

In FY2020 other revenue is related to reimbursed expenses not related to vessel operation with kNOK 26.

In FY2019 other revenue is related to insurance settlements with kNOK 761 and reimbursed expenses not related to vessel operation with kNOK 27.


NOTE 3 – SALARIES AND OTHER EMPLOYEE BENEFITS

	FY2020	FY2019
Salaries and other employee benefits:		
Wages	9,206	8,020
Social security costs	1,355	1,177
Pension costs	379	71
Other remunerations	141	112
Total salaries and other employee benefits	11,081	9,380
Number of full time employee years	8.3	8.0

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.

	CEO
Payments to key employees	
Salary	1,459
Other employment benefits	11
Total	1,471

Payments to key employees is for the calendar year 2020.

Other employment benefits include taxable benefits such as company car, 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 FY2020.

No remuneration was paid to any other Board members.

Auditor:	FY2020	FY2019
Statutory audit	312	354
Other assurance and tax related services	22	117
Total	334	471

Amounts invoiced excluding VAT.

NOTE 4 – FINANCIAL INCOME AND EXPENSES
Net finance items

	FY2020	FY2019
Finance income		
Realized forex gain on repayment of borrowings	13,832	12,334
Realized forex gain on payment of finance lease	0	18
Interest income	503	1,108
Forex gain on other financial assets and liabilities	137	3,537
Total finance income	14,472	16,997
Finance cost		
Realized forex loss on repayment of borrowings	62,201	45,820
Financial cost of borrowings	20,356	22,683
Financial cost of finance lease	0	0
Forex loss on other financial assets and liabilities	7,163	1,693
Total finance cost	89,720	70,196
Unrealized forex gain/(loss) on foreign currency debt	30,491	-1,418
Net finance income/(cost)	-44,756	-54,617



NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

<u>Vessels</u>	AHTS	PSV	Total
Cost			
Balance as of 31 March 2020	1,977,202	1,812,121	3,789,323
Additions	27,665	84,193	111,858
Balance as of 31 March 2021	2,004,867	1,896,314	3,901,181
Depreciation			
Balance as of 31 March 2020	606,683	598,790	1,205,473
Depreciation for the year	62,699	55,106	117,805
Balance as of 31 March 2021	669,382	653,896	1,323,278
Impairment loss/ (gain)			
Balance as of 31 March 2020	256,300	409,447	665,747
Impairment loss/ (gain) for the year	60,600	62,100	122,700
Balance as of 31 March 2021	316,900	471,547	788,447
Carrying amounts			
Balance as of 31 March 2020	1,114,219	803,884	1,918,103
Balance as of 31 March 2021	1,018,585	770,871	1,789,456
Of which carrying amounts held under finance lease:			
Balance as of 31 March 2020		0	0
Balance as of 31 March 2021		0	0

Five of the six owned vessels, which have a total carrying value kNOK 1 599 566, are pledged as security for the non-current bank loans, see Note 10 *Interest bearing loans and borrowings*.

In the fourth quarter of FY2020 the fleet was tested for potential impairment. An impairment loss of NOK 122.7 mill was recognized in FY20.

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, an impairment loss of NOK 62.1 mill was recognized based on the fair value test method.

The two AHTS are defined as one cash-generating unit (CGU). The impairment test shows an impairment loss of NOK 60.6 mill using the fair value method.

The value in use calculations were based on a weighted average cost of capital (WACC) of 8.1 % 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.



NOTE 6 – TRADE & OTHER RECEIVABLES AND PREPAYMENTS

	31-Mar-21	31-Mar-20
Trade receivables	16,395	9,218
Accrued revenue	14,213	14,410
Total receivable from customers	30,608	23,628
Prepayments	37,627	49,436
VAT receivable	963	280
Other receivable	594	837
Total trade & other receivables and prepayments	69,792	74,181

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 2021 no interest on late payments from customers was recognized (FY2019: 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 2021 or as of 31 March 2020. 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.

NOTE 7 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets	31-Mar-21	31-Mar-20
Forward exchange forward contracts	164	206,231
Total other financial liabilities	164	206,231

Other financial liabilities	31-Mar-21	31-Mar-20
Foreign exchange forward contracts	45,467	0
Total other financial liabilities	45,467	0

Financial assets and liabilities reflects fair value of open foreign exchange contracts booked to P&L. See also note 16 - Derivative financial instruments and hedging.



NOTE 8 – CASH AND SHORT-TERM DEPOSITS

	31-Mar-21	31-Mar-20
Cash at banks (non-restricted)	84,720	140,240
Restricted bank deposits	321	261
Total cash and short-term deposits	85,040	140,500

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

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

NOTE 9 – SHARE CAPITAL

The total issued share capital of K Line Offshore AS as of 31 March 2021 consists of 2 511 919 shares (31 March 2020: 2 296 919 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.

The shareholders of the Company are	31-Mar-21		31-Mar-20	
	Number of shares	Ownership	Number of shares	Ownership
Kawasaki Kisen Kaisha, Ltd	2,511,919	100%	2,296,919	100%
Total	2,511,919	100%	2,296,919	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.

NOTE 10 - INTEREST BEARING LOANS AND BORROWINGS

Non-current liabilities measured at amortized cost	Maturity	31-Mar-21	31-Mar-20
JPY 4 310 million bank loan	2012 – '23	61,683	108,539
JPY 4 321 million bank loan	2012 – '23	165,736	228,952
JPY 4 297 million bank loan	2012 – '23	61,236	107,523
EUR 96 million bank loan	2012 – '23	479,870	606,901
USD 132 million bank loan	2012 – '23	209,484	363,674
Total interest bearing loans and borrowings		978,010	1,415,589
Current liability portion (total instalments due within 12 months)		199,137	244,659
Non-current liability		778,873	1,170,930

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



NOTE 10 - INTEREST BEARING LOANS AND BORROWINGS - continues

Vessels as collateral for bank loans	31-Mar-21	31-Mar-20
Carrying value of owned vessels pledged as collateral	1,599,566	1,719,020

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%

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 176 821 as of 31 March 2021 (31 March 2020: accumulated loss of kNOK 458 847). The unrealized foreign exchange gain related to the loans recorded in FY2020 is kNOK 282 026 (FY2019: loss of kNOK 211 741).

	31-Mar-21	31-Mar-20
The amount of the bank loans due for repayment after 5 years	0	0

NOTE 11 - LEASES

The company as lessee

The company leases several assets such as offices and a company car. The company's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	Offices	Vehicles	Total
Acquisition cost April 1st 2020	332	156	488
Addition to right-of-use assets	3,155	231	3,386
Acquisition cost March 31st 2021	3,487	387	3,874
Accumulated depreciation April 1st 2020	154	65	219
Depreciation	336	116	452
Accumulated depreciation March 31st 2021	490	181	671
Carrying amount of right-of-use assets March 31st 2021	2,997	206	3,203

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than 1 year	721
1-2 years	2,482
Total undiscounted lease liabilities at March 31st 2021	3,203

NOTE 12 - HOLDINGS ON BOARD VESSELS

	31-Mar-21	31-Mar-20
Lube oils	3,075	3,797
Bunkers	6,229	8,196
Total	9,305	11,993



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 72 relating to tonnage duty was paid in FY2020 and in FY2019 an amount of kNOK 72 was paid. Tonnage tax is recorded as an operating cost.

	FY2020	FY2019
Payable tax:		
Profit/(loss) for the period	-256,758	-43,606
Less: Profit/(loss) outside tonnage tax regime & non-taxable	258,518	34,154
Taxable profit/(loss)	1,760	-9,452
Utilized/allocated to taxable losses brought forward	-1,760	9,452
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	-86,361	-88,121
Total	-86,361	-88,121
Deferred tax assets	18,999	19,387
Nominal tax rate	22%	22%

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

The Company had the following transactions with related parties in the reporting period:

	Costs charged by related parties		Amounts owed to related parties	
	FY2020	FY2019	31-Mar-21	31-Mar-20
<i>Transactions with the entity that controls the Company (the "Parent")</i>				
Kawasaki Kisen Kaisha Ltd.	1,376	1,563	0	0
Total transactions invoiced from related parties	1,376	1,563	0	0
	Costs charged to related parties		Amounts owed by related parties	
	FY2020	FY2019	31-Mar-21	31-Mar-20
<i>Transactions with the entity that controls the Company (the "Parent")</i>				
Kawasaki Kisen Kaisha, Ltd.	26	27	0	0
Total transactions invoiced to related parties	26	27	0	0

Costs charged by related parties include operating costs. Amounts owed to related parties include both amounts included in trade and other payables.

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 bank loan guarantee fees, consultancy fees and reimbursements of expenses. Transactions with other Group companies are consultancy fees and service fees.

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's principal financial assets are trade and other receivables, and cash and short-term deposits that arrive directly from its operations. In addition the company enters into derivatives financial instruments.

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. The derivative financial instruments are not accounted for as hedging. 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. Management evaluate the need to enter into interest rate swaps and forward interest rate contracts on an ongoing basis.

As of 31 March 2021, 11% of the Company's borrowings are at a fixed interest rate, (31 March 2020: 11%).



NOTE 15 – FINANCIAL RISK - continues

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.

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-21		31-Mar-20	
	Assets	Liabilities	Assets	Liabilities
Currency – JPY	693	310,765	69,431	444,732
Currency – BRL	828	0	1,021	0
Currency – USD	17,358	221,376	76,296	370,308
Currency – EUR	828	502,380	83,879	606,513
Currency – PLN	0	0	607	0
Currency – GBP	18,356	1,997	40,083	1,254
Total in foreign currency	38,062	1,036,518	271,317	1,422,808
Total in NOK	116,934	47,084	149,596	13,634
Total monetary assets/liabilities	154,997	1,083,602	420,913	1,436,442

As of 31 March 2021 94% of the Company's borrowings are denominated in foreign currencies (31 March 2020: 97%). The Company has managed its exposure to foreign currency risk related to borrowings by potentially entering into forward foreign exchange contracts for the installments due up to one year ahead. The position of the Company is evaluated on an ongoing basis by Management with respect to expectations about the foreign exchange rates and the Company's risk appetite. From March 2019 the company secures the total loan amounts quarterly.

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.

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 2021 the Company had thirteen customers (31 March 2020: nine customers) that owed trade receivable balances. There were one customer (31 March 2020: one 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.



NOTE 15 – FINANCIAL RISK - continues

Liquidity risk

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

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

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

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

31-Mar-21	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	60,125	0	0	60,125
Interest-bearing borrowings	199,137	778,873	0	978,010
Total	259,262	778,873	0	1,038,134

31-Mar-20	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	20,572	0	0	20,572
Interest-bearing borrowings	244,659	1,170,930	0	1,415,589
Total	265,230	1,170,930	0	1,436,160

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 FY2020 and FY2019. 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-21	31-Mar-20
Interest-bearing debt	978,010	1,415,589
Accounts payable	60,125	20,572
Less cash	-85,040	-140,500
Net debt	953,094	1,295,660
Equity	873,358	915,116
Sum equity and net debt	1,826,452	2,210,776
Debt ratio	52%	59%



NOTE 16 – DERIVATIVE FINANCIAL INSTRUMENTS

	31-Mar-21		31-Mar-20	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	164	45,467	206,231	0
Fair value	164	45,467	206,231	0

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.

Gains and losses recognized on forward foreign exchange contracts are recognized in the income statement in the period(s) during which the transaction affects the income statement.

The following table details the forward foreign currency (FC) contracts outstanding as of 31 March 2021 (31 March 2020). These contracts are not designated as hedge accounting.

31-Mar-21	Maturity	Average forex rate	Foreign currency	Notional value	Fair value asset/ (liability)
			FC'000	NOK'000	NOK'000
Buy JPY	08/04/2021	12.039000	3,602,676	299,250	-20,967
Buy EUR	08/04/2021	10.507600	48,100	505,416	-23,357
Buy USD	08/04/2021	8.530900	19,744	168,437	87
Buy USD	08/04/2021	8.512200	4,960	42,218	77
Buy JPY	08/04/2021	0.084140	162,038	13,634	-1,143
Fair value					-45,303

31-Mar-20	Maturity	Average forex rate	Foreign currency	Notional value	Fair value asset/ (liability)
			FC'000	NOK'000	NOK'000
Buy JPY	03/04/2020	12.163000	4,464,526	367,058	65,548
Buy EUR	03/04/2020	9.927000	52,910	525,238	82,265
Buy USD	03/04/2020	9.134000	29,634	261,960	47,774
Buy USD	03/04/2020	8.820000	4,960	43,745	8,348
Buy JPY	03/04/2020	12.050000	162,038	13,447	2,297
Fair value					206,231

All FX forward contracts have forward dates less than 12 months from the reporting period.

No separate derivative financial instruments relating to items other than borrowings were held at 31 March 2020 or 31 March 2019.



NOTE 16 – DERIVATIVE FINANCIAL INSTRUMENTS - continues

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. For all above mentioned derivatives, 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 (see note 11).

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

	31-Mar-21		31-Mar-20	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	85,040	85,040	140,500	140,500
Prepayments	20,279	20,279	16,634	16,634
Trade receivables	49,513	49,513	57,548	57,548
Foreign exchange derivatives	164	164	206,231	206,231
Total financial assets	154,996	154,996	420,912	420,912
Financial liabilities				
Trade and other payables	60,125	60,125	20,572	20,572
Interest rate swaps	45,467	45,467	0	0
<i>Interest-bearing loans and borrowings:</i>				
Bank loans	974,808	1,018,778	1,415,589	1,417,897
Shareholder loans	0	0	0	0
Obligations under finance lease	3,203	3,203	282	282
Total financial liabilities	1,083,602	1,127,573	1,436,445	1,438,751

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, 2021:

Assets measured at fair value	31-Mar-20	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	164			164
Total	164			164
Liabilities measured at fair value	31-Mar-20	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	45,467			45,467
Interest rate swap - Designated as cash-flow hedge	0			0
Total	45,467			45,467

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 0 (FY2018: KNOK 1 012) on the interest rate swaps designated as cash-flow hedge has been recognised in other comprehensive income (OCI).



NOTE 17 - CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31-Mar-21

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total Financial assets
<i>Financial assets at fair value</i>					
Held for trading in acc with IAS 39					
Designated as such upon initial recognition	164				164
<i>Held-to-maturity investments</i>					
Loans and receivables		49,513	20,279	85,040	154,832
Available for sale financial assets					
Total					154,996

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
<i>Financial liabilities at fair value</i>					
Held for trading in accordance with IAS 39					
Designated as such upon initial recognition	45,467				45,467
<i>Financial liabilities measured at amortised cost</i>					
Other financial liabilities	778,873		199,137	60,125	978,010
Total					1,083,602

31-Mar-20

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total Financial assets
<i>Financial assets at fair value</i>					
Held for trading in acc with IAS 39					
Designated as such upon initial recognition	206,231				206,231
<i>Held-to-maturity investments</i>					
Loans and receivables		57,548	16,634	140,500	214,682
Available for sale financial assets					
Total					420,913

Liabilities	Financial liabilities	Provisions	Short term financial liabilities	Accounts payable	Total financial liabilities
<i>Financial liabilities at fair value</i>					
Held for trading in accordance with IAS 39					
Designated as such upon initial recognition					0
<i>Financial liabilities measured at amortised cost</i>					
Other financial liabilities	1,170,930		244,659	20,854	1,415,589
Total			282	20,572	1,436,443

The Company does not have any financial investments classified as available for sale as of 31 March, 2020 or on 31 March, 2019.



K LINE OFFSHORE

FY2020 Annual financial statements

NOTE 18 - SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Specification of sales, general and administrative expenses

	FY2020	FY2019
Rental and leasing costs	387	313
Travel, courses and meeting costs	225	931
Office related costs	266	268
IT and telephone costs	636	527
Consultancy fees and external personnel	424	819
Other costs	1,528	1,416
Total	3,462	4,273

The company is located in rented office facilities. The Company has moved into new office facilities from January 1st 2021 and have three months notice period. Total rent expenses was NOK 184 283 in FY2020 (FY2019: NOK 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 accordance with IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the management's best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

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

- Depreciation and Impairment of vessels
- Impairment of vessels


Vessels

Impairment test of the vessels as of March 31, 2021 indicated that an impairment loss of a NOK 122 700 was needed for the vessels. In FY2019 the impairment test did not show any need to take an impairment loss. There is uncertainty related to the estimation of future cash flows for the remaining lifetime of the vessels. Even so, the impairment testing was based on management application of best judgement as the five PSVs were tested against broker estimates and the two AHTS were tested against estimated value in use. See also Note 5 - Property, plant and equipment.

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

Arendal, June 18th 2021


Tomoyuki Okawa
Chairman


Michitomo Washita
Director



RSM Norge AS

To the General Meeting of K Line Offshore AS

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with 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.

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view 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.

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

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Independent Auditor's Report 2020 for K Line Offshore AS



Report on Other Legal and Regulatory Requirements

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, 24 June 2021
RSM Norge AS

Johan Bringsverd
State Authorised Public Accountant
(This document is signed electronically)

Penneo Dokumentnøkkel: L73P7-GLDV3-NYHLK-WT4Z8-14IB1-YFTJH



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Johan Thulin Bringsverd

Partner

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Johan Thulin Bringsverd

Statsautorisert revisor

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with 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.

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view 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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Independent Auditor's Report 2020 for K Line Offshore AS



Report on Other Legal and Regulatory Requirements

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, 24 June 2021
RSM Norge AS

Johan Bringsverd
State Authorised Public Accountant
(This document is signed electronically)

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Johan Thulin Bringsverd

Partner

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Johan Thulin Bringsverd

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Brønnøysundregistrene

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

Deres ref.	Vår ref.	Dato
	2012038133	24.10.2012

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

Vi viser til din henvendelse mottatt den 24.10.2012.

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

Årsregnskapet som skal sendes inn, må omfatte regnskapsperioden:

01.01.2012 - 31.03.2013

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

Altinn

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

Med hilsen

Brønnøysundregistrene - Regnskapsregisteret

Anne Claassen
Anne Claassen
saksbehandler

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	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
For elektronisk henvendelse se www.skatteetaten.no		



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.

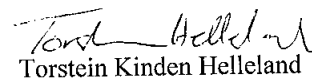
Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen



Jan Hjelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet



Torstein Kinden Helleland