



## 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 2015  
(12 months)  
3rd financial year

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

  
.....  
Chairman

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## **Company details**

Evergas Shipholding 2 A/S  
Kalvebod Brygge 39-41  
DK – 1560 Copenhagen  
CVR No. 35 38 11 55

[www.evergas.net](http://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  
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 2 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:

  
.....

Steffen Jacobsen

Supervisory board:

.....  
Jacques Marie Joseph Narcisse  
d'Armand de Chateaueux  
(chairman)

.....  
Philippe René Georges Rochet

  
.....  
Steffen Jacobsen

## **Independent auditors' report**

### ***To the shareholders of Evergas Shipholding 2 A/S Independent auditors' report on the financial statements***

We have audited the financial statements of Evergas Shipholding 2 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*

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

## **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 934,914 and the Company's balance sheet at 31 December 2015 shows an equity of USD 13,572,469.

### **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 2 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.

## **Accounting policies – continued**

### **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 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.

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 2014

		2015 12 mth USD	2014 12 mth USD
<b>Gross margin</b>		<b>3,010,181</b>	<b>4,786,504</b>
Employee benefit expenses	2	0	0
Depreciation and impairment of property, plant and equipment	6	<u>(1,414,896)</u>	<u>(1,416,696)</u>
<b>Profit before net financials</b>		<b>1,595,285</b>	<b>3,369,808</b>
Other financial income	4	2,608	312,145
Other financial expenses	5	<u>(666,184)</u>	<u>(784,711)</u>
<b>Profit/loss before tax</b>		<b>931,709</b>	<b>2,897,242</b>
Tax for the year	3	<u>3,205</u>	<u>48,521</u>
<b>Net profit/loss for the year</b>		<b><u>934,914</u></b>	<b><u>2,945,763</u></b>

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	2,318,633	(627,130)
Net profit for the year	<u>934,914</u>	<u>2,945,763</u>
Available for appropriation	<u>3,253,547</u>	<u>2,318,633</u>

### The supervisory board recommends the following appropriation

Retained earnings/Accumulated profit	<u>3,253,547</u>	<u>2,318,633</u>
<b>Total appropriation</b>	<b><u>3,253,547</u></b>	<b><u>2,318,633</u></b>

**Balance sheet**  
at 31 December

	Notes	2015 USD	2014 USD
<b>Assets</b>			
<b>Fixed assets</b>			
Vessels		<u>32,190,497</u>	<u>33,605,393</u>
<b>Property, plant and equipment</b>	<b>6</b>	<b><u>32,190,497</u></b>	<b><u>33,605,393</u></b>
Investment in Limited Partnership		<u>0</u>	<u>0</u>
<b>Investment</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>Total fixed assets</b>		<b><u>32,190,497</u></b>	<b><u>33,605,393</u></b>
<b>Current assets</b>			
Inventories		<u>384,468</u>	<u>639,951</u>
<b>Inventories</b>		<b><u>384,468</u></b>	<b><u>639,951</u></b>
Trade receivables		72,228	1,443,140
Other receivables		961,357	150,855
Prepayment		<u>43,166</u>	<u>86,678</u>
<b>Receivables</b>		<b><u>1,076,751</u></b>	<b><u>1,680,673</u></b>
<b>Cash and cash equivalents</b>	<b>8</b>	<b><u>783,871</u></b>	<b><u>1,619,920</u></b>
<b>Total current assets</b>		<b><u>2,245,090</u></b>	<b><u>3,940,544</u></b>
<b>Total assets</b>		<b><u>34,435,587</u></b>	<b><u>37,545,937</u></b>

**Balance sheet**  
at 31 December

	Notes	2015 USD	2014 USD
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		10,318,922	10,318,922
Retained earnings/Accumulated profit		<u>3,253,547</u>	<u>2,318,633</u>
<b>Total equity</b>		<b><u>13,572,469</u></b>	<b><u>12,637,555</u></b>
<b>Liabilities</b>			
Bank debt	7	<u>18,012,026</u>	<u>19,511,773</u>
<b>Long-term liabilities</b>		<b><u>18,012,026</u></b>	<b><u>19,511,773</u></b>
Current portion of long-term liabilities	7	1,549,874	1,600,000
Trade payables		165,123	342,399
Payables to group enterprises		936,056	3,215,063
Tax payable		0	4,377
Other payables		200,039	161,442
Deferred income		<u>0</u>	<u>73,328</u>
<b>Short-term liabilities</b>		<b><u>2,851,092</u></b>	<b><u>5,396,609</u></b>
<b>Total liabilities</b>		<b><u>20,863,118</u></b>	<b><u>24,908,382</u></b>
<b>Total equity and liabilities</b>		<b><u>34,435,587</u></b>	<b><u>37,545,937</u></b>
Security for loans	9		
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Related parties	11		

## Statement of changes in equity

	2015 USD	2014 USD
<b>Share capital</b>		
Balance at 1/1	10,318,922	10,318,922
Capital increase	<u>0</u>	<u>0</u>
Balance at 31/12	<u><b>10,318,922</b></u>	<u><b>10,318,922</b></u>
<b>Retained earnings/Accumulated loss</b>		
Balance at 1/1	2,318,633	(627,130)
Transfer in the year	<u>934,914</u>	<u>2,945,763</u>
Balance at 31/12	<u><b>3,253,547</b></u>	<u><b>2,318,633</b></u>
<b>Equity at 31/12</b>	<u><b>13,572,469</b></u>	<u><b>12,637,555</b></u>

The company's share capital, USD 10,318,922, nominal amount of DKK 55,881,123 consist of 55,881,123 shares of DKK 1.

Share capital paid in at the company's inception 7 June 2013 was USD 87,222, nominal amount of DKK 500,000.

On 30 December 2013, an extraordinary general meeting of the company passed a resolution to convert USD 10,231,700 payable to the immediate holding company into new shares, nominal amount of DKK 55,381,123.

## Notes

### Note 1. Going concern

The parent company, Evergas A/S, has undertaken to provide continuing financial support to Evergas Shipholding 2 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 12 mth USD	2014 12 mth USD
<b>Note 4. Other financial income</b>		
Adjustment of receivable from group enterprise	0	232,795
Adjustment of investment	0	77,953
Interest income, exchange gains and similar income	<u>2,608</u>	<u>1,397</u>
	<u>2,608</u>	<u>312,145</u>

### Note 5. Other financial expenses

Interest payable, exchange losses and similar expenses	<u>666,184</u>	<u>784,711</u>
	<u>666,184</u>	<u>784,711</u>

### Note 6. Property, plant and equipment

	<u>Vessels USD</u>
<b>Cost</b>	
Balance at 1/1	35,472,262
Additions in the year	0
Disposals in the year	<u>0</u>
<b>Cost at 31/12</b>	<b><u>35,472,262</u></b>
<b>Depreciation and write-downs</b>	
Balance at 1/1	(1,866,869))
Depreciation in the year	<u>(1,414,896)</u>
<b>Depreciation and write-downs at 31/12</b>	<b><u>(3,281,765)</u></b>
<b>Carrying amount at 31/12</b>	<b><u>32,190,497</u></b>

Note 9 provides more details on security for loans, etc., as regards property, plant and equipment.



## Notes

### Note 7. 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>6,212,026</u>	<u>11,800,000</u>	<u>18,012,026</u>	<u>1,549,874</u>	<u>19,561,900</u>
	<u>6,212,026</u>	<u>11,800,000</u>	<u>18,012,026</u>	<u>1,549,874</u>	<u>19,561,900</u>

### Note 8. Cash and cash equivalents

Out of the balance of USD 783,871 an amount of USD 650,000 is pledged to secure the bank loan.

### Note 9. Security for loans

According to the Bank Facility, Evergas Shipholding 2 A/S shall repay the existing bank debt with quarterly instalments ending on the Final Maturity Date in 2020.

In addition to the mortgage over the vessel, the interest bearing loan facility is secured through the earnings and retention accounts (Note 8), 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 10. 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 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.