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 2018

Approved at the annual general meeting of shareholder
on 12 June 2019

……………………………………………..……
Pia Lindberg

Contents

Company details

Evergas Shipholding A/S

Kalvebod Brygge 39-41
DK – 1560 Copenhagen
Cvr.no. 33 24 16 15

www.evergas.net

Board of Directors
Jacques Marie Joseph Narcisse d'Armand de Chateauvieux (Chairman)
Christian Franck Lefevre
Steffen Ulrik Jacobsen

Executive Board
Steffen Ulrik Jacobsen, (CEO)

Auditors
Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK - 2300 Copenhagen S

Statement by Executive Board and Board of Directors on the annual report

Today, the Executive Board and Board of Directors have discussed and approved the annual report of Evergas Shipholding A/S for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations.

Further, in our opinion, the Management's commentary includes a fair review of the matters dealt with in the Management's commentary.

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

Copenhagen, 12 June 2019

Executive Board:

……………….……….....................
Steffen Ulrik Jacobsen

Board of Directors:

……………….………..................... Jacques Marie Joseph Narcisse d'Armand de Chateauvieux (Chairman)	……………….………..................... Christian Franck Lefevre	……………….………..................... Steffen Ulrik Jacobsen

Independent auditor's report

To the shareholder of Evergas Shipholding A/S

Opinion

We have audited the financial statements of Evergas Shipholding A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of USD 9.2 million during the year ended 31 December 2018 and, as of that date, the Company has negative equity by USD 46.5 million. These matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. As stated in Note 1, consistent with previous years, the Company is financed by group companies, and Management of the Company expects that such funding will continue in 2019 even though no commitments have been provided by group companies in this respect. Our opinion is not modified in respect of this matter.

Management's responsibilities for the financial statements

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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

Statement on the Management commentary
Management is responsible for the Management commentary.

Our opinion on the financial statements does not cover the Management commentary, 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 Management commentary and, in doing so, consider whether the Management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management commentary.

Copenhagen, 12 June 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke	Martin Pieper
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 10944	MNE no 44063

Management's commentary

Business activities and mission

The objectives of the Company are to carry on shipping business.

Business review

The Company's result for 2018 is a loss of USD 9,220,682 against a loss of USD 9,220,505 in 2017. The Company's balance sheet at 31 December 2018 shows an equity of USD (46,486,258). The equity at 31 December 2017 was (37,265,576).

The result for 2018 is lower than expected due to lower freight rate levels during 2018 and lower utilization of the vessels than expected. In addition a provision has been made for onerous contracts.

Going concern assessment

For a description of the going concern assessment at 31 December 2018, refer to note 1.

Uncertainty relating to recognition and measurement

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

Subsequent events

The 6 LEG vessels operated by Evergas Shipholding A/S have been sold with delivery to new owners in 2019.

After the sale of the vessel during 2019, the Company will be without activity and the Board is therefore considering future plans for the Company, including how and when a recapitalization of the company may take place

Accounting policies

The annual report of Evergas Shipholding A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities with addition of certain provisions for reporting class C.

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. The exchange rate between USD/DKK per 31 December 2018 was 6.52 against 6.21 per 31 December 2017.

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.

Income statement

Revenue and voyage expenses

Income is recognized in the income statement when:

- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

Revenue comprises freight, charter hire and demurrage revenues from the vessel. Revenue is recognized when or as performance obligations are satisfied by transferring the promised services to the customer, i.e. at a point in time or over time provided that the stage of completion can be measured reliably. Revenue is measured at the consideration that the Company expects to be entitled to. Accordingly, freight, charter hire and demurrage revenue are recognized at selling price upon delivery of the service as per the charter parties concluded.

Cross-over voyages

Revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. For cross-over voyages (voyages in progress at the end of a reporting period), the uncertainty and the dependence on estimates are greater than for finalized voyages. The Company recognizes a percentage of the estimated revenue at the balance sheet date. The estimate of revenue is based on the expected duration and destination of the voyage.

Accounting policies - continued

When recognizing revenue, there is a risk that the actual number of days it takes to complete the voyage will differ from the estimate, and for time charter parties a lower day rate may have been agreed for additional days. The contract for a single voyage may state several alternative destination ports. The destination port may change during the voyage, and the rate may vary depending on the destination port. Changes to the estimated duration of the voyages as well as changing destinations and weather conditions will affect the revenue.

Demurrage revenue
Freight contract contain conditions regarding the amount of time available for lading and discharging of the vessel. If these conditions are breached, the Company is compensated for the additional time incurred in the form of demurrage revenue. Demurrage revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. Upon completion of the voyage, the Company assesses the time spend in port, and a demurrage claim based on the relevant contractual conditions is submitted to the charterers.

The claim will often be met by counterclaims due to differences in the interpretation of the agreement compared to the actual circumstances of the additional time used. Any adjustment to the final agreement is recognized as demurrage revenue.

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

Gross profit
With reference to section 32 of the Danish Financial Statements Act, the items Revenue through other external expenses are combined into one line item Gross profit/loss.

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, exchange gains and losses, 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 according to Tonnage Tax Scheme.

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.

Accounting policies - continued

Balance sheet

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

Income taxes is calculated according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulation for net financial income. Shipping activities are taxed on the basis of the net tonnage a disposal.

Provisions

Provisions comprise anticipated losses on onerous contracts and time charter agreements, etc. Provisions are recognized 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 realizable value. If the obligation is expected to be settled far into the future, the obligation is measured at net present value.

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 liabilities

Other payables are measured at amortized cost.

Deferred income

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

Income statement
1 January – 31 December 2018

	Notes	2018 USD	2017 USD
Gross loss		**(8,506,494)**	**(8,686,314)**
Loss before net financials		**(8,506,494)**	**(8,686,314)**
Other financial income	3	24,785	19,650
Other financial expenses	4	(787,903)	(560,109)
Loss before tax		**(9,269,612)**	**(9,226,773)**
Tax for the year	5	48,930	6,268
Net loss for the year		**(9,220,682)**	**(9,220,505)**
Proposed distribution of profit/loss			
Accumulated losses prior years		(37,358,511)	(28,138,006)
Net loss for the year		(9,220,682)	(9,220,505)
Total appropriation		**(46,579,193)**	**(37,358,511)**

Balance sheet
at 31 December

	Notes	2018 USD	2017 USD
Assets			
Current assets			
Inventories		1,871,902	1,625,837
Inventories		**1,871,902**	**1,625,837**
Trade receivables		422,826	2,838,763
Receivables from group enterprises		6,312,488	6,421,952
Other receivables		4,184,878	3,995,998
Prepayments		0	91,071
Receivables		**10,920,192**	**13,347,784**
Cash and cash equivalents		**40,412**	**6,491,668**
Total current assets		**12,832,506**	**21,465,289**
Total assets		**12,832,506**	**21,465,289**

Balance sheet
at 31 December

	Notes	2018 USD	2017 USD
Equity and liabilities			
Equity			
Share capital		92,935	92,935
Accumulated loss		(46,579,193)	(37,358,511)
Total equity		**(46,486,258)**	**(37,265,576)**
Non-current Liabilities			
Other provisions	6	5,944,627	312,417
Non-current liabilities		**5,944,627**	**312,417**
Liabilities			
Payables to group enterprises	7	20,313,693	19,534,723
Long-term liabilities		**20,313,693**	**19,534,723**
Trade payables		3,250,869	1,662,187
Payables to group enterprises	7	29,208,892	34,146,392
Other payables		250,244	2,514,566
Deferred income	8	350,439	560,580
Short-term liabilities		**33,060,444**	**38,883,725**
Total liabilities		**59,318,764**	**58,730,865**
Total equity and liabilities		**12,832,506**	**21,465,289**

Going concern	1
Employee expenses	2
Contingent liabilities and other financial obligations	9
Related parties	10

Notes

Note 1. Going concern

The Company is part of the Greenship Gas Trust Group and is dependent on the Group for business and financing purposes. Accordingly, the financial situation of the Greenship Gas Trust Group is key for the Company's own going concern assessment.

Evergas Shipholding A/S has generated a net loss of USD 9,221 thousand for 2018, as a result of the low market rates within the gas transportation market, combined with a higher fixed time charter hire to lessor. The result for the year is consistent with those of prior years, where the Company also generated losses.

A provision for onerous contracts has been made. See Note 6.

Equity at 31 December 2018 is negative by USD 46,486 thousand compared to a negative equity of USD 37,265 thousand at 31 December 2017. The negative results and negative equity indicate significant uncertainties in respect of the Company's going concern assumption.

The Company has chartered 6 LEG vessels on a time charter agreement where lessor is an affiliated company within the Greenship Gas Trust Group. The rates are adjusted on a quarterly basis. The 6 LEG vessels have been sold and the vessels will be delivered to the new owner during Q2 and Q3 in 2019. The cash generated by the sale of the LEG vessels will be used for repaying debt.

The Company is currently being financed through an intercompany arrangement with an affiliated Company, Greenship Gas SAS. Greenship Gas SAS is an affiliated company through the parent company Greenship Gas Trust. The intercompany arrangement is without any limits, and the arrangement does not include any specific payback arrangement. Refer to Note 7 on split of payables to group enterprises.

Excluding the internal debt to Greenship Gas SAS, the Company has positive net current assets, whereby external creditors are considered to be covered.

Management has considered the liquidity needs for 2019. Apart from the cash generated by the sale of the vessels to repay debt, the Company will generate negative cash flows in 2019, which is expected to be financed by the above intercompany arrangement.

Based on above mentioned circumstances, Management has prepared the financial statements for 2018 based on the going concern assumption.

Note 2. Employee expenses

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

Notes – continued

	2018 USD	2017 USD

Note 3. Other financial income

	2018 USD	2017 USD
Other interest receivable, currency gains etc.	24,785	19,650
	24,785	**19,650**

Note 4. Other financial expenses

	2018 USD	2017 USD
Interest expense, group enterprises	778,969	533,730
Interest expense, external	0	3
Other financial expenses	8,934	26,376
	787,903	**560,109**

Note 5. Tax for the year

The taxable income for 2018 is marginal, as the Company is under the Danish Tonnage tax regime.

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

Note 6. Onerous contracts

Provisions comprise anticipated losses on onerous contracts and time charter agreements. Provisions have been made for losses until the vessels are sold during the second and third quarters of 2019.

Note 7. 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 within 1 year	Total
Payables to group enterprises	20,313,693	29,208,892	49,522,585
	20,313,693	29,208,892	49,522,585

Refer also to note 1 regarding going concern

Notes – continued

Note 8. Deferred income

Deferred income is relating to payments received from the E3 Pool cooperation with Eletson.

Note 9. Contingent liabilities and other financial obligations

As of 31.12.2018 the Company has operational lease commitments of USD'000 17,3 relating to time charter hire payments payable to related parties until all vessels have been sold.

Note 10. Related parties

Related parties include the parent company Evergas A/S, Kalvebod Brygge 39-41, Copenhagen DK-1560, which holds the entire share capital in the Company.

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