Evergas Shipholding A/S

Kalvebod Brygge 39-41

DK - 1560 Copenhagen

Cvr.no. 33 24 16 15

Annual report

for the year ended 31 December 2015
(12 months)
5th financial year

Approved at the annual general meeting of shareholders,
the 31/5 2016

Pia Amidberg
....
Chairman

Contents

Company details

Evergas Shipholding A/S
Kalvebod Brygge 39-41
DK – 1560 Copenhagen
Cvr.no. 33 24 16 15

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
Cvr.no. 33 24 15 85

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

Bankers

Nordea Bank ASA

Statement by management on the annual report

Today, management has discussed and approved the annual report of Evergas Shipholding 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 operations.

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:

....
Steffen Jacobsen

Supervisory board:

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

Independent auditors' report

To the shareholders of Evergas Shipholding A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Evergas Shipholding 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 auditors' report - continued

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other 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 statements.

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

Financial highlights

	2015	2014	2013	2012	2010/11*
Key figures for the group (in 000'USD)					
Gross margin	(8,076)	(4,425)	(1,059)	2,705	6,295
Profit/loss before net financials	(8,076)	(4,425)	(1,073)	1,723	(347)
Net financials	(356)	201	(6,851)	1,440	2,572
Net profit/loss for the year	(8,340)	(4,228)	(7,905)	3,159	2,215
Equity at year end	(15,006)	(6,667)	(2,438)	5,467	2,308
Total assets	6,397	17,639	9,206	9,681	23,198
Investments in the year	0	0	0	0	0
Ratios					
Return on assets	-67.19%	-32.97%	-11.36%	10.48%	-1.20%
Current ratio	226.17%	290.78%	86.37%	436.85%	261.3%
Equity ratio	-234.57%	-37.79%	-26.49%	56.47%	9.95%
Return on equity	76.96%	92.88%	-522.02%	81.25%	76.78%

Definition of financial ratios:

Return on assets: Profit/loss before net financials / Average, total assets * 100

Current ratio: Current assets / Short-term liabilities * 100

Equity ratio: Equity / Total assets * 100

Return on equity: Net profit/loss for the year / Average equity in the year * 100

*When calculation Return on assets and Return on equity the result is converted to income equivalent to 12 months.

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 any other business activities, which in the opinion of the Executive board are related hereto.

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

Business review

During 2015, the Company operated 6 vessels on time charter basis from related parties.

The Company's result for 2015 is a loss of USD 8,339,597 and the company's balance sheet at 31 December 2015 shows an equity of USD -15,006,209.

The result for 2015 is lower than expected due to lower rate level during 2015 than expected and lower utilization of the vessels than expected.

The Company had Cash and Cash equivalents of USD 64,188 as of 31 December 2015 (2014: USD 422,845).

Effect on the financial statements of significant events and matters

There have not been any significant events in the Company which have had influence on the financial statements.

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.

Risk factors

The Company's result depends on the worldwide market for vessels within the gas segment. Market conditions for shipping activities are typically volatile and, as a consequence, the result may vary considerably from year to year. The shipping market in broad terms is dependent upon two factors; the supply of vessels and the overall growth in the world economy which affect the demand side. The supply of vessels is a combination of newbuildings, demolition of older tonnage and legislation that limits the use of older vessels or sets new standards for vessels used in specific trades. When the market is weak, the supply side takes much longer time to adjust to the reduced demand for seaborne transportation, and as a consequence, the market will suffer for a period until balance is achieved. From an asset management perspective high markets will be very liquid in shipping whereas low markets are very illiquid.

The bunker fuel expenses are sought secured through bunker clauses in the contracts (CoA), alternatively fixed through commodity based derivatives.

Management's review – continued

The Company's main credit risks are related to freight income under its charter party contracts for transport. The Company seeks to limit these risks by trading with creditworthy counterparties and in general major chemical-, trading- or major oil companies only.

The Company has no exposure to interest rate risk as the Company has not longer any interest-bearing liabilities after repayment of Mortgage debt during 2015.

The Company's functional currency is USD as the majority of the transactions are in USD. Currency risks therefore arise in connection with transactions in other currencies than USD. The Group may use financial derivatives to reduce the net operational currency exposure.

Health, safety and environment

Human capital is a core asset for the Company. It is of vital importance for the Company continuously to maintain and attract qualified and motivated employees. The organization embraces a diversified workforce in which employment, promotions, responsibility and job enrichment are based on qualifications and abilities and not on gender, age, race, political- nor religious views.

The safety and well-being has the highest priority, and the Company aims to continuously provide and enhance healthy, high-quality working conditions on board the vessels within a zero-incident tolerance environment.

In order to be more involved in the Technical Managers development of, and compliance with, their business strategies in order to improve all aspects of the technical business scope, Evergas A/S has established a joint venture together with Thome Ship Management Pte Ltd during 2015. Evergas A/S has the controlling interest of the joint venture and will put all vessels under technical management in this joint venture. The establishment of the joint venture expands Evergas Fleet team's possibility to ensure that compliance with safety and quality is constantly maintained. Performance is maintained through detailed service level agreements, vivid KPI measurement and frequent audits and team meetings. Adherence to and compliance with global marine rules, regulations and Industrial standards form part of Evergas ordinary course of business, and Evergas aims to be well ahead of future regulations.

The Company focuses on transparency in its conduct of business, supports free enterprise and seeks to compete in a fair and ethical manner.

During 2015, carefully chosen KPI's has been implemented in each department to ensure optimization of performance in all areas of the business.

Environment protection by implementing proactive measures in design and operation as well as proactive adoption of regulations has been pillar stone of the Company's strategy. All new vessels entering the fleet from 2012 onwards are equipped with ballast-water treatment plants to prevent pollution by invasive species and all refrigeration and air-conditioning systems onboard are upgraded to CFC free R404 refrigeration gas. The Company will continuously strive to improve the environmental standards of its operations.

Management's review – continued

Subsequent events

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

Outlook

In 2016, an improved net result compared to 2015 is expected.

The Company remains committed to our credo "Carried with Experience".

Accounting policies

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

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

In accordance with section 86.4 of the Danish Financial Statements Act, a cash flow statement has not been prepared. Evergas A/S prepares the consolidated cash flow statement for the Group.

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

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, dividends received from group enterprises, adjustment of investments, 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

Inventories

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

Accounting policies - continued

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 balances and short-term bank deposits.

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 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.

Deferred income

Deferred income recognized as a liability comprises payments received concerning income in subsequent reporting years.

Provisions

Provisions comprise anticipated costs related to losses on COA's and T/C agreements, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at net present value.

Income statement
1 January – 31 December 2015

	Notes	2015 USD	2014 USD
Gross margin		**(8,075,623)**	**(4,425,433)**
Employee benefit expenses	2	-	-
Loss before net financials		**(8,075,623)**	**(4,425,433)**
Other financial income	3	26,405	598,278
Other financial expenses	4	(382,772)	(397,000)
Loss before tax		**(8,431,990)**	**(4,224,155)**
Tax for the year	5	92,393	(4,152)
Net loss for the year		**(8,339,597)**	**(4,228,307)**

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

Appropriation of profit/loss

	2015 USD	2014 USD
Profit/loss to be appropriated:		
Retained earnings/Accumulated profit/loss	(6,759,547)	(2,531,240)
Net loss for the year	(8,339,597)	(4,228,307)
Available for appropriation	(15,099,144	(6,759,547)

The supervisory board recommends the following appropriation of the profit/loss:

	2015 USD	2014 USD
Retained earnings/Accumulated profit/loss	(15,099,144)	(6,759,547)
Total appropriation	**(15,099,144)**	**(6,759,547)**

Balance sheet
at 31 December

	Notes	2015 USD	2014 USD
Assets			
Current assets			
Inventories		1,217,773	2,506,891
Inventories		**1,217,773**	**2,506,891**
Trade receivables		3,554,827	6,294,457
Receivables from group enterprises		0	7,076,510
Other receivables		1,560,542	1,338,263
Prepayments		0	264
Receivables		**5,115,369**	**14,709,494**
Cash and cash equivalents		**64,188**	**422,845**
Total current assets		**6,397,330**	**17,639,230**
Total assets		**6,397,330**	**17,639,230**

Balance sheet
at 31 December

	Notes	2015 USD	2014 USD
Equity and liabilities			
Equity			
Share capital	6	92,935	92,935
Retained earnings/Accumulated profit/loss		(15,099,144)	(6,759,547)
Total equity		**(15,006,209)**	**(6,666,612)**
Liabilities			
Payables to group enterprises	8	18,575,043	18,239,616
Long-term liabilities		**18,575,043**	**18,239,616**
Current portion of long-term liabilities	7	0	592,407
Trade payables		269,450	721,696
Payables to group enterprises	8	1,514,371	3,363,389
Income taxes		0	19,477
Other payables		511,552	837,070
Deferred income	9	533,123	532,187
Short-term liabilities		**2,828,496**	**6,066,226**
Total liabilities		**21,403,539**	**24,305,842**
Total equity and liabilities		**6,397,330**	**17,639,230**

Contingent assets and liabilities and other financial obligations	10
Related parties	11

Statement of changes in equity

	Share capital	*Retained earnings/ Accumulated loss*	*Proposed dividend*	*Total*
Equity at 31/12 2011	**92,935**	**2,215,248**	**0**	**2,308,183**
Transfer in the year	0	3,158,876	0	3,158,876
Equity at 31/12 2012	**92,935**	**5,374,124**	**0**	**5,467,059**
Transfer in the year	0	(7,905,364)	0	(7,905,364)
Equity at 31/12 2013	**92,935**	**(2,531,240)**	**0**	**(2,438,305)**
Transfer in the year	0	(4,228,307)	0	(4,228,307)
Equity at 31/12 2014	**92,935**	**(6,759,547)**	**0**	**(6,666,612)**
Transfer in the year	0	(8,339,597)	0	(8,339,597)
Equity at 31/12 2015	**92,935**	**(15,099,144)**	**0**	**(15,099,144**

Notes

Note 1. Going concern

The parent company, Evergas A/S, has undertaken to provide continuing financial support to Evergas Shipholding A/S during 2016 to enable the company to pay its creditors as they fall due. As a consequence, Evergas Shipholding A/S does not expect to repay the loan from group companies, until the company is in a position to do so.

Note 2. Employee benefit expenses

No salaries and wages for the year have been paid as the Company has no employees, but the Company has paid administration fee to a group company.

	2015 USD	2014 USD
Remuneration to the executive and supervisory board	367,622	0

According to the Danish Financial Statements Act § 98b, the total remuneration to the executive and supervisory boards in 2014 are not disclosed.

	2015 USD	2014 USD
Note 3. Other financial income		
Interest income, group enterprises	0	85,146
Adjustment of receivable from associated enterprise	0	495,456
Other interest receivable, currency gains etc.	26,405	17,676
	26,405	598,278

Note 4. Other financial expenses

	2015 USD	2014 USD
Interest payable, group enterprises	335,427	299,257
Adjustment of investments	0	3,768
Interest payable, bank	0	184
Interest payable, exchange losses and similar expenses	47,345	93,791
	382,772	397,000

Note 5. Tax for the year

	2015 USD	2014 USD
Estimated income tax charge, excl. interest surcharges	0	19,477
Withholding tax	0	0
	0	19,477
Correction to previous years income tax	(92,393)	(15,325)
Total	(92,393)	4,152
Changes of deferred tax amounts in the year	0	0

Notes

Note 6. Share capital

The company's share capital, USD 92,935, nominal amount of DKK 500,000 consist of 500.000 A-shares of DKK 1 per share.

The share capital was paid at the company's inception October 6 2010. The share capital has remained unchanged since inception.

Note 7. Bank loan

The bank loan (USD 592,407 at 31 December 2014) has been repaid in October 2015.

Note 8. Payables to group enterprises

Breakdown of payable to group by long-term and short-term liabilities:

	Falling due between 1 and 5 years	Falling due after more than 5 years	Total long-term liabilities at 31/12 2015	Falling due within 1 year	Total
Payables to group ente-prises	18,575,043	0	18,575,043	1,514,371	20,089,414
	18,575,043	0	18,575,043	1,514,371	20,089,414

Note 9. Deferred income

Deferred income includes prepaid hire from costumers covering periods after 31.12.2015.

Note 10. Contingent assets and liabilities and other financial obligations

As at 31 December 2015 the Company had operational lease commitments of USD'000 38,160 relating to T/C hire payments payable to related parties within year 2016.

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 11. 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.

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