



Evergas Shipholding 2 A/S

Kalvebod Brygge 39-41

DK 1560 Copenhagen

CVR No. 35 38 11 55

Annual report

for the year ended 31 December 2018

Approved at the annual general meeting of shareholders
on 6 June 2019

.....

Pia Lindberg

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Company details

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Kalvebod Brygge 39-41
DK – 1560 Copenhagen
CVR No. 35 38 11 55

Board of Directors

Jacques Marie Joseph Narcisse d'Armand de Chateauevieux (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, Executive Board and Board of Directors have discussed and approved the annual report of Evergas Shipholding 2 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 for the financial year 1 January – 31 December 2018.

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 6 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 2 A/S

Opinion

We have audited the financial statements of Evergas Shipholding 2 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.

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 scepticism 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, 6 June 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Kim Takata Mücke

State-Authorised

Public Accountant

MNE no 10944

Martin Pieper

State-Authorised

Public Accountant

MNE no 44063

Management's commentary

Business activities and mission

The objective of the Company is to carry on shipping business.

Business review

The Company's result for 2018 is a loss of USD 4,820,775 against a loss of USD 392,498 in 2017 and the Company's balance sheet at 31 December 2018 shows an equity of USD 8,411,815 against an equity of USD 13,232,590 in 2017.

The increased loss in 2018 is due to impairment of vessel to sales price of vessel realized in 2019.

Going concern assessment

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

Subsequent events

The vessel is sold and expected to be delivered to the buyer in beginning of June 2019.

After the delivery of the vessel during 2019, the Company will be without activity and the Board of Directors is therefore considering future plans for the Company.

Accounting policies

The annual report of Evergas Shipholding 2 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

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 spent 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.

Depreciation and impairment of fixed assets

Depreciation include, depreciation and impairment of property, plant and equipment. Fixed assets are 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

Accounting policies – continued

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, 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.

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.

Depreciation is based on cost less the estimated residual value.

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

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

Accounting policies – continued

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.

Prepayments

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.

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 liabilities are measured to amortized cost.

Income statement
1 January - 31 December

	Notes	2018 USD	2017 USD
Gross profit		1,884,633	1,756,379
Depreciation and impairment of fixed assets		<u>(5,897,217)</u>	<u>(1,414,896)</u>
Loss/profit before net financials		(4,012,584)	341,483
Other financial income		12,467	182
Other financial expenses	3	<u>(820,658)</u>	<u>(728,146)</u>
Loss before tax		(4,820,775)	(386,481)
Tax for the year	4	<u>0</u>	<u>(6,017)</u>
Net loss for the year		<u>(4,820,775)</u>	<u>(392,498)</u>
 Proposed distribution of profit/loss			
Retained earnings prior years		2,913,668	3,306,166
Loss for the year		<u>(4,820,775)</u>	<u>(392,498)</u>
Total appropriation		<u>(1,907,107)</u>	<u>2,913,668</u>

**Balance sheet
at 31 December**

	Notes	2018 USD	2017 USD
Assets			
Non-current assets			
Property, plant and equipment			
Vessels		<u>0</u>	<u>29,360,705</u>
	5	<u>0</u>	<u>29,360,705</u>
Total non-current assets		<u>0</u>	<u>29,360,705</u>
Current assets			
Vessels	5	<u>24,402,500</u>	<u>0</u>
Inventories		<u>418,154</u>	<u>347,737</u>
Receivables			
Trade receivables		482,090	660,438
Receivables from group enterprises		0	83,695
Other receivables		1,528,008	468,456
Prepayments		<u>109,293</u>	<u>301,720</u>
		<u>2,119,391</u>	<u>1,514,309</u>
Cash and cash equivalents	6	<u>663,637</u>	<u>682,594</u>
Total current assets		<u>27,603,682</u>	<u>2,544,640</u>
Total assets		<u>27,603,682</u>	<u>31,905,345</u>

**Balance sheet
at 31 December**

	Notes	2018 USD	2017 USD
Equity and liabilities			
Equity			
Share capital		10,318,922	10,318,922
Retained earnings/accumulated loss		<u>(1,907,107)</u>	<u>2,913,668</u>
Total equity		<u>8,411,815</u>	<u>13,232,590</u>
Bank debt	7	14,912,279	16,462,153
Trade payables		617,569	581,469
Payables to group enterprises		2,016,126	605,728
Other payables		1,645,893	997,773
Deferred income		<u>0</u>	<u>25,632</u>
Short-term liabilities		<u>19,191,867</u>	<u>18,672,755</u>
Total liabilities		<u>19,191,867</u>	<u>18,672,755</u>
Total equity and liabilities		<u>27,603,682</u>	<u>31,905,345</u>
Going concern	1		
Employee expenses	2		
Security for loans	8		
Contingents 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.

Other entities in the Greenship Gas Trust Group breached certain financial covenants at 31 December 2018, and was in situation of default and cross-default on its loans at the end of the reporting period. The bank is due to these circumstances contractually entitled to request immediate repayment of the outstanding bank debt at 31 December 2018. The Group has therefore requested a waiver from the lenders, which as of today still has not been received. Until now positive feedback from almost all lenders about getting the waiver has been received.

In both 2018 and 2019, all installments have been paid according to loan agreements. As of the date approving these financial statements, no lenders have initiated any default procedures. Furthermore, as the vessel has been sold for delivery in 2019, this is classified as current asset, and full repayment of mortgage loans will be made in connection with the sale.

After reclassification of all loans to non-current, the total current assets exceeds non-current liabilities. Therefore, there is no material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

The disposal of the vessel can ensure full payment of all creditors, even though USD 650,413 from the total cash and cash equivalents of USD 663,637 is pledged to secure the bank loan. Based on the Company's liquidity, all creditors are expected to be paid when they fall due.

Based on the above it has been considered appropriate that the financial statements for the twelve months period ended 31 December 2018 have been prepared on a going concern basis.

Note 2. Employee expenses

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

Note 3. Other financial expenses

	2018 USD	2017 USD
Interest expense, external	760,276	670,316
Amortization borrowing cost	50,126	50,126
Other financial expenses	<u>10,256</u>	<u>7,704</u>
	<u>820,658</u>	<u>728,146</u>

Notes – continued

Note 4. Tax for the year

The taxable income for 2018 is expected to be marginal, as the Company is under the Danish Tonnage tax regime. After 2019, the Company will exit the Danish Tonnage tax regime, but due to Company being dormant the taxable income is still expected to be marginal.

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 5. Property, plant and equipment

	<u>Vessels</u> <u>USD</u>
Cost	
Balance at 1/1	35,472,262
Addition in the year	948,428
Disposal in the year	<u>(1,000,000)</u>
Cost at 31/12	<u>36,420,690</u>
 Depreciation and write-downs	
Balance at 1/1	(6,111,557)
Impairment in the year	(4,490,678)
Depreciation in the year	(1,406,539)
Disposal in the year	<u>1,000,000</u>
Depreciation and write-downs at 31/12	<u>(11,008,774)</u>
 Carrying amount at 31/12	 <u>24,402,500</u>

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

As the vessel has been sold and delivered to new owner in 2019, the vessel is written-down to the sales price less cost to sell. For same reason the vessel is also classified as current asset at 31 December 2018.

Note 6. Cash and cash equivalents

Out of the balance of USD 663,637, an amount of USD 650,413 is pledged to secure the bank loan.

In connection with sale of the vessel this pledge balance will become available cash.

Note 7. Bank debt

The Company shall repay the existing bank debt with quarterly instalments ending on the Final Maturity Date in 2020, but as the vessel has been sold and will be delivered to new owner during 2019, the mortgage loan will be fully repaid during 2019 and therefore bank loan is classified as short-term.

Notes – continued

Note 8. Security for loans

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.

Note 9. Contingent liabilities and other financial obligations

At 31.12.2018 the Company has obligations regarding Technical Management agreement of USD 225,050.

In connection with sale of the vessel, the Company has made a commitment to use 75% of the proceeds after repayment of own mortgage loan, to provide funds to other companies within the Greenship Gas Trust Group with the purpose of reducing the external debt within the Group.

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.

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.