



Evergas Shipholding 3 A/S

Kalvebod Brygge 39-41,

DK 1560 Copenhagen

CVR No. 25 59 50 09

Annual report

for the year ended 31 December 2015
(12 months)
3rd financial year

Approved at the annual general meeting of shareholders
on 3/5 2016


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Chairman

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Company details

Evergas Shipholding 3 A/S
Kalvebod Brygge 39-41
DK – 1560 Copenhagen
CVR No. 25 59 50 09
www.evergas.net

Supervisory board

Jacques Marie Joseph Narcisse d'Armand de Chateauvieux (chairman)
Philippe René Georges Rochet
Steffen Jacobsen

Executive board

Steffen Jacobsen

Shareholders holding 5% or more of the share capital or the voting rights

Evergas A/S
Kalvebod Brygge 39-41
DK - 1560 Copenhagen V
CVR no. 33 24 15 85

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4
DK – 2000 Frederiksberg

Bankers

Nordea Bank ASA
KfW IPEX-Bank GmbH, Palmengartenstr. 5-9, 60325 Frankfurt am Main, Germany, including its successors and assignees, as Lenders

Statement by management on the annual report

Today, management has discussed and approved the annual report of Evergas Shipholding 3 A/S for the financial year 1 January – 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operation.

In our opinion, the management's review includes a fair review of the matters dealt with in the management's review.

We recommend that the annual report is approved by the annual general meeting of shareholders.

Copenhagen, 31 May 2016

Executive board:



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Steffen Jacobsen

Supervisory board:

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Jacques Marie Joseph Narcisse
d'Armand de Chateauvieux
(chairman)

.....
Philippe René Georges Rochet


.....
Steffen Jacobsen

Independent auditors' report

To the shareholders of Evergas Shipholding 3 A/S Independent auditors' report on the financial statements

We have audited the financial statements of Evergas Shipholding 3 A/S for the financial year 1 January – 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statement

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report – continued

Statement on the management's review

In accordance with the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statement.

Copenhagen, 31 May 2016

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Jens Thordahl Nøhr
State Authorized Public Accountant



Peter Andersen
State Authorized Public Accountant

Management's review

Business activities and mission

The objectives of the company are to carry on shipping business or other activities at home and abroad, which are in connection with shipping business as well as other transportation business and investment in companies of mentioned nature and in real estate and any other business activities which in the opinion of the board of directors are related hereto.

The Company's functional currency and presentation currency is USD.

Business review

The Company's result for 2015 is a profit of USD 776,080 and the Company's balance sheet at 31 December 2015 shows an equity of USD 12,942,084.

On 27 July 2015 an extraordinary general meeting of the company passed a resolution to convert USD 1,731,700 payable to the immediate holding company into new shares, nominal amount of DKK 11,811,926

Expenses in connection with the capital increase referred to above amounts to USD 0.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any significant uncertainty.

Unusual circumstances

There has not been any unusual circumstances in the financial year.

Subsequent events

There were no events subsequent to the balance sheet date, which would require adjustments to or disclosures in the company's financial statements.

Accounting policies

The annual report of Evergas Shipholding 3 A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in USD, based on bookkeeping records maintained in USD. The financial statements are presented in USD to match the functional currency of the company, which is also USD.

Foreign currency retranslation

Transactions denominated in foreign currencies are translated into USD at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into USD at the exchange rates at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses. The exchange rate between USD/DKK per 31 December 2015 was 6.83 against 6.12 per 31 December 2014.

Income statement

Revenue and voyage expenses

All voyage revenues and voyage expenses are recognised based on the percentage of completion. Evergas Shipholding A/S uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing Contracts of Affreightment (COA). With this method, voyage revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Voyage related expenses incurred for vessels during the idle time are expensed. Voyage cost includes bunker, port and other cost related to the specific voyage. Revenue from time charters (T/C) and bareboat charters (B/B) accounted for as operating leases are recognised over the rental periods of such charters, as services are performed. Demurrage is included if a claim is considered probable. Losses arising from COA's, spot, T/C and B/B voyages are provided for in full when they become probable.

Other external expenses

Other external expenses include expenses related to sale, administration, etc.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items Revenue through other external expenses are consolidated into one line item designated Gross margin.

Accounting policies - continued

Amortization/depreciation and write-downs

Amortization/depreciation include amortization, depreciation and write-downs of property, plant and equipment. Fixed assets are amortized/depreciated using the straight-line method, based on the cost, less impairment.

Property, plant and equipment is depreciated on a straight-line basis to the residual value, based on the cost, measured by reference to the following assessment of the useful lives:

	<u>Useful life</u>
Vessels	25 years
Dry Dock	5 years

Residual value for the vessels are estimated to 4.1 MUSD.

Gains or losses on the sale of fixed assets are recognized in the income statement under 'Other income/Other expenses'.

Net Financials

Financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealized capital and exchange gains and losses on securities and foreign currency transactions, amortization of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme etc.

Tax

Tax for the year includes current tax on the year's expected taxable income incl. Tonnage Tax Scheme and the year's deferred tax adjustments.

Current and deferred taxes related to items recognized directly in equity are taken directly to equity.

The parent and all Danish group enterprises are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation method).

The parent acts as a management company for all the companies encompassed by the joint taxation arrangement, meaning that the parent is responsible for ensuring that taxes, etc. are paid to the Danish tax authorities.

Jointly taxed companies entitled to a tax refund are, at a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a minimum, a surcharge according to the management company.

Balance sheet

Vessels

Vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the vessels. The cost is split into vessel and docking components.

All separate components are depreciated on a straight-line basis over the useful life of the separate item.

Accounting policies – continued

Depreciation is based on cost less the estimated residual value. The residual value of the vessels is estimated as the lightweight tonnage of each vessel multiplied by expected steel price per ton. The residual value of docking are estimated to nil.

The residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

Components of vessels are de-recognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on de-recognition of an asset is included in the income statement in the year the asset is de-recognized.

Vessels

An impairment test is prepared for property, plant and equipment if there are indications of decreases in value. The impairment test is prepared for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realizable value.

Receivables

Trade receivables, etc., are measured at the lower of amortized cost and net realizable value, based on an assessment of the individual receivable.

Prepayment

Prepayments recognized under 'assets' comprise prepaid expenses regarding subsequent reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Equity

Dividends proposed for the reporting period are presented as a separate item under 'Equity'

Income taxes

Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior year's taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognized at the value at which they are expected to be utilized either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Financial liabilities

Financial liabilities are recognized initially at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost, using the effective interest rate method.

Other payables

Other payables are measured to amortized cost, which, essentially, corresponds to the fair value.

Income statement

1 January - 31 December 2015

	Notes	2015 USD	2014 USD
Gross margin		2,960,941	3,264,269
Employee benefit expenses	2	0	0
Depreciation and impairment of property, plant and equipment	5	<u>(1,416,481)</u>	<u>(919,475)</u>
Profit before net financials		1,544,460	2,344,794
Other financial income		14,464	24
Other financial expenses	4	<u>(783,119)</u>	<u>(496,998)</u>
Profit before tax		775,804	1,847,820
Tax for the year	3	<u>276</u>	<u>(2,566)</u>
Net profit for the year		<u>776,080</u>	<u>1,845,254</u>

Which the supervisory board recommends is carried forward to next year.

Appropriation of profit/loss

Profit/loss to be appropriated:

Retained earnings/Accumulated profit/loss	1,843,064	(2,190)
Net profit for the year	<u>776,080</u>	<u>1,845,254</u>
Available for appropriation	<u>2,619,145</u>	<u>1,843,064</u>

The supervisory board recommends the following appropriation

Retained earnings/Accumulated profit	<u>2,619,145</u>	<u>1,843,064</u>
Total appropriation	<u>2,619,145</u>	<u>1,843,064</u>

Balance sheet
at 31 December

	Notes	2015 USD	2014 USD
Assets			
Fixed assets			
Vessels		<u>33,145,800</u>	<u>34,562,281</u>
Property, plant and equipment	5	<u>33,245,800</u>	<u>34,562,281</u>
Receivable from group enterprises		<u>2,795,516</u>	<u>0</u>
Investments		<u>2,795,516</u>	<u>0</u>
Total fixed assets		<u>35,941,316</u>	<u>34,562,281</u>
Current assets			
Inventories		<u>347,235</u>	<u>465,979</u>
Inventories		<u>347,235</u>	<u>465,979</u>
Trade receivables		1,377,866	1,695,549
Other receivables		436,115	34,128
Prepayment		<u>47,792</u>	<u>96,140</u>
Receivables		<u>1,861,774</u>	<u>1,825,817</u>
Cash and cash equivalents	7	<u>1,212,390</u>	<u>466,598</u>
Total current assets		<u>3,421,399</u>	<u>2,758,394</u>
Total assets		<u><u>39,362,715</u></u>	<u><u>37,320,675</u></u>

Balance sheet
at 31 December

	Notes	2015 USD	2014 USD
Equity and liabilities			
Equity			
Share capital		10,322,939	8,591,239
Retained earnings/Accumulated profit		<u>2,619,145</u>	<u>1,843,064</u>
Total equity		<u>12,942,084</u>	<u>10,434,303</u>
Liabilities			
Bank debt	6	<u>23,069,191</u>	<u>21,137,513</u>
Long-term liabilities		<u>23,069,191</u>	<u>21,137,513</u>
Current portion of long-term liabilities	6	2,421,561	1,600,000
Trade payables		273,789	423,468
Payables to group enterprises		134,905	3,524,554
Tax payable		0	2,566
Other payables		267,506	198,271
Deferred income		<u>253,679</u>	<u>0</u>
Short-term liabilities		<u>3,351,440</u>	<u>5,748,859</u>
Total liabilities		<u>26,420,631</u>	<u>26,886,372</u>
Total equity and liabilities		<u>39,362,715</u>	<u>37,320,675</u>
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Contingents assets and liabilities and Other financial obligations	9		
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Statement of changes in equity

	2015 USD	2014 USD
Share capital		
Balance at 1/1	8,591,239	91,239
Capital increase	<u>1,731,700</u>	<u>8,500,000</u>
Balance at 31/12	<u>10,322,939</u>	<u>8,591,239</u>
Retained earnings/Accumulated loss		
Balance at 1/1	1,843,064	(2,190)
Transfer in the year	<u>776,080</u>	<u>1,845,254</u>
Balance at 31/12	<u>2,619,145</u>	<u>1,843,064</u>
Equity at 31/12	<u>12,942,084</u>	<u>10,434,303</u>

The company's share capital, USD 10,322,939, nominal amount of DKK 58,523,026 consist of 58,523,026 shares of DKK 1.

Share capital paid at company's inception 16 December 2013 was USD 91,239, nominal amount of DKK 500,000.

On 26 February 2014 an extraordinary general meeting of the company passed a resolution to convert USD 8,500,000 payable to the immediate holding company into new shares, nominal amount of DKK 46,211,100.

On 27 July 2015 a board meeting of the company passed a resolution to convert USD 1,731,700 payable to the immediate holding company into new shares, nominal amount of DKK 11,811,926.

Notes

Note 1. Going concern

The parent company, Evergas A/S, has undertaken to provide continuing financial support to Evergas Shipholding 3 A/S during 2016, to enable the company to pay its creditors as they fall due.

Note 2. Employee benefit expenses

No wages and salaries were paid during the financial year as the Company has no employees.

Note 3. Tax for the year

As the company is under the Danish Tonnage tax regime the expected taxable income in the future is low, and therefore deferred asset calculated at the negative result is not recognized.

	2015 USD	2014 USD
Note 4. Other financial expenses		
Interest payable, exchange losses and similar expenses	<u>783,119</u>	<u>496,998</u>
	<u>783,119</u>	<u>496,998</u>

Note 5. Property, plant and equipment

	<u>Vessels USD</u>
Cost	
Balance at 1/1	35,481,756
Additions in the year	0
Disposals in the year	<u>0</u>
Cost at 31/12	<u>35,481,756</u>
Depreciation and write-downs	
Balance at 1/1	(919,475)
Depreciation in the year	<u>(1,416,481)</u>
Depreciation and write-downs at 31/12	<u>(2,335,956)</u>
Carrying amount at 31/12 2015	<u><u>33,145,800</u></u>

Note 8 provides more details on security for loans, etc., as regards property, plant and equipment.

Notes - continued

Note 6. Long-term liabilities

Breakdown of certain liabilities by long-term and short-term liabilities:

	<u>Falling due between 1 and 5 years</u>	<u>Falling due after more than 5 years</u>	<u>Total long-term liabilities at 31/12 2015</u>	<u>Falling due within 1 year</u>	<u>Total</u>
Bank debt	<u>9,686,246</u>	<u>13,382,945</u>	<u>23,069,190</u>	<u>2,421,561</u>	<u>25,490,751</u>
	<u>9,686,246</u>	<u>13,382,945</u>	<u>23,069,190</u>	<u>2,421,561</u>	<u>25,490,751</u>

Note 7. Cash and cash equivalents

Out of the balance of USD 1,212,390 an amount of USD 550,000 is pledged to secure the bank loan.

Note 8. Security for loans

According to the Bank Facility, Evergas Shipholding 3 A/S shall repay the existing bank debt with quarterly instalments ending on the Final Maturity Date in 2021.

In addition to the mortgage over the vessel, the interest bearing loan facility is secured through the earnings and retention accounts (note 7), a general assignment of vessel's rights and interests including insurance and the vessel manager's undertaking. In addition the company's shares and the vessel are pledged as security for the mortgage debt.

Note 9. Contingent assets and liabilities and other financial obligations

The Company has at 31.12.2015 obligations regarding Technical Management agreement of USD 476,743.

The company is jointly taxed with its parent, Evergas A/S, which acts as management Company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Note 10. Related parties

Related parties includes the parent company Evergas A/S, Kalvebod Brygge 39-41, Copenhagen DK-1560, which holds the majority of the share capital in the Company. Related parties with control is the parent.

The consolidated financial statements of Evergas A/S are available at the Company's address: Kalvebod Brygge 39-41, Copenhagen DK-1560.