Evergas Shipholding 20 A/S

Kalvebod Brygge 39-41

DK - 1560 Copenhagen

CVR No. 36 19 76 09

Annual report

for the year ended 31 December 2016
(12 months)
3nd financial year

Approved at the annual general meeting of shareholders
on 30 June 2017

Pia Lindberg

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Pia Lindberg

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Company details

Evergas Shipholding 20 A/S
Kalvebod Brygge 39-41
DK – 1560 Copenhagen
CVR No. 39 19 76 09

www.evergas.net

Board of Directors

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 20 A/S for the financial year 1 January – 31 December 2016.

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 2016 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, 30 June 2017

Executive board:

....
Steffen Jacobsen

Board of Directors:

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

Independent auditor's report

To the shareholders of Evergas Shipholding 20 A/S

Opinion

We have audited the financial statements of Evergas Shipholding 20 A/S for the financial year 1 January – 31 December 2016, 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 Company's internal control.

Independent auditor's report – continued

- 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 Company'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review

Management is responsible for the Management's review.

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

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

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 June 2017
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 2016 is a loss of USD 47,063 and the Company's balance sheet at 31 December 2016 shows an equity of USD 2,810,289.

Going concern assessment

For a description of the going concern assessment at 31 December 2016, 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

On 15 March 2017, the company took delivery of the vessel JS INEOS Independence. Otherwise, there were no events subsequent to the balance sheet date, which would require adjustments to or disclosures in the company's financial statements apart from what is included in note 1.

Accounting policies

The annual report of Evergas Shipholding 20 A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's vessels. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.
None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes presentation and disclosure requirements which follow from act no. 738 of 1 June 2015, the accounting policies 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 2016 was 7.05 against 6.83 per 31 December 2015.

Income statement

Revenue

All voyage revenues and voyage expenses are recognised based on the percentage of completion. Evergas Shipholding 20 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.

Accounting policies - continued

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.

Net Financials

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

Tax

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

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

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

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

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

Balance sheet

Vessel under construction

Vessel under construction comprise expenditures that are directly attributable to the acquisition of the vessel.

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.

Accounting policies - continued

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.

Income statement
1 January – 31 December 2016

	Notes	2016 USD	2015 USD
Gross margin		**(24,831)**	**(5,156)**
Employee benefit expenses	2	0	0
Loss before net financials		**(24,831)**	**(5,156)**
Other financial income		25,624	678
Other financial expenses	4	(53,721)	(33,866)
Loss before tax		**(52,928)**	**(38,344)**
Tax for the year	3	5,865	0
Net loss for the year		**(47,063)**	**(38,344)**

Which the Board of Directors recommends is carried forward to next year.

Appropriation of profit/loss

Loss to be appropriated:		
Retained earnings/Accumulated loss	(41,776)	(3,432)
Net loss for the year	(47,063)	(38,344)
Available for appropriation	(88,839)	(41,776)

The supervisory board recommends the following appropriation of the loss:		
Retained earnings/Accumulated loss	(88,839)	(41,776)
Total appropriation	(88,839)	(41,776)

Balance sheet
at 31 December

	Notes	2016 USD	2015 USD
Assets			
Non-current assets			
Property, plant and equipment			
Vessel under construction		18,759,995	16,703,091
	5	**18,759,995**	**16,703,091**
Total non-current assets		**18,759,995**	**16,703,091**
Current assets			
Receivables			
Receivables from group enterprises		0	335,365
Other receivables		70,308	71,904
Prepayments		327,024	97,591
		397,332	**504,860**
Cash and cash equivalents		**247,837**	**1,373**
Total current assets		**645,169**	**506,233**
Total assets		**19,405,164**	**17,209,324**

Balance sheet
at 31 December

	Notes	2016 USD	2015 USD
Equity and liabilities			
Equity			
Share capital		2,899,128	2,899,128
Retained earnings/Accumulated loss		(88,839)	(41,776)
Total equity		**2,810,289**	**2,857,352**
Liabilities			
Bank debt	6	0	12,064,784
Payables to group enterprises	6	1,664,082	440,704
Long-term liabilities		**1,664,082**	**12,505,488**
Bank debt	6	12,064,784	0
Trade payables		19,795	0
Payables to group enterprises		1,777,446	1,257,247
Other payables		1,068,768	589,237
Short-term liabilities		**14,930,793**	**1,846,484**
Total liabilities		**16,594,875**	**14,351,972**
Total equity and liabilities		**19,405,164**	**17,209,324**

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Statement of changes in equity

	2016 USD	2015 USD
Share capital		
Balance at 1/1	2,899,128	86,957
Capital increase	0	2,812,171
	2,899,128	**2,899,128**
Retained earnings/Accumulated loss		
Balance at 1/1	(41,776)	(3,432)
Transfer in the year	(47,063)	(38,344)
	(88,839)	**(41,776)**
Equity at 31/12	**2,810,289**	**2,857,352**

The company's share capital, USD 2,899,128 nominal amount of DKK 19,681,818 consist of 19,681,818 shares of DKK 1.

Share capital paid at the Company's inception September 16, 2014 was USD 86,957 nominal amount of DKK 500,000.

On 27 July 2015 on a Board of Directors meeting of the company, there was passed a resolution to convert USD 2,812,171 due to immediate holding company into new shares nominal amount of DKK 19,181,818.

Notes

Note 1. Going concern

The parent company, Evergas A/S has undertaken to provide continuing financial support to Evergas Shipholding 20 A/S during 2017, to enable the company to pay its creditors as they fall due. As a consequence, Evergas Shipholding 20 A/S does not expect to repay the loan from group companies, until the company is in a position to do so.

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.

Following non-compliance with loan covenants at the end of 2016 by other entities in the Greenship Gas Trust Group and the negative financial results for 2016, on 30 March 2017 the Greenship Gas Trust Group entered into a new Framework Agreement and Mezzanine Facility Agreement with the majority of the Group's existing external lenders. Under the agreements, the lenders have agreed to waive the existing defaults as at 31 December 2016. The agreements include certain new financial covenants at the Greenship Gas Trust Group level.

It is Management's overall assessment that the new Framework Agreement and Mezzanine Facility Agreement entered into will secure both the Greenship Gas Trust Group's and the Company's liquidity for the short and medium term, however due to the currently weak LEG market, compliance with certain financial covenants during 2017 may be challenging.

In light of the stable and positive short- and long-term cash flow from the Greenship Gas Trust Group's LNG fleet going forward, the recently signed Framework Agreement and Mezzanine Facility Agreement and Management's expectations related to the whole Group's forecast net profit for 2017 and increasing net cash flows from operating activities during 2017, Management believes that the Company will have sufficient cash resources to satisfy their working capital requirements for at least the following twelve months.

Accordingly, Management considers it appropriate that these financial statements for the twelve months period ending 31 December 2016 have been prepared on a going concern basis.

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 limited, and therefore the deferred tax asset has been written down to zero.

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.

Notes – continued

Note 4. Other financial expenses

	2016 USD	2015 USD
Interest payable, group enterprise	19,629	27,048
Exchange losses	34,092	6,678
Other financial expenses	0	140
	53,721	33,866

Note 5. Property, plant and equipment

	Vessel under construction USD
Cost	
Balance at 1/1	16,703,091
Additions in the year	2,056,904
Disposals in the year	0
Cost at 31/12	**18,759,995**
Depreciation and write-downs	
Balance at 1/1	0
Depreciation in the year	0
Depreciation and write-downs at 31/12	**0**
Carrying amount at 31/12 2016	**18,759,995**

Vessel under construction is held under a finance lease.

Notes - continued

Note 6. Long-term liabilities

Breakdown of certain liabilities 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 2016	Falling due within 1 year	Total
Bank debt	0	0	0	12,064,784	12,064,784
Payable to group enterprise	1,664,082	0	1,664,082	0	1,664,082
	1,664,082	0	1,664,082	12,064,784	13,728,866

Due to the cross-default of bank debt triggered by events of default and cross-default of provisions in loan agreements at the end of 2016 by other entities in the Greenship Gas Trust Group , the bank was contractually entitled to request immediate repayment of the outstanding bank debt at 31 December 2016. Thus, the non-current portion of the bank debt amounting to US$12,064,784 has been reclassified as current liabilities as at 31 December 2016. Refer to note 1.

Note 7. Contingent assets and liabilities and other financial obligations

The Company has at 31.12.2016 obligations regarding Technical Management agreement of USD 214,410.

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 8. Subsequent events

On 15 March 2017, the company took delivery of the vessel JS INEOS Independence. Otherwise, there were no events subsequent to the balance sheet date, which would require adjustments to or disclosures in the company's financial statements.

Note 9. 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 is available at the company's address: Kalvebod Brygge 39-41, Copenhagen DK-1560.