Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.04.2019 - 31.03.2020

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:	09.06.2020

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 07.10.2021

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		420 781 000	314 086 000
Annen driftsinntekt		789 000	3 931 000
Sum inntekter	2, 11	**421 570 000**	**318 017 000**
Kostnader			
Varekostnad	2, 14	285 300 000	266 131 000
Lønnskostnad	3	9 380 000	13 263 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	111 606 000	117 850 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5		142 387 000
Annen driftskostnad	3, 18	4 273 000	5 586 000
Sum kostnader		**410 559 000**	**545 217 000**
Driftsresultat		**11 011 000**	**-227 200 000**
Finansinntekter og finanskostnader			
Annen finansinntekt	4	16 997 000	4 123 000
Urealisert agio på gjeld i fremmed valuta	4	-1 418 000	-46 564 000
Sum finansinntekter		**15 579 000**	**-42 441 000**
Annen finanskostnad	4	70 196 000	76 374 000
Sum finanskostnader		**70 196 000**	**76 374 000**
Netto finans		**-54 617 000**	**-118 815 000**
Ordinært resultat før skattekostnad		**-43 606 000**	**-346 015 000**
Skattekostnad på ordinært resultat	13		
Ordinært resultat etter skattekostnad		**-43 606 000**	**-346 015 000**
Årsresultat		**-43 606 000**	**-346 015 000**
Netto endring i kontantsstrømssikring			603 000
Sum resultatkomponenter for IFRS-foretak			603 000
Totalresultat			**-345 412 000**

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Overføringer og disponeringer			
Virkelig verdi av kontantstrømsikring	16		603 000
Udekket tap		-43 606 000	-346 014 000
Sum overføringer og disponeringer		**-43 606 000**	**-345 411 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	5,10,19	1 918 103 000	2 016 458 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	11	268 000	
Sum varige driftsmidler		**1 918 371 000**	**2 016 458 000**
Sum anleggsmidler		**1 918 371 000**	**2 016 458 000**
Omløpsmidler			
Varer			
Varer	12	11 993 000	13 058 000
Sum varer		**11 993 000**	**13 058 000**
Fordringer			
Kundefordringer	6,14,15,16	57 548 000	243 621 000
Andre fordringer	6, 15, 16, 17	16 634 000	21 198 000
Sum fordringer		**74 182 000**	**264 819 000**
Investeringer			
Andre finansielle instrumenter	7, 15, 16, 17	206 231 000	390 000
Sum investeringer		**206 231 000**	**390 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	8,15,16,17	140 500 000	76 837 000
Sum bankinnskudd, kontanter og lignende		**140 500 000**	**76 837 000**
Sum omløpsmidler		**432 906 000**	**355 104 000**

Balanse

Beløp i: NOK	Note	2020	2019
SUM EIENDELER		**2 351 277 000**	**2 371 562 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital			
Innskutt egenkapital			
Selskapskapital	9	2 296 919 000	2 296 919 000
Sum innskutt egenkapital		**2 296 919 000**	**2 296 919 000**
Opptjent egenkapital			
Udekket tap		1 381 803 000	1 338 196 000
Sum opptjent egenkapital		**-1 381 803 000**	**-1 338 196 000**
Sum egenkapital		**915 116 000**	**958 723 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5, 8, 10, 11, 14, 15, 16, 17, 19	1 170 930 000	1 155 115 000
Sum annen langsiktig gjeld		**1 170 930 000**	**1 155 115 000**
Sum langsiktig gjeld		**1 170 930 000**	**1 155 115 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	5, 10, 11, 14, 15, 16, 17, 19	244 659 000	221 585 000
Leverandørgjeld	14, 15, 16, 17	20 572 000	31 657 000
Annen kortsiktig gjeld	7, 15, 16, 17	0	4 482 000
Sum kortsiktig gjeld		**265 231 000**	**257 724 000**

Balanse

Beløp i: NOK	Note	2020	2019
Sum gjeld		**1 436 161 000**	**1 412 839 000**
SUM EGENKAPITAL OG GJELD		**2 351 277 000**	**2 371 562 000**
POSTER UTENOM BALANSEN			
Pantstillelser	10	1 719 020 000	1 804 122 000

K LINE | OFFSHORE

K LINE OFFSHORE AS
ANNUAL REPORT 2019

AHTS

KL Sandefjord	2011, AH12CD, 390tBP, ROV
KL Saltfjord	2011, AH12CD, 397tBP, ROV

PSV

KL Brevikfjord	2010, PSV 06 CD, 1100m2
KL Brisfjord	2011, PSV 06 CD, 1100m2
KL Brofjord	2011, PSV 06 CD, 1100m2
KL Barentsfjord	2011, PSV 06 CD, 1100m2

CONTENTS

VISION

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

MISSION STATEMENT

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

VALUES

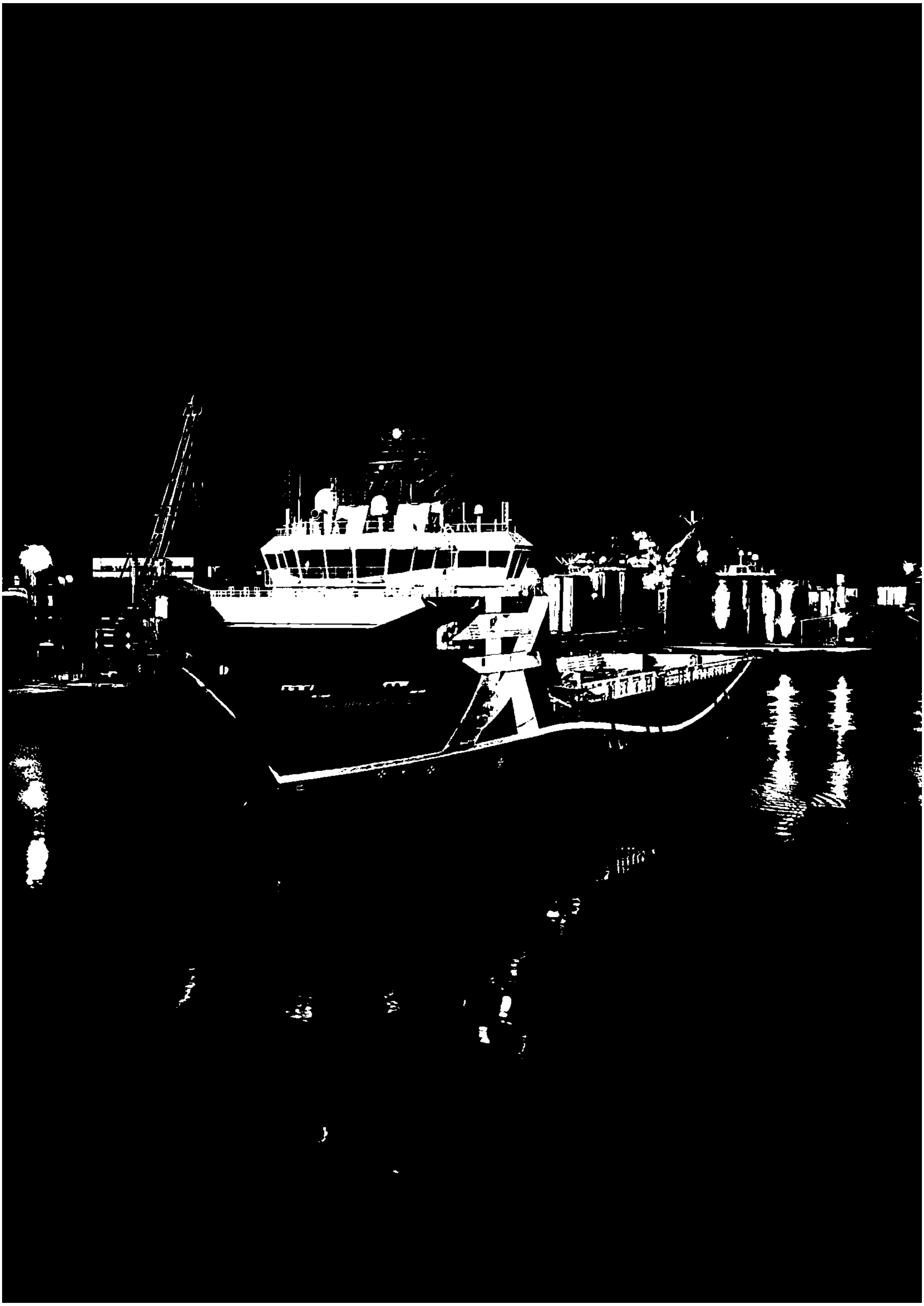
B – BEHAVIOUR
E – EXCELLENCE
S – SAFETY
T – TRUST

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

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

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

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



CEO'S REPORT

During Fiscal Year (FY) 2019 we experienced a significant improvement in the market conditions within the OSV-segment. We were able to secure term contracts for our PSVs at acceptable rates. The AHTSs had improved utilization and good earnings. Then we had reasons to be optimistic about the future due to increasing activity from the oil companies and a relative stable oil price. Suddenly we were hit by the dramatic effects of the COVID-19 virus from February 2020. This in combination with the collapse of the oil price lead to a significant reduction in the investment programs of the oil companies. Several charterers terminated PSVs on term contracts while in many other cases the condition for a continuous charter was a quite large reduction in the rates. Within a short period of time several OSVs were laid up.

FY 2019 turned out to have the best result since FY 2014. Total revenue for the period was NOK 421.6 mill. being more than NOK 100 mill. higher than the previous year. The EBITDA (earnings before interest, tax, depreciation and amortization) amounted to NOK 122.6 mill. while the net loss was NOK 43.6 mill.

In the PSV segment our three vessels trading out of Aberdeen have all secured term contracts, and we are pleased to notice the good feedback we receive from the charterers. KL Brevikfjord has a contract up to July 2021 while the contracts for the two others have expiry in June 2020. Our Norwegian-flagged vessel KL Brofjord also experienced sharp increase in the rates and has now a term contract up to November 2020.

Our two ultra large AHTS's have compared to the market had acceptable utilization since they are often preferred by the charterers. Further we are pleased that we are able to maintain and secure new call-off contracts with esteemed charterers. The use of Remote Operated Vehicles (ROV) has increased during the year.

KOAS has continuous focus together with our technical manager OSM for improving HSEQ-matters and specially to avoid personal injuries. We are proud of now having zero LTI (Lost Time Injuries) for the last 12 months as well as good figures for the overall HSEQ-statistics. For the fuel efficiency we have used various efforts to make improvements.

The OSV-segment will again have challenging years ahead after the optimism during FY 2019. KOAS must continue focusing on achieving better earnings per day than the market, minimize downtime and be cost-efficient.

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

Petter Nordby
Director and CEO

DIRECTORS' REPORT

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.

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.

Early in FY2019 the Company 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 2020. The financial statements cover the 12-month period from 1. April 2019 to 31. March 2020. All figures in brackets are for fiscal year 2018, which covers the period from 1. April 2018 to 31. March 2019.

The Company recorded revenue for the period of NOK 421,6 million (NOK 318,0 million) and an operating income of NOK 11,0 million (loss of NOK 227,2 million). EBITDA (earnings before interest, tax, depreciation and amortization) was NOK 122,6 million (NOK 33,0 million).

The Company had a net loss after tax for the period of NOK 43,6 million (loss of NOK 346,0 million), which included an unrealized loss on translation of loans denominated in foreign currencies of NOK 1,4 million (loss of NOK 46,6 million). No impairment losses were recorded on the fleet in FY2019 while NOK 139,0 million were recorded as losses in FY2018.

During the period cash and short-term deposits increased by NOK 63,7 million (decrease of NOK 95,0 million).

The Board proposes to allocate the loss for the period of NOK 43,6 million to uncovered losses. At the period end the Company had a book equity of NOK 915,1 million (NOK 958,7 million). The book equity to book assets ratio was 38,4% at the period end (40,4%). The equity comprises of share capital, which is the nominal value of shares, less accumulated uncovered losses.

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

6. The working environment and the employees
There were eight employees employed by the Company at the period end. One of the employees is a woman.

The working environment is perceived to be good. The Company does not discriminate regarding sex, race, religions or otherwise. All Directors of the Board are men. The employee absence due to sickness was 0.72% during the period. (FY2018: 0.81%)

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

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

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

OSM Offshore AS being the technical and crewing manager for the vessels is certified 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 2020 was 0, while the Total Recordable Injuries Frequency was 1.2 and two minor oil spills to the sea during FY 2019.

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

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 FY2020, 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 390 and 397 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, 9th June 2020

Satoshi Kanamori Chairman	Petter Nordby Director and CEO

INCOME STATEMENT

(All figures in 1000 NOK)

	Note	FY2019 From 1 April 2019 To 31 March 2020 12 months	FY2018 From 1 April 2018 To 31 March 2019 12 months
Revenue			
Operating revenue		420 781	314 086
Other revenue		788	3 931
Total revenue	**2, 11**	**421 570**	**318 017**
Operating Expenses			
Vessel operating expenses	2, 14	285 300	266 131
Salary and other employee benefits	3	9 380	13 263
Sales, general and administrative expenses	3, 18	4 273	5 586
Depreciation and impairment of fixed assets	5	111 606	260 236
Total operating expenses		410 558	545 217
Operating profit/(loss)		**11 011**	**-227 200**
Financial Income and expenses			
Finance income	4	16 997	4 123
Finance cost	4	70 196	76 374
Unrealized finance income/(cost) on foreign currency debt	4	-1 418	-46 564
Net finance income		**-54 617**	**-118 814**
Profit/(loss) before tax		**-43 606**	**-346 014**
Income tax	13	0	0
Profit/(loss) for the year		**-43 606**	**-346 014**

OTHER COMPREHENSIVE INCOME

(All figures in 1000 NOK)

	Note	FY2019 From 1 April 2019 To 31 March 2020 12 months	FY2018 From 1 April 2018 To 31 March 2019 12 months
Profit/(loss) for the year		**-43 606**	**-346 014**
Other comprehensive income			
Net movement on cash flow hedges	16	0	603
Income tax effect		0	0
Net other comprehensive income to be classified to profit or loss in subsequent periods:		**0**	**603**
Other comprehensive income for the year, net of tax		0	603
Total comprehensive income for the year, net of tax		**-43 606**	**-345 412**
Allocated Retained earnings		0	0
Allocated Uncovered losses		-43 606	-346 014
Allocated Share premium		0	0
Allocated Cash flow hedge reserve		0	603
Total allocated		**-43 606**	**-345 412**

STATEMENT OF FINANCIAL POSITION

(All figures in 1000 NOK)

ASSETS	Note	31 MAR 2020	31 MAR 2019
Non-current assets			
Vessels	5, 10, 19	1 918 103	2 016 458
Other property, plant and equipment	11	268	0
Total non-current assets		**1 918 371**	**2 016 458**
Current assets			
Holdings on board vessels	12	11 993	13 058
Trade and other receivables	6, 14, 15, 16, 17	57 548	243 621
Prepayments	6, 15, 16, 17	16 634	21 198
Other current financial assets	7, 15, 16, 17	206 231	390
Cash and short-term deposits	8, 15, 16, 17	140 500	76 837
Total current assets		**432 906**	**355 104**
TOTAL ASSETS		**2 351 277**	**2 371 562**

EQUITY AND LIABILITIES	Note	31 MAR 2018	31 MAR 2017
Equity			
Issued share capital	9	2 296 919	2 296 919
Share premium		0	0
Cash flow hedge reserve	7, 15, 16	0	0
Uncovered losses		-1 381 803	-1 338 196
Total equity		**915 116**	**958 723**
Non-current liabilities			
Interest-bearing loans and borrowings	5, 8, 10, 11, 14, 15, 16, 17, 19	1 170 930	1 155 115
Total non-current liabilities		**1 170 930**	**1 155 115**
Current liabilities			
Trade and other payables	14, 15, 16, 17	20 572	31 657
Interest-bearing loans and borrowings - current portion	5, 10, 11, 14, 15, 16, 17, 19	244 659	221 585
Other current financial liabilities	7, 15, 16, 17	0	4 482
Total current liabilities		**265 230**	**257 724**
Total liabilities		**1 436 160**	**1 412 840**
TOTAL EQUITY AND LIABILITIES		**2 351 277**	**2 371 562**

CHANGES IN EQUITY

(All figures in 1000 NOK)

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.

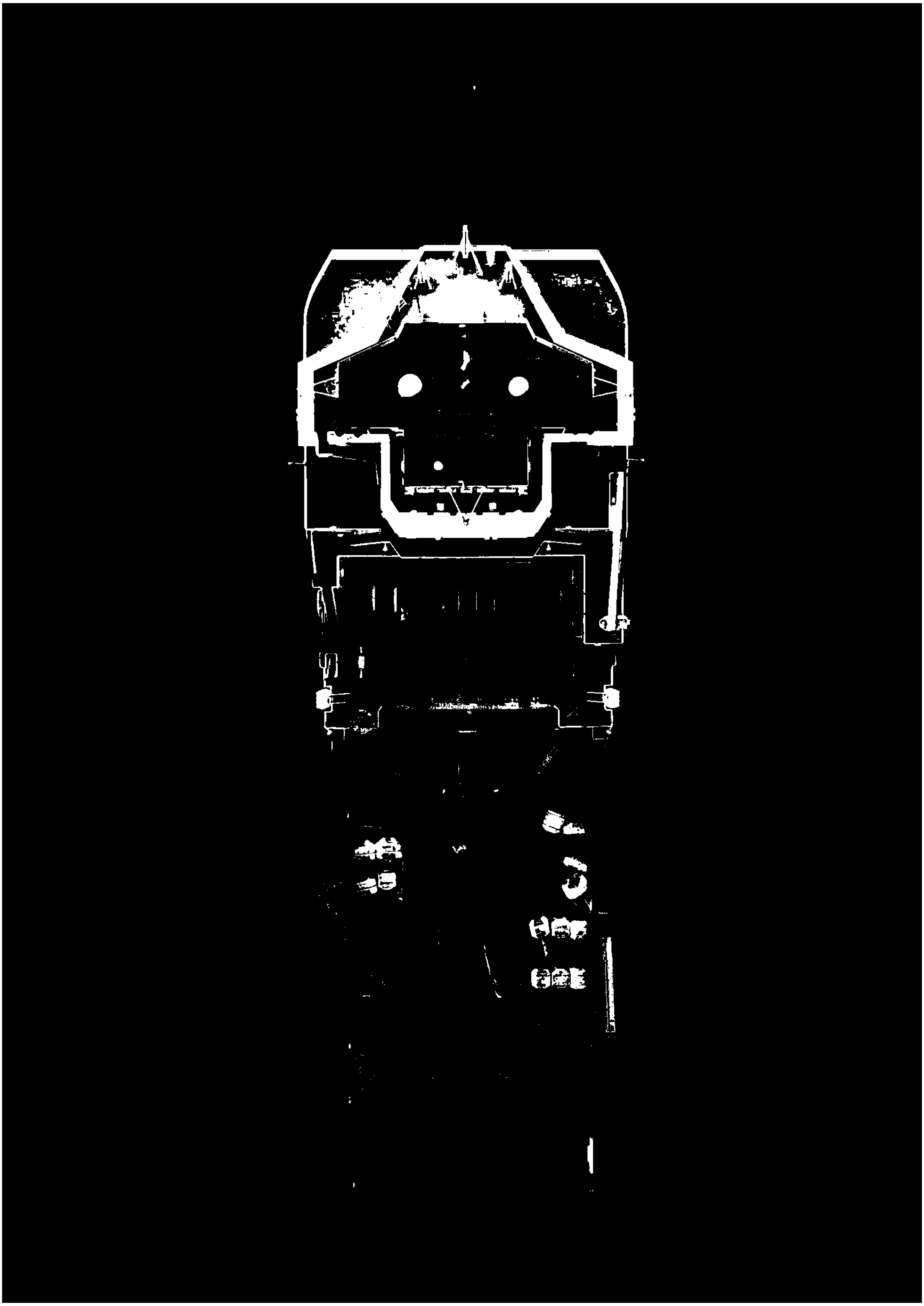
For the financial year ended 31 March 2019	Share Capital	Share premium	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2018	**1 120 064**	**0**	**-992 183**	**-602**	**127 279**
Profit/ (Loss) for the year	0	0	-346 014	0	-346 014
Other comprehensive income (Note 8,17)	0	0	0	603	603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

No dividend was proposed or paid in the year.

STATEMENT OF CASH FLOW

(All figures in 1000 NOK)

	Note	FY2019 From 1 April 2019 To 31 March 2020 12 months	FY2018 From 1 April 2018 To 31 March 2019 12 months
Operating activities			
Profit before tax		-43 606	-346 014
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of vessels and other PPE	5	111 606	266 254
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	1 418	46 687
Finance income	4	-16 997	-4 123
Finance cost	4	70 196	76 374
Working capital adjustments:			
Change in trade and other receivables		11 562	-37 561
Change in inventories		1 065	-250
Change in trade and other payables		-11 085	14 605
		124 159	15 972
Interest received		0	226
Interest paid		-17 890	-32 029
Net cash flows from operating activities		**106 269**	**-15 831**
Investing activities			
Purchases of other property, plant and equipment	5	-13 032	-6 219
Sale of other property, plant and equipment	5	0	0
Purchase of intangible assets		0	0
Net cash flows from investing activities		**-13 032**	**-6 219**
Financing activities			
Proceeds from issue of new shares	9	190 000	0
Net proceeds from borrowings	8	0	299 314
Repayment of borrowings		-223 111	-221 215
Payment of finance lease liabilities		0	-148 264
Net cash flows from financing activities		**-33 111**	**-70 165**
Net change in cash and cash equivalents		60 126	-92 215
Effects of forex changes on cash and cash equivalents		3 538	-2 765
Cash and cash equivalents at beginning of the financial year		76 837	171 816
Cash and cash equivalents at end of the financial year		**140 500**	**76 837**



NOTES

(All figures in 1000 NOK)

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of K Line Offshore AS for the fiscal year 2019 were approved in the board meeting at June 15th 2020.

1.1 Accounting period
The company financial year ends on 31 March 2020. These financial statements cover the 12-month period from 1 April 2019 to 31 March 2020 (hereafter referred to as "FY2019"). Comparative figures are shown for the 12-month period from 1 April 2018 to 31 March 2019 (hereafter referred to as "FY2018").

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

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

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

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

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

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

1.4 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 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:

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

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

For the PSV fleet the recoverable amount is based on two brokers average assessment of the vessel`s fair value. 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 139 million is recognized in FY2018. 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.

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 23% in 2018 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.

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.
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.

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

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

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

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

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

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

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

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

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

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

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

1.16 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.

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

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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, 2020	March 31, 2019
USD/NOK	10,5057	8,5972
EUR/NOK	11,5100	9,6590
GBP/NOK	12,9847	11,2536
JPY/NOK	0,09680	0,07613

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

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

1.24 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 FY2019 the parent company has strengthened the liquidity of the Company by increasing the equity by NOK 190 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.

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 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**

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

NOTE 2
SEGMENT REPORTING AND OTHER REVENUE - CONTINUES

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

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	FY2019	FY2018
North Sea and Barentz Sea	421 542	317 823
Other	27	194
Total	**421 570**	**318 017**

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

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

NOTE 3
SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries and other employee benefits:	FY2019	FY2018
Wages	8 020	10 664
Social security costs	1 177	1 563
Pension costs	71	468
Other remunerations	112	569
Total salaries and other employee benefits	**9 380**	**13 263**
Number of full time employee years	**8,0**	**9,3**

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

Payments to key employees	CEO & Board member
Salary	1 137
Other employment benefits	38
Total	**1 175**

Payments to key employees is for the calendar year 2019.

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 FY2019.

No remuneration was paid to any other Board members.

Auditor:	FY2019	FY2018
Statutory audit	354	217
Other assurance and tax related services	117	95
Total	**471**	**312**

Amounts invoiced excluding VAT.

NOTE 4
FINANCIAL INCOME AND EXPENSES

Net finance items	FY2019	FY2018
Finance income		
Realized forex gain on repayment of borrowings	12 334	1 045
Realized forex gain on payment of finance lease	18	1 648
Interest income	1 108	226
Forex gain on other financial assets and liabilities	3 537	1 204
Total finance income	16 997	4 123
Finance cost		
Realized forex loss on repayment of borrowings	45 820	34 785
Financial cost of borrowings	22 683	35 936
Financial cost of finance lease	0	2 641
Forex loss on other financial assets and liabilities	1 693	3 013
Total finance cost	**70 196**	**76 375**
Unrealized forex gain/(loss) on foreign currency debt	-1 418	-46 562
Net finance income/(cost)	**-54 617**	**-118 814**

NOTE 5
PROPERTY, PLANT AND EQUIPMENT

Vessels	AHTS	PSV	Total
Cost			
Balance as of 31 March 2019	1 971 749	1 804 542	3 776 291
Additions	5 453	7 579	13 032
Balance as of 31 March 2020	**1 977 202**	**1 812 121**	**3 789 323**
Depreciation			
Balance as of 31 March 2019	546 182	547 905	1 094 087
Depreciation for the year	60 501	50 885	111 386
Balance as of 31 March 2020	**606 683**	**598 790**	**1 205 473**
Impairment loss/ (gain)			
Balance as of 31 March 2019	256 300	409 447	665 747
Impairment loss/ (gain) for the year	0	0	0
Balance as of 31 March 2020	**256 300**	**409 447**	**665 747**
Carrying amounts			
Balance as of 31 March 2019	1 169 267	847 190	2 016 458
Balance as of 31 March 2020	**1 114 219**	**803 884**	**1 918 103**
Of which carrying amounts held under finance lease:			
Balance as of 31 March 2019		**0**	**0**
Balance as of 31 March 2020		**0**	**0**

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

Five of the six owned vessels, which have a total carrying value kNOK 1 709 020, are pledged as security for the non-current bank loans, see Note 10 Interest bearing loans and borrowings.
In the fourth quarter of FY2019 the fleet was tested for potential impairment. No impairment loss was recognized in FY19.

Two independent brokers provided estimates on fair value of the vessels, excluding charter contracts. As part of the impairment test, the Company also performed value in use calculation based on present value of estimated future net cash flows for the vessels.
On the PSV fleet, both the value in use calculations performed by the company and the average of the broker estimates indicated vessel values in excess of the carrying value of the vessels.
The two AHTS are defined as one cash-generating unit (CGU). The broker estimates indicated a potential impairment loss, but no impairment loss was recognized, as the value in use calculations also accounted for utilization of the vessels ROV services, and no impairment loss was thus indicated by the value in use calculation.

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

NOTE 6
TRADE & OTHER RECEIVABLES AND PREPAYMENTS

	31 MAR 2020	31 MAR 2019
Trade receivables	39 678	18 072
Accrued revenue	14 410	18 948
Total receivable from customers	**54 088**	**37 020**
Prepayments	49 436	21 198
VAT receivable	280	1 146
Other receivable	837	205 455
Total trade & other receivables and prepayments	**104 641**	**264 819**

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 2020 no interest on late payments from customers was recognized (FY2018: 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 2020 or as of 31 March 2019. 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 2020	31 MAR 2019
Forward exchange forward contracts	206 231	390
Total other financial liabilities	**206 231**	**390**

Other financial liabilities	31 MAR 2020	31 MAR 2019
Foreign exchange forward contracts	0	4 482
Total other financial liabilities	**0**	**4 482**

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

NOTE 8
CASH AND SHORT-TERM DEPOSITS

	31 MAR 2020	31 MAR 2019
Cash at banks (non-restricted)	140 240	76 578
Restricted bank deposits	261	260
Total cash and short-term deposits	**140 500**	**76 837**

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 2020 consists of 2 296 919 shares (31 March 2019: 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.

	31 MAR 2020		31 MAR 2019	
	Number of shares	Ownership	Number of shares	Ownership
Kawasaki Kisen Kaisha, Ltd	2 296 919	100 %	2 296 919	100 %
Total	**2 296 919**	**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 2020	31 MAR 2019
JPY 4 310 million bank loan	2012 – '23	108 539	114 741
JPY 4 321 million bank loan	2012 – '23	228 952	199 857
JPY 4 297 million bank loan	2012 – '23	107 523	113 899
EUR 96 million bank loan	2012 – '23	606 901	554 594
USD 132 million bank loan	2012 – '23	363 674	393 610
Total interest bearing loans and borrowings		**1 415 589**	**1 376 701**
Current liability portion (total installments due within 12 months)		**244 659**	**221 585**
Non-current liability		**1 170 930**	**1 155 116**

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

Vessels as collateral for bank loans	31 MAR 2020	31 MAR 2019
Carrying value of owned vessels pledged as collateral	1 719 020	1 804 122

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 458 847 as of 31 March 2020 (31 March 2019: accumulated loss of kNOK 247 106). The unrealized foreign exchange loss related to the loans recorded in FY2019 is kNOK 211 741 (FY2018: loss of kNOK 31 330).

	31 MAR 2020	31 MAR 2019
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 2019	0	0	0
Addition to right-of-use assets	332	156	487
Acquisition cost March 31st 2020	**332**	**156**	**487**
Accumulated depreciation April 1st 2019	**0**	**0**	**0**
Depreciation	154	65	219
Accumulated depreciation March 31st 2020	**154**	**65**	**219**
Carrying amount of right-of-use assets March 31st 2020	**178**	**91**	**268**

Lease liabilities	**Total**
Undiscounted lease liabilities and maturity of cash outflows	
Less than 1 year	250
1-2 years	32
Total undiscounted lease liabilities at March 31st 2020	**282**

NOTE 12
HOLDINGS ON BOARD VESSELS

	31 MAR 2020	**31 MAR 2019**
Lube oils	3 797	4 077
Bunkers	8 196	8 981
Total	**11 993**	**13 058**

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 FY2019 and in FY2018 an amount of kNOK 53 was paid. Tonnage tax is recorded as an operating cost.

	FY2019	FY2018
Payable tax:		
Profit/(loss) for the period	-43 606	-346 014
Less: Profit/(loss) outside tonnage tax regime & non-taxable	34 154	331 894
Taxable profit/(loss)	-9 452	-14 120
Utilized/allocated to taxable losses brought forward	9 452	14 120
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	-88 121	-78 669
Total	**-88 121**	**-78 669**
Deferred tax assets	**19 387**	**18 094**
Nominal tax rate	22 %	23 %

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	
	FY2019	**FY2018**	**31 MAR 2020**	**31 MAR 2019**
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha Ltd.	1 563	10 446	0	472
Total transactions invoiced from related parties	**1 563**	**10 446**	**0**	**472**

	Costs charged to related parties		Amounts owed by related partie	
	FY2019	**FY2018**	**31 MAR 2020**	**31 MAR 2019**
Transactions with the entity that controls the Company (the "Parent")				
Kawasaki Kisen Kaisha, Ltd,	27	194	0	0
Total transactions invoiced to related parties	**27**	**194**	**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 derivaties 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 intstuments 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.

NOTE 15
FINANCIAL RISK - CONTINUES

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

The Company manages its interest rate risk by having what it views as an appropriate mix of fixed and variable rate loans. To further diversify the interest rate risk, the variable interest rates are pegged against a spread of currency interest rates, NIBOR, LIBOR and EURIBOR, so to increase the chance that any adverse changes in one of the interest rates may be offset by positive changes in another. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite and Management evaluate the need to enter into interest rate swaps and forward interest rate contracts on an ongoing basis.
As of 31 March 2020, 11% of the Company's borrowings are at a fixed interest rate, (31 March 2019: 11%).

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

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 2020		31 MAR 2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency – JPY	69 431	444 732	18 298	429 011
Currency – BRL	1 021	0	1 021	0
Currency – USD	76 296	370 308	9 109	10 617
Currency – EUR	83 879	606 513	685	558 885
Currency – PLN	607	0	0	0
Currency – GBP	40 083	1 254	37 939	395 586
Total in foreign currency	271 317	1 422 808	67 052	1 394 100
Total in NOK	149 596	13 634	274 994	18 741
Total monetary assets/liabilities	**420 913**	**1 436 442**	**342 046**	**1 412 840**

As of 31 March 2019 97% of the Company's borrowings are denominated in foreign currencies (31 March 2019: 99%). 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.

NOTE 15
FINANCIAL RISK - CONTINUES

As of 31 March 2020 the Company had nine customers (31 March 2019: fifteen customers) that owed trade receivable balances. There were one customer (31 March 2019: no customers) with a balance greater than kNOK 10 000. The Company has no history of customers who have defaulted on balances owed and, therefore, the Company has not recorded any bad debts to date. The Company's maximum exposure to credit risk relating to trade receivables is the amount presented as trade and other receivables in the balance sheet.
Cash deposits
The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company's maximum exposure to credit risk relating to cash deposits is the amount presented as cash and short-term deposits in the balance sheet.

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

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

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

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

31 MAR 2020	< 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**

31 MAR 2019	< 1 yr	1 – 5 yrs	> 5 yrs	Total
Trade & other payables	31 657	0	0	31 657
Interest-bearing borrowings	221 585	1 155 115	0	1 376 701
Total	**253 242**	**1 155 115**	**0**	**1 408 358**

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.

NOTE 15
FINANCIAL RISK - CONTINUES

	31 MAR 2020	31 MAR 2019
Interest-bearing debt	1 415 589	1 376 700
Accounts payable	20 572	31 657
Less cash	-140 500	-76 837
Net debt	**1 295 660**	**1 331 520**
Equity	915 116	958 723
Sum equity and net debt	**2 210 777**	**2 290 243**
Debt ratio	59 %	58 %

NOTE 16
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

	31 MAR 2020		31 MAR 2019	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	206 231	0	390	-4 482
Fair value	**206 231**	**0**	**390**	**-4 482**

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 2019 (31 March 2018).
These contracts are not designated as hedge accounting.

31 MAR 2020	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**

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

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 AND HEDGING - CONTINUES

Changes in equity related to cash flow hedges	**FY2020**	**FY2019**
Fair value of cash flow hedges 1. April	0	-602
Changes in fair value recognised in other comprehensive income	0	602
Fair value of cash flow hedges 31. March	**0**	**0**

Determination of fair value
The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The fair value of interest rate swaps is determined by the present value of future cash flows. For 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 2020		**31 MAR 2019**	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash	140 500	140 500	76 837	76 837
Prepayments	16 634	16 634	21 198	21 198
Trade receivables	57 548	57 548	243 621	243 621
Foreign exchange derivatives	206 231	206 231	390	390
Total financial assets	**420 913**	**420 913**	**342 045**	**342 045**
Financial liabilities				
Trade and other payables	20 572	20 572	31 657	31 657
Interest rate swaps	0	0	4 482	4 482
Interest-bearing loans and borrowings:				
Bank loans	1 415 589	1 417 897	1 376 701	1 377 498
Shareholder loans	0	0	0	0
Obligations under finance lease	282	282	0	0
Total financial liabilities	**1 436 442**	**1 438 751**	**1 412 842**	**1 413 637**

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.

NOTE 16
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING - CONTINUES

The following groups of financial instruments were measured at fair value as of 31 March, 2020:

Assets measured at fair value	31 MAR 2020	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	206 231			206 231
Total	**206 231**			**206 231**

Liabilities measured at fair value	31 MAR 2019	Level 1	Level 2	Level 3
Foreign exchange contracts - Not designated as hedging	0			0
Interest rate swap - Designated as cash-flow hedge	0			0
Total	**0**			**0**

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 2020

Assets	Financial assets	Accounts receivable	Other current assets	Cash and cash equivalents	Total Financial assets
Financial assets at fair value					
Held for trading in acc with IAS 39	206 231				206 231
Designated as such upon initial recognition					
Held-to-maturity investments		57 548	16 634	140 500	214 681
Loans and receivables					
Available for sale financial assets					420 913
Total					**342 046**

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

NOTE 17
CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 MAR 2019

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

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

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

NOTE 18
SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Specification of sales, general and administrative expenses	**FY2019**	**FY2018**
Rental and leasing costs	313	427
Travel, courses and meeting costs	931	1 395
Office related costs	268	295
IT and telephone costs	527	509
Consultancy fees and external personnel	819	910
Other costs	1 416	2 051
Total	**4 273**	**5 586**

Arendal, June 9th 2020

The company is located in rented office facilities. The Company has an option to terminate the rent agreement with three months notice period annualy from October 1. Rent expenses was kNOK 291 600 in FY2019 (FY2018: kNOK 291 600).

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

NOTE 19
ESTIMATION UNCERTAINTY

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

The company's most important accounting estimates are the following items:
• Depreciation and impairment of vessels
• Impairment of vessels

Vessels
Impairment test of the vessels as of March 31, 2020 indicated no impairment need for the vessels. In FY2018 an impairment loss of kNOK 139 000 was recognized. 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, 9th June 2020

Satoshi Kanamori
Chairman

Petter Nordby
Director and CEO

AUDITOR'S REPORT

RSM

To the General Meeting of K Line Offshore AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for opinion
We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

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

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

Arendal, 22 June 2020
RSM Norge AS

Johan Bringsverd
Johan Bringsverd
State Authorised Public Accountant

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"K" Line Offshore AS
Kirkegaten 5
N-4836 Arendal
Norway

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

Organisation no.:
Org No 991 860 533 MVA

www.klineoffshore.no

Brønnøysundregistrene

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

Deres ref.	**Vår ref.**	**Dato**
	2012038133	24.10.2012

Endring av regnskapsåret for
991 860 533 K LINE OFFSHORE AS

Vi viser til din henvendelse mottatt den 24.10.2012.

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

Årsregnskapet som skal sendes inn, må omfatte regnskapsperioden:

01.01.2012 - 31.03.2013

Årsregnskapet skal fastsettes senest seks måneder etter regnskapsårets slutt, jf. regnskapsloven § 3-1. Komplett 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

RSM

RSM Norge AS

Frolandsveien 6, 4847 Arendal
Org.nr: 982 316 588 MVA

T +47 38 07 07 00
F +47 23 11 42 01

www.rsmnorge.no

To the General Meeting of K Line Offshore AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K Line Offshore AS, which comprise the balance sheet as at 31 March 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Arendal, 22 June 2020
RSM Norge

Johan Bringsverd
State Authorised Public Accountant

Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Telefon
22078139

Deres dato
23.02.2011

Deres referanse
Johan Bringsverd

Vår dato
25.02.2011

Vår referanse
2011/214162

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

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

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

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

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

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

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

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

Sentralbord
800 80 000
Telefaks
22 17 08 60

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

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

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapets virksomhet er utpreget internasjonal og arbeidsspråket er engelsk. Selskapet er i det vesentlige eiet av et japansk selskap. Videre er selskapets leder og to av styremedlemmene ikke norsk språklige. Brukerne av selskapets regnskap er en lukket krets av interessenter som ikke stiller krav til norsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering K Line Offshore AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

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

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland