AVANCE GAS ANNUAL REPORT 2018

Photo credit: Renel Bluza, Avance

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Letter from the President

The continued growth of the global VLGC fleet compared to a modest growth in ship-demand resulted in another challenging year for VLGC freight markets.

Avance Gas reported a net loss of $43.2 million for 2018, compared with a net loss of $54.6 million in 2017. The achieved average TCE rate was $14,345 per day for full-year 2018, compared to the TCE rate of $10,684 per day in 2017. Avance Gas’ average fleet utilization in 2018 was 96.3%, compared with 91.8% in 2017.

In 2016 we saw a record number of 43 new ships being delivered into the market. This fell to 20 new units in 2017, and an additional 11 ships in 2018. After four years with no recycling of VLGCs, two ships were recycled in 2016 followed by three ships in 2017. During 2018, six ships were sold for re-cycling, however, one ship re-entered the freight market and net scrapping was five ships. The orderbook stands at about 40 ships, representing approx. 14.5% of the global fleet.

The new IMO emission regulations coming into force by January 1st, 2020 is likely to lead to a reduction in trading of the older part of the fleet, in a combination of employment for storage as floating terminals and scrapping of older tonnage.

Middle East exports were up from 36.4 million tons in 2017 to 38.7 million tons in 2018. We expect Middle East exports to fall somewhat back during 2019 with falling export activity from Iran and crude oil cut-backs.

US Gulf and US East Coast VLGC exports continued to grow during the 2018, totaling 26.7 million tons up from 24.0 million tons in 2017. In 2018, VLGC exports from the US Gulf and US East Coast averaged 50 cargoes per month, compared to 45 cargoes per month in 2017.

US LPG production continues to grow, which backed by investments in pipelines, splitters and fractionators, supports the expectations for further growth of US LPG exports.

The share of US exports going to the Far East fell back in 2018, however, in nominal tons there were a small increase. Generally, the LPG demand is supported by continued growth in household use in southeast Asia and the second wave of PDH plants in Asia coming on stream in 2019 and 2020.

The VLGC freight market welcomes the expansion of the Sun terminal infrastructure in Marcus Hook, Philadelphia (Q1/2019); the expansion of the Enterprise terminal in Houston (Q3/2019), the Ridley Island terminal on west coast Canada (Q2/2019) and LNG related LPG growth from Australia (Q1 and Q2/2019); all which will contribute to increased demand for shipping and growing ton-miles.

Avance Gas is integrating closer to the Seatankers group of companies benefitting from economy of scale and the group’s extensive commercial and technical experience. Avance Gas continues its disciplined focus on operational efficiency and managing costs, while evaluating opportunities for further growth and returning profits to its shareholders.

Christian Andersen
President
Avance Gas
10 April 2019

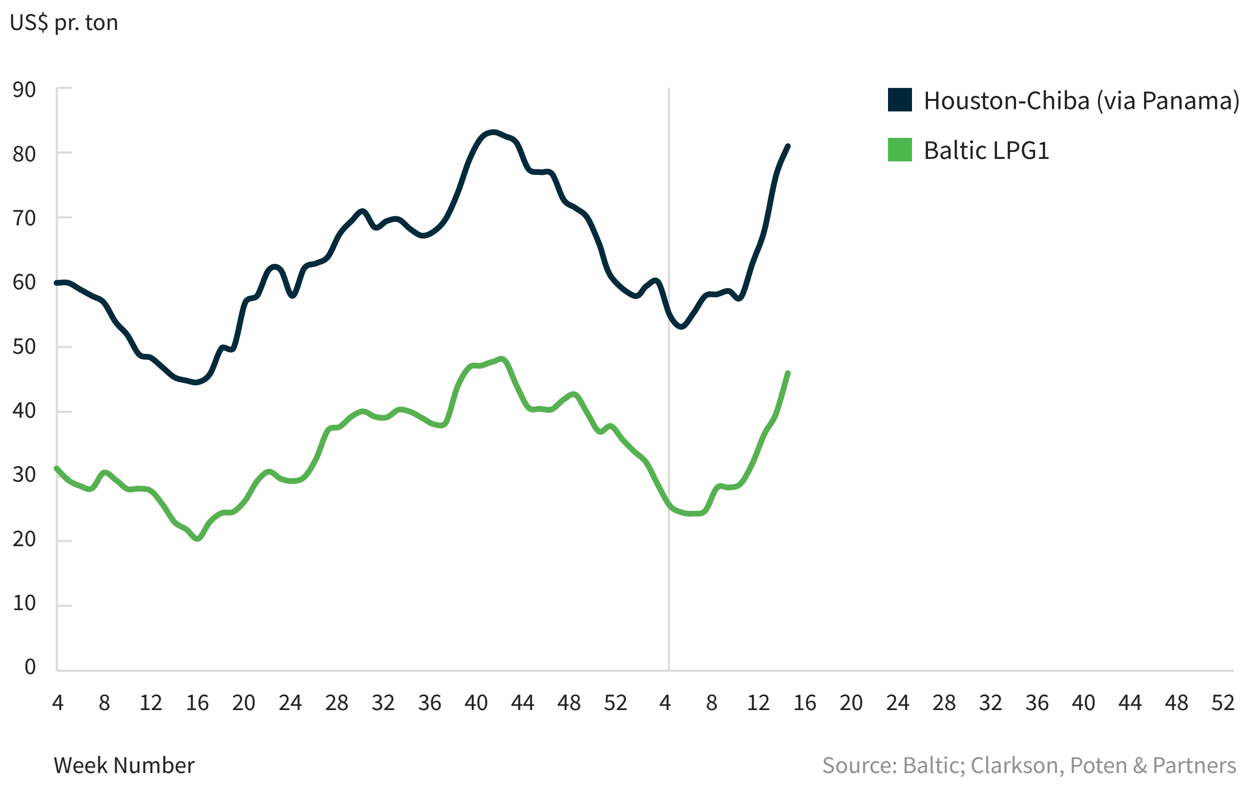
KEY OPERATIONAL AND FINANCIAL

Highlights

Photo credits: Evgeniy Shevchenko, Breeze

Freight Rates

2018 - 2019



The Company's average time charter equivalent (TCE) rates followed the market trend, as the full-year average rate for the fleet increased to $14,345/day, compared with $10,684/day in 2017. TCE rates were low during the first two quarters, with a rate for the first quarter of $12,637/day and $7,711/day in the second quarter. Third quarter improved to $15,288/day, and a gradually improving to $21,314/day in the fourth quarter.

KEY FINANCIAL HIGHLIGHTS

TCE/day (in millions)
$14,345

Available liquidity (in millions)
$72.3

Ships
14

Calendar days
5,110

Operating days
4,849

OPEX/day
$7,755

A&G/day
$974

In 2018, Avance Gas (the "Company") reported a net loss of $43.2 million compared to $54.6 million in 2017. The Company's results followed the freight market trends during the year reflecting seasonal variations and positive developments in fundamentals.

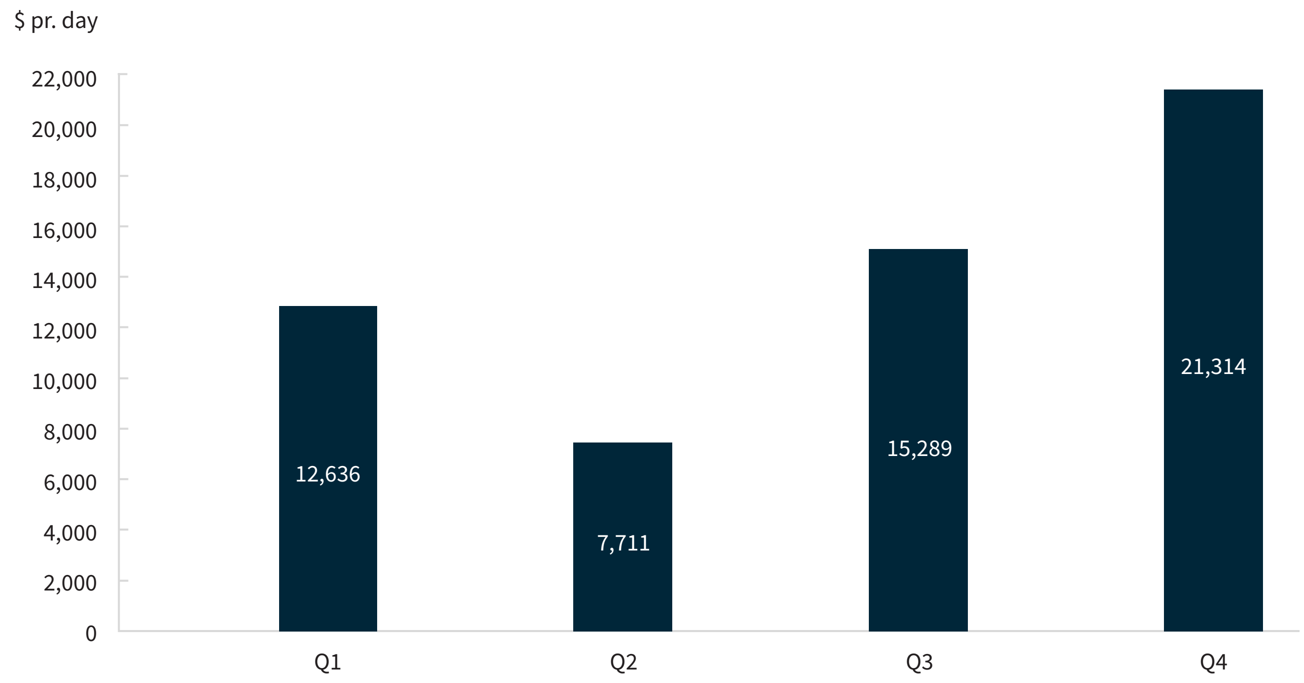
Operating expenses in 2018 were $39.6 million up from $38.9 million in 2017. The effect of the slightly higher OPEX was largely related to Passat's minor collision in January 2018, representing an increase of $151/day in full year 2018. The average daily operating expense was $7,755 for 2018, compared to $7,621 in 2017.

In 2018, the Company continued to reduce its administrative and general expenses, through lower professional expenses, together with other cost cutting initiatives. Expenses totaled $5.0 million in 2018, compared with $5.5 million in 2017.

Net non-operating expenses, consisting mainly of financial expenses, were $27.5 million, up from $24.0 million in 2017, an increase mainly attributable to higher average LIBOR rates for the year.

In terms of the balance sheet and cash flows, Avance Gas' total assets amounted to $870.8 million at 31 December 2018, down from $908.0 million at 31 December 2017. The reduction mainly resulted from normal depreciation of the fleet and reduction in cash. Net total interest bearing debt was $492.2 million at year-end 2018, compared to $487.6 as of year-end 2017. Total shareholders' equity amounted to $364.6 million, corresponding to an equity ratio of 41.9%. The cash flow included costs incurred with the drydocking program for the Company's Korean and Japanese built ships, which commenced in Q1 2018. Six ships were drydocking during the year.

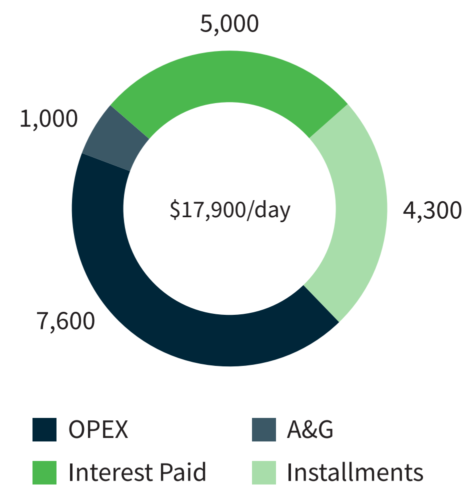
Avance Gas TCE



Cash and cash equivalents were $47.3 million at 31 December 2018, compared with $62.3 million at 31 December 2017, reflecting low freight rates, capital drydock expenditures and net of debt repayment and drawdown on revolving credit facilities. Available undrawn credit lines are $25.0 million as of year-end 2018, total available liquidity was $72.3 million.

In a still challenging freight market the Company continued a strong focus on ongoing cost-management measures during 2018 and maintained a daily cash break-even rate at $17,900 adjusted for non-recurring OPEX costs.

Cash-break even 2018



KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation
96.3%

Crew members
680

On shore employees
12

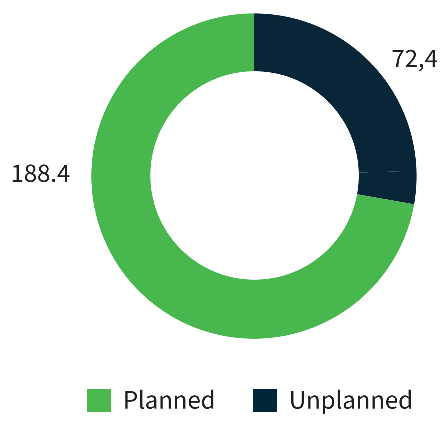
Number of countries
30

Waiting days per ship per month
1.1

Offhire days per ship per month
1.6

Despite the substantial growth of the global VLGC fleet and lower freight rates, utilization rates remained high throughout the year. Waiting days in 2018 for the Avance Gas fleet totaled 190.6 days compared to 416.1 days in 2017, representing an average of 1.1 days per ship/month and a fleet utilization of 96.3%. This compares with average 2.5 day per ship/month and a fleet utilization of 91.8% in 2017.

Offhire days by category



During 2018 we had six ships for scheduled drydock, hence, an increase in offhire days compared to last year. Offhire days totaled 260.8 days, which included 188.4 days of scheduled dry dock. In January, VLGC *Passat* was involved in a collision offshore South Korea with minor damage to the ship's hull, resulting in total offhire days of 51.5. The Company recorded 4,849 operating days in 2018 (calendar days less offhire days), down from 5,051 operating days in 2017.

We have continued our focus on fuel efficiency and average fuel consumption was reduced by approx. 8% in 2018. For the five Korean built ships, propeller boss cap fins were retrofitted during drydock with an estimated improvement in fuel consumption of 2-5%. Together with new painting system, this contributed to a decrease in the fuel consumption with 13% for the Korean built ships from 2017 to 2018. To improve the fuel efficiency of the Chinese built ships, ducts and boss cap fins are evaluated for installation during next drydock.

Avance Gas is committed to ensuring the health and safety for our people, keeping the oceans clean and reducing emissions. All onboard personnel receive appropriate training and are required to report near misses and incidents. Avance Gas and the technical managers are continuously improving the Avance Gas safety culture.

	2015 6-14 VLGCs	**2016 14 VLGCs**	**2017 14 VLGCs**	**2018 14 VLGCs**
Lost Work Days - Accidents	2	2	2	0
Environmental Pollution	**Zero**	**Zero**	**Zero**	**Zero**
High Potential Near Miss	14	27	19	18

Avance Gas is pleased that it's zero spill record has been maintained in 2018 and will continue this focus in 2019. In adition we will continue to focus on the reduction in "High Potential Near Miss" incidents.

History & Fleet

Avance Gas owns and operates a modern fleet of fourteen VLGCs

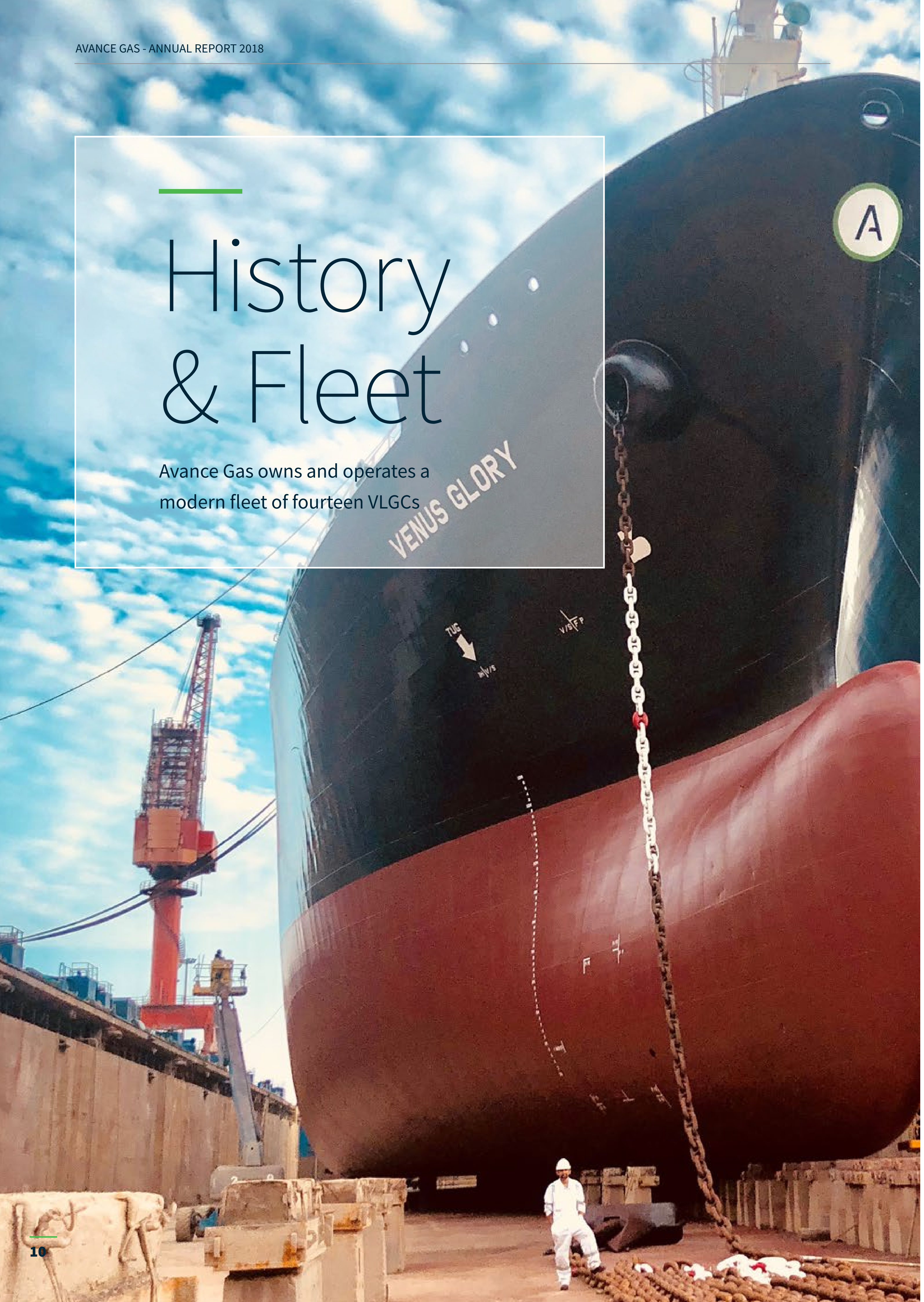


Photo credit: Yogesh patil Venus Glory

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The Fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
AVANCE	82,500	KAWASAKI, JAPAN	2003	100 %
IRIS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
THETIS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
VENUS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
PROVIDENCE	83,800	DAEWOO, SOUTH KOREA	2008	100 %
PROMISE	83,800	DAEWOO, SOUTH KOREA	2009	100 %
MISTRAL	83,000	JIANGNAN, CHINA	2015	100%
MONSOON	83,000	JIANGNAN, CHINA	2015	100%
BREEZE	83,000	JIANGNAN, CHINA	2015	100%
PASSAT	83,000	JIANGNAN, CHINA	2015	100%
SIROCCO	83,000	JIANGNAN, CHINA	2015	100%
LEVANT	83,000	JIANGNAN, CHINA	2015	100%
CHINOOK	83,000	JIANGNAN, CHINA	2015	100%
PAMPERO	83,000	JIANGNAN, CHINA	2015	100%

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History

2007

Avance Gas traces it's roots to 2007 and creation of Stolt-Nielsen Gas Ltd. The goal of Stolt-Nielsen Gas Ltd was "to pursue growth opportunities in the expanding market for the transportation of liquefied petroleum gas (LPG)."

2009

The company entered the market in 2009 with a three-year timecharter of the VLGC Yuhsho, followed by the acquisition of the 2003-built VLGC Althea Gas, today named *Avance*. Avance Gas Holding Ltd was established.

2010

In exchange for 50% ownership in the Company, Sungas Holding Ltd sold three 2008 built VLGCs to the Avance Gas fleet: Iris Glory, Thetis Glory and Venus Glory. Navigator Taurus, a medium sized gas carrier, was also taken on timecharter in 2010, bringing the fleet up to a total of six ships.

2011 - 2012

In 2011, the VLGC market began to strengthen. That momentum carried into 2012, when Avance Gas acquired Maran Gas Knossos and Maran Gas Vergina from Maran Gas Maritime, Inc. in a cash transaction, now named *Promise* and *Providence*. Expiry of the Yuhsho and Navigator Taurus timecharters.

2013

Frontline 2012 Ltd entered as a new shareholder of Avance Gas through a cash investment. In addition, Avance Gas agreed to purchase eight VLGC newbuildings—previously ordered by Frontline 2012 Ltd from Jiangnan Shipyard in China—for $75 million per ship. The acquisition was in part financed by a $100 million private equity placement, through which Avance Gas was listed on the Norwegian Over-the-Counter ("N-OTC").

2014

On April 9, 2014, an initial public offering of Avance Gas shares was completed, raising $100 million from the issuance of new shares. Avance Gas' three largest shareholders—Stolt-Nielsen Gas Ltd, Sungas Holdings Ltd and Frontline 2012 Ltd—simultaneously sold shares with an total aggregate value of $175 million, including over-allotment options. Trading of Avance Gas shares commenced on the Oslo Stock Exchange on April 15, 2014.

During 2014, Avance Gas also completed the financing of its newbuilding program by raising a total of $650 million from a consortium of eight large shipping banks, underscoring the market's confidence in the Company's business strategy.

2015

During 2015 the Company completed it's newbuilding program. In January 2015, Avance Gas took delivery of *Mistral* and *Monsoon*, the first two of its eight 83,000 cbm VLGC newbuildings from Jiangnan Shipyard in China. *Breeze* was delivered in April, followed by *Passat, Sirocco, Levant, Chinook* and *Pampero*, one each month between June and October.

The Avance Gas fleet now consists of 14 modern VLGCs, with a total capacity of 1.17 million cbm.

2016 - 2017

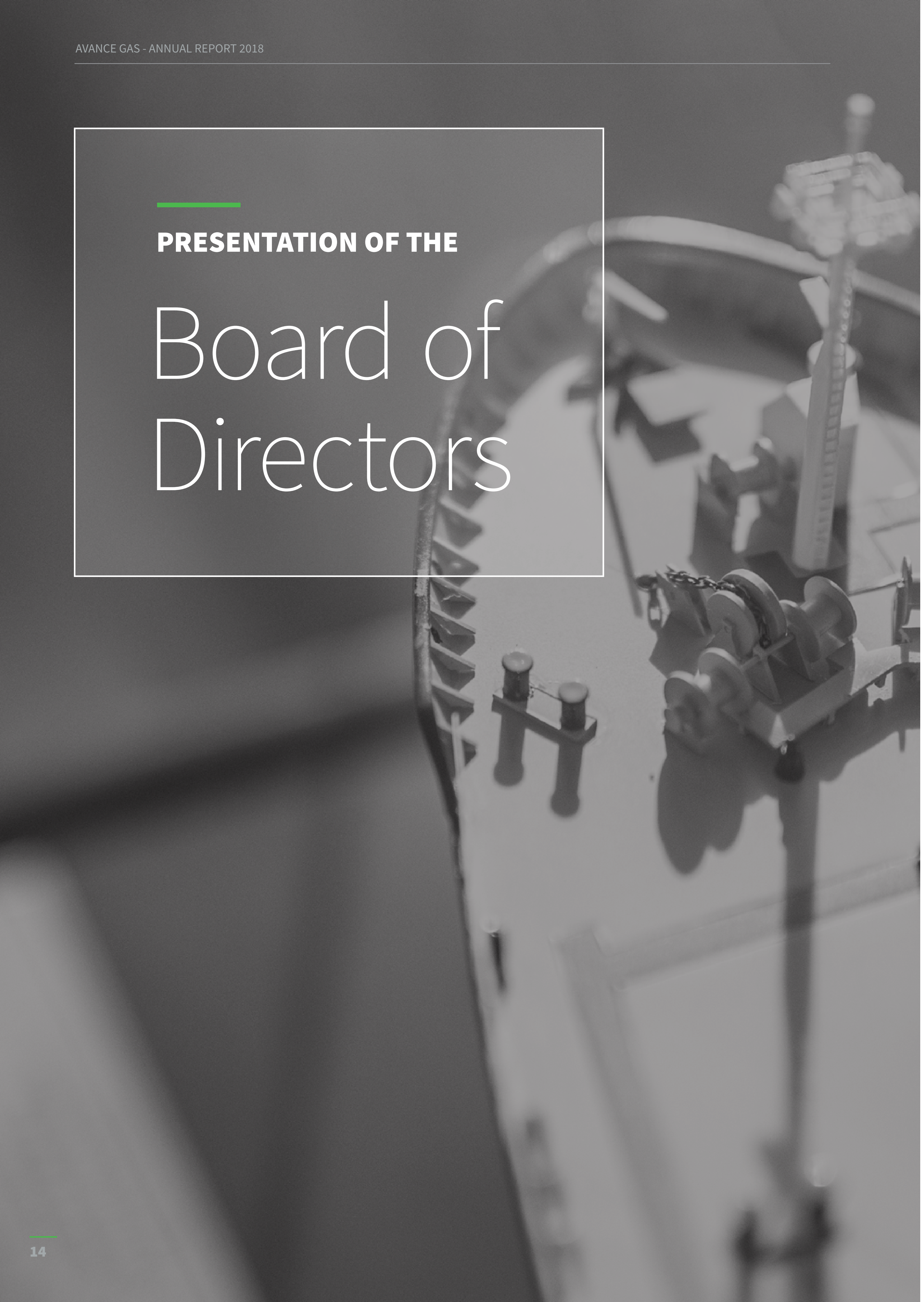
2016 marked the first full year of operations for all 14 of the VLGCs in the Avance Gas fleet. All vessels show excellent technical performance.

Due to the weak market outlook, in October, the Company entered into an amendment agreement with its banking group to defer part if its principal payments. Simultaneously, the Company raised $58.7 million in a private placement and subsequent offering, issuing 29.5 million new shares.

2018

During 2018, Hemen Holding Limited increased its holdings and became the largest shareholder in Avance Gas. Avance Gas is integrating closer to the Seatankers group of companies, benefitting from economy of scale and the group's extensive commercial and technical experience.

Photo credit: Conda, Emmanuel P., Thetis Glory



PRESENTATION OF THE

Board of Directors

MARIUS HERMANSEN

Chairman

Marius Hermansen served as a Director of the Company since July 2017 and in July 2018 he was appointed Chairman of the Company. Marius Hermansen works for the Seatankers group, heading Sale and Purchase/Newbuildings for the group companies. Previously he worked for over 10 years at Fearnleys Shipbrokers and prior to this as a trainee with AP Moller-Maersk. Marius currently serves as a director of the board of Flex LNG Ltd. Mr. Hermansen was educated at the Norwegian School of Economics (NHH) in Bergen, Norway. Mr Hermansen is a Norwegian citizen and resides in Norway. Mr. Hermansen has attended four of four Board Meetings in 2018.

FRANÇOIS SUNIER

Director

François Sunier has served as a Director of Avance Gas since 1 December 2010. He has been the CEO and Managing Director of Suntrust Investment Co. S.A. since January 2002. Prior to Suntrust Investment Co. S.A., Mr Sunier worked as an Executive Director at Goldman Sachs, London and at UBS Philips & Drew, London. François Sunier serves at the board of Mirabaud SCA and Groupe Minoteries (listed on the Swiss Stock Exchange Market). François Sunier graduated from the University of Geneva, with a bachelor in political sciences. Mr Sunier is a Swiss citizen, and resides in Switzerland. Mr. Sunier has attended four of four Board meetings in 2018.

JAN KASTRUP-NIELSEN

Director

Jan Kastrup-Nielsen has served as a Director of the Company since April 2014. He has worked for J. Lauritzen from 2000 to 2016 latest as CEO from 2013 to 2016. Prior to being CEO he held the position as COO and headed Lauritzen Kosan and Lauritzen Tankers. From 1993 to 2000 Mr Kastrup-Nielsen worked for Trammogas in various positions, including head of chartering and operation from 1993, general manager from 1995 and managing director from 1998 with responsibilities for the total activities including the global trading. As from 1998, he also served on the board of directors of Transammonia Inc. Mr Kastrup-Nielsen started his shipping career with A.P. Moller working there from 1978 to 1986. He served on the board of directors of the Danish Shipowners Association from 2013 to 2016 and chaired the Business and Trade Committee from 2006 to 2011. Jan Kastrup-Nielsen has through the years attended a number of programmes at Insead, IMD and IESE. Mr Kastrup-Nielsen is a Danish Citizen and resides in Denmark. Mr. Kastrup-Nielsen has attended four of four Board meetings in 2018.

Board of Directors' Report

Photo Credit: Vasilijs Kirisa, Iris Glory

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The significant number of new Very Large Gas Carriers (VLGCs) delivered in 2015-2018, combined with insufficient demand growth, led to a continued freight market imbalance in 2018. This was further emphasized by an unusually cold winter season, increasing domestic US consumption and reducing exports during the first half of 2018.

After bottoming out in at $7,711 per day in Q2 and peaking at $21,314 per day in Q4, the Avance Gas' TCE earnings averaged $14,345 per day for full-year 2018, compared to $10,684 per day in 2017. Avance Gas reported a net loss of $43.2 million in 2018 down from $54.6 million in 2017, and $68.2 million in 2016.

COMPANY AND BUSINESS

Avance Gas is one of the leading owners of VLGCs globally, operating a fleet of 14 ships. Avance Gas employs its ships under a combination of spot voyages and contract of affreightments (COAs) with floating price formulas.

The Avance Gas fleet transports LPG to destinations in Europe, South America and Asia, mainly loading the Middle East Gulf and the US Gulf/US East Coast. Avance Gas is a Bermuda registered company and maintains a management agreement with Avance Gas AS in Oslo. The Company has outsourced technical management of the fleet with Exmar Ship Management NV (Antwerp) and Northern Marine Management Ltd (Glasgow) whose responsibilities include employment of onboard personnel, in close collaboration with the Company's technical department. The Avance Gas fleet is managed in equal shares the two technical managers.

MARKET DEVELOPMENT

Continued growth in export from US Gulf/US East Coast combined with steady demand from Asia is the main driver of VLGC shipping. Supported by high crude oil prices, increased tight oil and shale gas production is expected to provide a robust US LPG production growth. With limited increase in domestic LPG demand, export growth from US Gulf and US East Coast is expected to continue.

VLGC export from US Gulf and US East Coast increased from 24.0 million tons in 2017 to 26.7 million tons in 2018, equaling an 11% growth. Middle East exports were 38.7 million tons in 2018 up from 36.4 million tons in 2017 but unchanged from 2016, largely in line with expectations.

In 2018, VLGC exports from US Gulf/US East Coast averaged 50 cargoes per month, compared to 45 cargoes per month in 2017 and 36 cargoes in 2016. The share of US VLGC cargoes exported to Asia was 61% in 2018, compared to 66% in 2017 and 52% in 2016.

Total 11 new ships were delivered during 2018, following 20 and 46 ships delivered in 2017 and 2016, respectively. At year-end 2018, the global fleet totaled 268 ships after 5 ships were sold for recycling during the year. Of the orderbook of about 40 ships, or 14.5% of the existing fleet, 18 ships are scheduled for delivery during 2019, followed by 21 ships in 2020 ships and onwards. It is expected that removal of older ships from the trading fleet will increase as the new IMO emission regulations are implemented 1 January 2020.

FINANCIAL RESULTS

The time charter equivalent (TCE) earnings for 2018 was $69.6 million in 2018, up from $54.0 million in 2017, reflecting slightly higher achieved TCE rates. Operating expenses of $39.6 million in 2018 were in line with 2017, which recorded $38.9 million. Administrative and general expenses were 5.0 million, down from $5.5 million in 2017, as the continued cost focus was maintained. Non-operating expenses, consisting mainly of financial expenses, were $27.5 million, compared with $24.0 million in 2017, which mainly reflected higher LIBOR interest rates. Avance Gas reported a net loss of $43.2 million in 2018, compared with a net loss of $54.6 million in 2017.

Avance Gas' total assets were $870.8 million at 31 December 2018, compared with $908.0 million (restated) at 31 December 2017, mainly reflecting normal depreciation of the fleet and reduction in cash offset by drydocking of six ships. Total shareholders' equity was $364.6 million, corresponding to an equity ratio of 41.9%. Total free cash and cash equivalents amounted to $47.3 million and, together with $25.0 million in available undrawn credit lines, the total available liquidity was $72.3 million as of year-end 2018. Total interest-bearing debt net of debt issuance cost was $492.2 million, with $125.0 million drawn under the revolving credit facilities.

For full year 2018, cash flow used in operating activities, which includes interest expenses, was negative $5.8 million. Cash used in investing activities was $12.2 million, mainly reflecting the drydocking of six ships during the year. Net cash from financing activities was $3.0 million, as a result of scheduled debt repayments and drawdown of revolving credit facilities of $25.0 million.

HUMAN RESOURCES AND DIVERSITY

All seagoing crew are under employment contract with our technical managers, and are hired in close collaboration with the Avance Gas' technical department.

Avance Gas' technical managers have in place cadet programs to ensure a healthy growth in the next generations of qualified sea farers.

Avance Gas is proud to be an equal opportunity employer. All qualified applicants and employees are treated without regard to gender, nationality, disability, religion, race or color. The professional development and personal growth of the employees is vital to the success of Avance Gas. Our technical managers take pride in the low turnover and high retention of Avance Gas' sea staff, who recognize that the Company is a safe, reliable and high quality industrial shipper dedicated to safely and reliably meeting the needs of its customers worldwide.

Avance Gas AS, acting under a management agreement with the Company, had 12 employees by year-end 2018. It is the ambition to create a good working environment, offering challenging and motivating work tasks and equal development opportunities to all employees. Women constituted 50% of the onshore workforce. The absence due to sickness for on-shore employees was 8.0% in 2018.

HEALTH, SAFETY AND ENVIRONMENT

Avance Gas is committed to ensuring the health and safety of our people, keeping the oceans clean and reducing emissions.

The ships in the Avance Gas fleet operate in accordance with the ISO 14001 standard for Environmental Management, with a focus on carrying out our business in a manner that assures the best protection for the environment and full compliance with local, regional and global regulations and requirements.

All onboard personnel are appropriately trained, and a formal onboard training program includes both computer-based training and periodic scheduled and unscheduled drills. All officers and crew are required to report near misses and incidents. The data from these reports are tracked, tabulated and used to drive continuous improvement in Avance Gas' safety culture.

Avance Gas' technical managers utilize structured safety campaigns to enhance safety performance and awareness. The main HSEQ objectives in 2018 included, inter alia, to grow the culture of on-board awareness on environmental compliance, to improve on-board safety culture and to have increased focus and safety campaign on learning from industry incidents relating to launch and recovery failure of life/rescue boats.

Each quarter new "Safety Drivers" are defined. Safety drivers are safety themes that are specifically focused upon. The themes are defined from internal lessons learned and incidents in the industry. During 2018, quarterly Safety Drivers were, inter alia, "Safety Equipment Maintenance", "Safety meetings", "Hydraulic Accumulators and Pressurized Cylinders", "Lifeboat safety campaign".

In 2018, 18 accidents were reported in accordance with the reporting guidelines of Avance Gas' technical management, resulting in zero lost work days. This is down from 2017, when 33 accidents were reported, resulting in two lost work days. No severe spills were reported. There was one unintentional release of product vapors. There was zero detention resulting from Port State Control inspection.

CORPORATE SOCIAL RESPONSIBILITY

Avance Gas' dedication to "safe ships, clean seas and commercial reliability" reflects our unwavering commitment to operating in a manner that is safe for people and minimizes our impact on the environment. Our experienced and highly trained officers and crews operate in strict compliance with local, national, global and industry requirements, regulations and certifications. In our business practices, we have zero tolerance for corrupt behavior, and we strive to be socially responsible in all that we do, while constantly seeking to improve our performance.

Following the scheduled dry docking of the VLGC *Avance* in Q4 2017, Avance Gas completed its docking program for the Korean built ships during 2018. In drydock, all our Korean built ships were fitted with a propeller boss cap fin, which improves the propulsive efficiency by weakening the hub vortex behind the propeller. Together with new painting system, this contributed to a decrease in the fuel

consumption with 13% for the Korean built ships from 2017 to 2018. The Chinese built ships will commence their first special survey in Q4 2019. In order to further improve the fuel efficiency of the Chinese built ships, ducts and boss cap fins are evaluated for installation during drydock.

During 2018, an online performance monitoring system was implemented on half the fleet, the remaining fleet will follow in 2019. The system is related to inter alia, main- and auxiliary engines, trimming and service speed and is a valuable tool to monitor and reduce both emissions and fuel consumption. This is contributing to ensure that Avance Gas is operating as efficiently as possible.

The Company has implemented enterprise-wide anti-corruption and money laundering policies among our seagoing staff modeled on the UK Bribery Act 2010 and US Foreign Corrupt Practices Act of 1977. Together with our technical managers we closely monitor and educate all staff on the policies and consequences on breach of these policies. Our onshore-staff are following the strict internal policies and an assessment of internal control policies are part of the annual audit procedure as well as ongoing monitoring by the audit committee.

GOING CONCERN

The consolidated financial statements of the Company have been prepared on a going-concern basis and in accordance with International Financial Reporting Standards (IFRS). Based on the Company's cash position, no material unfunded capital expenditure commitments and the strength of the Company's balance sheet at year-end, the Board of Directors confirms the assumption of going concern.

PRINCIPAL RISKS

As a global owner and operator of VLGCs, Avance Gas is exposed to a variety of risks, including market, operational and financial risks. The Company's maintains an ongoing assessment process which is designed to identify, analyze and minimize risk exposures. The unpredictability of LPG shipping and financial markets are key factors that this process considers.

The Company has increased its focus on risks relating to cyber-crime. In close collaboration with our technical managers we have implemented awareness campaigns, training programs and action plans for our crew and officers to prohibit damage to software and hardware onboard our ships. Our onshore staff are following our internal policies on cyber security, which includes cyber conduct policies, ongoing updated firewall technology and security software.

The cyclical characteristics of the LPG shipping segment is the most significant risks to the Company in terms of impact on the Company's financial results. A reduction in export volumes combined with increased supply of new tonnage normally impacts LPG freight rates and asset values negatively. Similarly, reduced demand for LPG would reduce export volumes and, consequently, impact demand for LPG shipping. Further, changing economic, political and governmental conditions in the countries and regions where the Company's ships are employed and key terminals are located, could adversely impact the drivers of the VLGC freight market. Although, the impact has been limited, the import tariffs imposed by China on US LPG, and the sanctions imposed on Iran by the US are examples of this.

Avance Gas is exposed to changes in financial markets, including credit and interest rate and capital markets, which may affect the Company's financial performance. The availability of financing alternatives for future investment opportunities may be unavailable at sufficiently attractive terms. The Company is also exposed to general movements on the Oslo Stock Exchange, which may limit the possibility of raising new equity at attractive prices. The Company has exposed to fluctuations in LIBOR through its credit facilities. To partly mitigate this the Company half of its current exposure hedged through interest rate swaps which expire in 2025.

OUTLOOK

Supported by healthy crude oil prices and increased production efficiency, the US oil and gas production is expected to continue to grow. As LPG is a by-product from oil and natural gas production, US LPG production is expected to grow further in 2019. The domestic demand for propane and butane is expected to remain stable in the near term. Investments in on-shore infrastructure, including increased pipeline and terminal capacity, will enable US to distribute more LPG to its export facilities in US Gulf and US East Coast. We continue to expect that the majority of the US export volumes will be transported to Asia, which supports high fleet utilization. The growth in US exports and Asian demand will normally support the VLGC freight market.

The Middle East exports have in 2018 been impacted by OPEC production cutbacks and US sanctions on Iran. As these continue, we do not expect Middle East exports to grow in 2019. However, we are already seeing increased exports from LNG based LPG production in Australia and the new export terminal on Ridley Island, Canada.

The orderbook as of end Q1 2019 represents approx. 14.5% of the global fleet, with 18 ships due for delivery during 2019. However, with 29 ships exceeding 25 years in 2020, it is expected that we will see further ships recycled or moved into storage terminal projects as we approach implementation of the IMO sulphur emission rules on 1 January 2020.

Avance Gas maintains a key focus on cost efficiency, on delivering high quality service to or customers and preserving our liquidity position and balance sheet.

SUBSEQUENT EVENTS

There were no significant events after December 31, 2018.

Marius Hermansen
Chairman of the Board of Directors
10 April 2019

Photo credit: Vijay Krishna, Passat

Responsibility Statement

On behalf of the Board of Directors and Management, we confirm that, to the best of our knowledge, the financial statements for 2018 have been prepared in accordance with the current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss for the Avance Gas Holding Ltd and its subsidiaries (the “Group”) as a whole.

We also confirm that the Board of Director’s Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the financial risks and uncertainties facing the Group.

10 April 2019

Marius Hermansen	Christian Andersen
Chairman of the Board	*President*

Photo credit: Yogesh Patil, Chinook

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Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Operating revenue (note 13)	$	**129,941**	$	112,994
Voyage expenses (note 14)		**(60,381)**		(59,028)
Operating expenses (note 14)		**(39,627)**		(38,944)
Administrative and general expenses (note 15)		**(4,976)**		(5,539)
Operating profit before depreciation expense		**24,957**		9,483
Depreciation and amortization expense (note 5)		**(40,662)**		(40,025)
Operating loss		**(15,705)**		(30,542)
Non-operating income (expenses):				
Finance expense (note 16)		**(27,705)**		(24,209)
Finance income		**247**		215
Foreign currency exchange income		**2**		31
Loss before income tax		**(43,161)**		(54,505)
Income tax expense (note 17)		**(54)**		(55)
Net loss	$	**(43,215)**	$	(54,560)
Loss per share (note 12):				
Basic	$	**(0.68)**	$	(0.86)
Diluted	$	**(0.68)**	$	(0.86)

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

AVANCE GAS - ANNUAL REPORT 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Net loss	$	**(43,215)**	$	(54,560)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit and loss:				
Fair value adjustment of interest rate swaps designated for hedge accounting (note 8)		**5,819**		1,424
Other comprehensive income (loss)		**5,819**		1,424
TOTAL COMPREHENSIVE LOSS	$	**(37,396)**	$	(53,136)

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

CONSOLIDATED BALANCE SHEET

	AS OF			
		DECEMBER 31, 2018		RESTATED* DECEMBER 31, 2017
		(in thousands)		
ASSETS				
Cash and cash equivalents (note 3)	**$**	**47,289**	$	62,316
Receivables (note 4)		**14,047**		11,836
Related party receivable balances (note 7)		**-**		132
Inventory		**5,752**		3,993
Mobilization cost		**1,791**		2,667
Prepaid expenses		**3,991**		523
Other current assets		**2,584**		2,911
Total current assets		**75,454**		84,378
Property, plant and equipment (note 5)		**795,304**		823,495
Intangible assets (note 5)		**37**		150
Total non-current assets		**795,341**		823,645
TOTAL ASSETS	**$**	**870,795**	$	908,023

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

CONSOLIDATED BALANCE SHEET

	AS OF			
		DECEMBER 31, 2018		RESTATED* DECEMBER 31, 2017
		(in thousands)		
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current portion of long-term debt (note 6, 20)	**$**	**31,636**	$	20,598
Accounts payable		**7,207**		5,867
Related party payable balances (note 7)		**-**		4
Accrued voyage expenses		**2,975**		3,761
Accrued expenses		**773**		458
Current portion of derivative financial instruments (note 8)		**50**		2,538
Other current liabilities		**1,426**		1,313
Total current liabilities		**44,067**		34,539
Long-term debt (note 6, 20)		**335,522**		367,000
Long-term revolving credit facilities (note 6, 20)		**125,000**		100,000
Long-term derivative financial instruments (note 8)		**1,638**		4,969
Total non-current liabilities		**462,160**		471,969
Shareholders' equity				
Share capital (note 9)		**64,528**		64,528
Paid-in capital		**379,851**		379,851
Contributed capital		**95,291**		95,185
Retained loss		**(161,605)**		(118,733)
Treasury shares		**(11,867)**		(11,867)
Accumulated other comprehensive loss (note 19)		**(1,630)**		(7,449)
Total shareholders' equity		**364,568**		401,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**870,795**	$	908,023

10 April 2019

Marius Hermansen
Chairman of the Board

François Sunier
Director

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRI-BUTED CAPITAL	RETAINED LOSS	ACCUMULATED OTHER COM-PREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance, December 31, 2016, as originally presented	$ 64,528	$ 379,851	$ 94,886	$ (61,566)	$ (8,873)	$ (11,867)	$ 456,959
Change in accounting policies	-	-	-	(2,607)	-	-	(2,607)
Restated balance December 31, 2016	64,528	379,851	94,886	(64,173)	(8,873)	(11,867)	454,352
Comprehensive income (loss):							
Net loss	-	-	-	(54,750)	-	-	(54,750)
Fair value adjustment of interest rate swaps	-	-	-	-	1,424	-	1,424
Total comprehensive loss	-	-	-	(54,750)	1,424	-	(53,326)
Transactions with shareholders:							
Compensation expense for share options	-	-	299	-	-	-	299
Total transactions with shareholders	-	-	299	-	-	-	299
Balance December 31, 2017, as originally presented	64,528	379,851	95,185	(116,316)	(7,449)	(11,867)	403,932
Changes in accounting policies	-	-	-	(2,417)	-	-	(2,417)
Restated balance December 31, 2017	**$ 64,528**	**$ 379,851**	**$ 95,185**	**$ (118,733)**	**$ (7,449)**	**$ (11,867)**	**$ 401,515**

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRI-BUTED CAPITAL	RETAINED LOSS	ACCUMULATED OTHER COM-PREHENSIVE LOSS	TREASURY SHARES	TOTAL
Comprehensive loss:							
Net loss	-	-	-	(43,215)	-	-	**(43,215)**
Adjustment previous year	-	-	-	343	-	-	**343**
Fair value adjustment of interest rate swaps	-	-	-	-	5,819	-	**5,819**
Total comprehensive loss	**-**	**-**	**-**	**(42,872)**	**5,819**	**-**	**(37,053)**
Transactions with shareholders:							
Compensation expense for share options	-	-	106	-	-	-	**106**
Total transactions with shareholders	**-**	**-**	**106**	**-**	**-**	**-**	**106**
Balance, December 31, 2018	**$ 64,528**	**$ 379,851**	**$ 95,291**	**$ (161,605)**	**$ (1,630)**	**$ (11,867)**	**$ 364,568**

See accompanying notes that are an integral part of these consolidated financial statements.
*See note 21 for details regarding the restatement as a result of a change in accounting policy

CONSOLIDATED STATEMENT OF CASH FLOWS

		FOR THE YEAR ENDED DECEMBER 31, 2018		FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Cash flows from (used in) operating activities (note 18)	**$**	**20,088**	$	10,071
Interest paid		**(25,856)**		(21,859)
Net cash flow from (used in) operating activities		**(5,768)**		(11,788)
Cash flows used in investing activities:				
Capital expenditures (note 5)		**(12,237)**		(3,101)
Net cash used in investing activities		**(12,237)**		(3,101)
Cash flows from (used in) financing activities:				
Repayment of long-term debt (note 6)		**(22,024)**		(22,024)
Repayment of revolving credit facility (note 6)		**-**		(75,000)
Drawdown of revolving credit facility (note 6)		**25,000**		25,000
Net cash flow from (used in) financing activities		**2,976**		(72,024)
Net decrease in cash and cash equivalents		**(15,029)**		(86,913)
Cash and cash equivalents at beginning of period		**62,316**		149,062
Effect of exchange rate changes on cash		**2**		167
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$**	**47,289**	$	62,316

See accompanying notes that are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

History and background

Avance Gas Holding Ltd (the "Company" or "Avance Gas") is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively "the Group") are engaged in the transportation of Liquefied Petroleum Gas ("LPG"). The company owns and operates 14 VLGCs as of December 31, 2018.

On April 15, 2014 the Avance Gas share commenced trading on the Oslo Stock Exchange following its initial public offering ("IPO"). As part of the IPO, Avance Gas issued 4.9 million new shares raising net proceeds of $98.0 million. Further, Frontline 2012 Ltd, as later merged with Frontline Ltd ("Frontline"), Sungas Holdings ("Sungas") and Stolt-Nielsen Gas Ltd ("SNGL") each sold shares for $58 million, including over-allotment options.

In October 2016, Avance Gas reached an agreement with its banking group to amend the existing terms of its credit facilities, including deferral of principal payments and financial covenant waivers with effect until Q2 2019. The company also completed a private placement at NOK 17 per share through issuance of 26.8 million shares at par value of $1 and total gross proceeds of $55.3 million. In November 2016, a subsequent offering was completed through issuance of 2.5 million shares at par value of $1 and total gross proceeds of $4.9 million.

Basis of preparation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, Consolidated statement of shareholders' equity, consolidated statement of cash flows, and the basis of preparation, accounting policies and related notes of the Company, and its subsidiaries (collectively, the "Group").

These financial statements have been prepared in accordance with the accounting policies outlined in Note 2. These accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for measurement of interest rate swaps. The accounting policy for interest rate swaps is described in note 2 below.

Management believes that the Group's cash flow from operations, credit facilities and the Group's cash position will continue to provide the cash necessary to fulfil the Group's capital requirements, as well as to make all scheduled long-term debt payments and satisfy the Group's other financial commitments. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING ESTIMATES

Critical accounting estimates and judgements

In connection with the preparation of the consolidated financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment.

Management believes the following area involves significant judgements and estimates in the preparation of the consolidated financial statements.

Carrying value of ships

The Group records the value of the ships at cost less accumulated depreciation and any impairment charges. The Group owned 14 ships as of December 31, 2018.

For the purposes of preparing the Group's financial statements, management is required to assess the ships for impairment whenever events or changes in circumstances indicate the carrying amount of the ships may not be recoverable. Management measures the recoverability of an asset by comparing its carrying amount to its 'recoverable value', being the higher of its fair value less costs of disposal or value in use based upon future discounted cash flows that the asset is expected to generate over its remaining useful life. If an asset is considered to be impaired, impairment is recognised in an amount equal to the excess of the carrying value of the asset over its recoverable value.

The Group tests its fleet of ships for impairment on a vessel-by-vessel basis as that is the lowest level in which the cash flows are independent of other cash-generating units.

Judgement or uncertainty

In order to assess impairment, estimates and assumptions regarding expected cash flows are made which require considerable judgement and are based upon existing contracts, fleet management decisions, historical experience, discount rates, financial forecasts and industry trends and conditions. See note 5.

ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date of no control.

Inter-company transactions and balances between group companies are eliminated, including any unrealised gains and losses on transactions. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

Operating segments

The Group only operates in the LPG segment as described in Note 1. The Group’s freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2018 and 2017, when based on the region in which the cargo is loaded. During 2018 the number of cargos loaded in the US Gulf and USWC has increased from 26% in 2017 to 45% in 2018 of the Group’s total number of voyages. For time charter revenue, the Group is aware that the chartered ships have operated in geographic regions other than the Middle East and the US Gulf.

The VLGCs operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not considered to be meaningful to allocate the assets of these operations to specific countries as non-current assets by country are not reportable for the Group.

The Group has no material revenues or non-current assets in Bermuda, its country of domicile.

Accounts receivable and accounts payable

Accounts receivable and accounts payable are initially valued at their fair value. Accounts receivable are subject to value adjustments where their recovery is considered as uncertain. These value adjustments are recognized based on expected lifetime losses from initial recognition of the receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Estimated useful life is 25 years for each VLGC and from three to five years for furniture and fixtures.

Residual value for the ships is based on steel price times lightweight tonnage and is reassessed annually. Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use.

Generally, ships drydock every five years. After a ship is fifteen years old, an intermediate survey is performed by a shipping classification society between the second and third year of the five-year drydocking period.

The Group capitalises a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey based upon the estimated life of each component of the drydocking. Costs related to routine repairs and maintenance incurred during drydocking that do not improve or extend the useful lives of the ships are expensed.

If the drydock results in an extension of the useful life of a ship, then the estimated useful life of the ship is changed accordingly.

Inventory

Inventories are valued at the lower of cost and net realisable value. Inventory, being predominantly bunkers and lube oils, is accounted for on a first in, first out basis.

Impairment of fixed assets

The carrying amounts of the Group’s fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss, other than for goodwill, is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Interest-bearing debt

Interest-bearing debt is recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost. Transaction costs are amortized over the tenor of the loans.

Foreign currency

The functional currency of Avance Gas and the majority of its subsidiaries is U.S. dollars as the majority of revenues and expenditures are denominated in this currency.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

The hedge relationships that were previously established under IAS 39 designated the full fair value change of the interest rate swaps as hedging instrument and we will continue to apply the same treatment under IFRS 9.

The Group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the Group were subject to reclassifications in IFRS 9.

Interest rate swaps

The Group holds interest rate swaps, which were initially recognised at fair value on the date the derivative contract was entered into and are subsequently revalued to their fair value at the end of each reporting period.

All the interest rate swaps are designated for hedge accounting. The accounting for subsequent changes in fair value of the cash flow hedging instruments are therefore taken to other comprehensive income.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the fair value of hedging derivatives in shareholders' equity are shown in note 19. Fair value of the hedging derivatives is classified as a current asset or liability for maturity equal to or less than 12 months and a non-current asset or liability for maturity exceeding 12 months.

CASH FLOW HEDGE

The changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated other comprehensive income in equity.

Operating revenue

Revenue is recognized on a load-to-discharge basis in accordance with IFRS 15, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue. See section "New or amendments to standards" below for further details.

Time charter revenue is accounted as an operating lease under IAS 17 and is recognised on a straight lined basis over the term of the time charter arrangement.

Expenses

(I) VOYAGE EXPENSES AND OPERATING EXPENSES

Voyage expenses include all expenses that are incurred as a direct and incremental consequence of a particular voyage, such as bunker fuel expenses, port fees, cargo loading and unloading expenses, time charter expenses, canal tolls and agency fees. Ship operating expenses include crew costs, repairs and maintenance, insurance, lube oils and communication expenses. Voyage expenses are recognised pro-rata over the duration of the voyage, while ship operating expenses are recognised when incurred.

(II) LEASES

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(III) FINANCE EXPENSES

Finance expenses are recognised in the income statement as they accrue, using the effective interest method.

(IV) SHARE-BASED COMPENSATION

The fair value at the grant date of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period. The fair value of the options is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions (e.g. the entity's share price), excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Tax

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains.

Alternative performance measures

The Group uses time charter equivalent (TCE) as an alternative performance measure in communications with shareholders and have reconciled TCE to revenue in note 13.

New or Amendments to Standards

The following new or amendments to standards and interpretations have been issued and became effective during the current period:

- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial instruments, for periods beginning on or after January 1, 2018.
- Amendments to IFRS 2 – Share based payments for periods beginning on or after January 1, 2018

The adoption of these new standards and amendments did not result in substantial changes in the Group's accounting policies and did not have a material impact on the financial statements of the Group beyond disclosure for the current or prior period except for the following:

- IFRS 15 – Revenue from contracts with customers, for periods beginning on or after January 1, 2018. The adoption of IFRS 15 has resulted in a change in the method of recognising revenue from voyage charters, recognising revenue from discharge-to-discharge to load-to-discharge. Revenue is recognised load-to-discharge with costs directly related to the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized. The Company has elected to adopt the standard with full retrospective implementation, which means that comparatives are restated. Management assessed each freight revenue contract as containing one performance obligation. See note 21 for details regarding the restatement as a result of a change in accounting policy.

The following new or amendments to standards have been issued and become effective in years beginning on or after January 1, 2019, assuming European Union adoption.

- IFRS 16 – Leases, for periods beginning on or after January 1, 2019. Management anticipate only insignificant impact on the financial statements as a result of the adoption of the new standard, with an immaterial lease liability and right of use asset to be recognized related to office lease.

3. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31, 2018	AS OF DECEMBER 31, 2017
	(in thousands)	
Cash and cash equivalents	$ **47,289**	$ 62,316

Cash and cash equivalents comprise of cash and short-term time deposits held by the Group, which are subject to an insignificant risk of changes in value. The Group has no restricted cash.

4. RECEIVABLES

	AS OF DECEMBER 31, 2018	RESTATED* AS OF DECEMBER 31, 2017
	(in thousands)	
Customer trade receivables	$ **12,131**	$ 10,721
Demurrage receivable	**1,696**	974
Other	**305**	190
TOTAL	**14,132**	11,885
Allowance for doubtful accounts	**(85)**	(49)
Receivables	$ **14,047**	$ 11,836

See Note 8 for an analysis of the credit risk of receivables.
*See note 21 for details regarding the restatement as a result of a change in accounting policies

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL
		(in thousands)		
Cost:				
Balance at December 31, 2016	$ **1,042,218**	$ **479**	$ **7,675**	$ **1,050,372**
Additions	1,081	2	1,423	2,506
Balance at December 31, 2017	$ **1,043,299**	$ **481**	$ **9,098**	$ **1,052,878**
Additions	470	188	11,579	12,237
Balance at December 31, 2018	$ **1,043,769**	$ **669**	$ **20,677**	$ **1,065,115**
Accumulated Depreciation:				
Balance at December 31, 2016	$ **184,738**	$ **111**	$ **4,738**	$ **189,587**
Depreciation expense	38,210	57	1,529	39,796
Balance at December 31, 2017	$ **222,948**	$ **168**	$ **6,267**	$ **229,383**
Depreciation expense	38,251	45	2,132	40,428
Balance at December 31, 2018	$ **261,199**	$ **213**	$ **8,399**	$ **269,811**
Net Book Value:				
December 31, 2017	$ **820,351**	$ **313**	$ **2,831**	$ **823,495**
December 31, 2018	$ **782,570**	$ **456**	$ **12,278**	$ **795,304**

Impairment

Tangible and intangible assets with a defined economic life are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The Group performs a quarterly assessment to determine any indicators of impairment or reversal of previous recognized impairment for its ships. An impairment loss is recognized if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCOD) and value in use (VIU) and each ship is considered a separate cash generating unit (CGU).

Value in use

VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life and is based on weighted average of different revenue scenarios for the remaining life period.

FREIGHT RATE SCENARIOS
VIU is based on a weighted average of three different freight rate scenarios based on different market views for the future periods.

DISCOUNT RATE
The discount rate in VIU calculations is based on a weighted average cost of capital (WACC) for the Group. The cost of equity is derived from the 20-year treasury yield rate, the Group's market risk premium and the Group's beta. The debt element of the discount rate is based on 20-year three-month forward LIBOR curve plus the Group's average margin for secured debt.

OPERATING EXPENSES
Operational expenses that are directly attributable to the CGU are based on budget with an annual escalation. Dry-docking costs are included as scheduled.

Fair value less cost of disposal

FVLCOD (level 3) (see note 8) is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on an average of third party valuation reports from two independent ship brokers. The Company understands that shipbrokers apply newbuilding price parity as part of their basis for their appraisals. Newbuilding prices are adjusted for building supervision costs and other additional costs, which results in an estimated delivered cost of a newbuilding with prompt delivery adjusted for age of each vessel.

Impairment testing 2018

As of December 31, 2018, indicators of impairment and indicators of reversal of previous recognized impairment were assessed. The assessment is performed on a quarterly basis. Based on this assessment it was concluded that no significant indicators for the period ended December 31, 2018 were present.

Impairment testing 2017

Impairment indicators were identified for the VLGC fleet as of September 30, 2017 and impairment testing has been performed. The assessment of recoverable amount was based on the higher of fair value less cost of disposal and a value-in-use calculation with each vessel as a separate cash generating unit with a discount rate 8.45% as of September 30, 2017. The fair value less cost of sales was based on independent third-party valuation reports. The result of the testing showed that recoverable amounts exceeded carrying amounts. Based on the assessment, no impairment or reversal of previous impairment was recognized as of September 30, 2017.

As of December 31, 2017, indicators of impairment and indicators of reversal of previous recognized impairment were assessed. Based on this assessment it was concluded that no significant indicators for the three-month period ended December 31, 2017 were present.

Sensitivities

The VIU calculation is mainly affected and sensitive to changes in WACC and freight rate assumptions. A reduction in freight rate assumption of $1,000/day for remaining life for each ship would imply an aggregate impairment of $17.7 million. An increase in freight rate assumption of 1,000/day could indicate a reversal of impairment of $44.1 million. An increase in the WACC of 0.5% would imply an aggregate impairment of $11.2 million. A decrease in the WACC of 0.5% could indicate a reversal of impairment of $42.2 million.

Intangible assets

The Group acquired computer software in 2014 for $0.6 million. The software will be amortised over a period of seven years, and amortization in the year ended December 31, 2018 and 2017 was $0.1 million for each year. Net book value of computer software was $40 thousand as of December 31, 2018.

6. LONG-TERM DEBT

		AS OF DECEMBER 31, 2018		AS OF DECEMBER 31, 2017
		(in thousands)		
Long-term debt	$	**336,236**	$	369,214
Long-term revolving credit facility		**125,000**		100,000
Long-term debt issuance cost		**(714)**		(2,214)
Long-term debt	$	**460,522**	$	467,000
Current portion of long-term debt		**33,035**		22,024
Current portion of debt issuance cost		**(1,399)**		(1,426)
Current portion of long-term debt		**31,636**		20,598
TOTAL DEBT	$	**492,158**	$	487,598

All debt outstanding at December 31, 2018 is in US dollars with an average interest rate of LIBOR plus an original average weighted credit margin of approx. 2.35%. The interest normally resets on three months' intervals. Long-term debt consisted of debt collateralised by the Group's fourteen VLGCs as of December 31, 2018 and 2017.

Long-term debt repayments were $22.0 million for the year ended December 31, 2018 and December 31, 2017. The revolving credit facility of $100.0 million in the first quarter was redrawn with $25.0 million in the second quarter. As of December 31, 2018, the Company has $25.0 million in undrawn available credit lines.

On March 25, 2014, the Group entered into a $450.0 million credit facility, which comprised a $200.0 million term loan facility to refinance the prior long-term debt, a $50.0 million revolving credit facility and a $200.0 million term loan facility to finance four of the eight Chinese built ships. On December 19, 2014, the Group entered into $200 million credit facility to finance the remaining four Chinese built ships. The first facility is to be repaid in full by March 25, 2020 and the second by May 31, 2021.

In March 2016, the Company agreed with its banking group to convert term loans to revolving credit facilities, increasing the revolving capacity from $50.0 million to $150.0 million. Following the finalization of the amendment agreements related to the Group's debt facilities during the quarter, all outstanding loans under the revolving credit facilities are considered non-current liabilities.

In October 2016, Avance Gas reached an agreement with its banking group to amend the terms of its credit facilities. As part of the Company's efforts to preserve its liquidity position in challenging market conditions, the scheduled loan repayment is reduced by 50% from and including the first quarter of 2017 until the end of the second quarter of 2019, resulting in $55.0 million in deferred loan repayments for the period. For the same period, the book equity covenant was adjusted from a minimum $250 million to $200 million and the equity ratio covenant from 30% to 25%. The minimum value to loan covenant was reduced from 130% to 110% from the quarter ending December 31, 2016 until, but not including, the quarter ending June 30, 2019, and will gradually increase until returning to its original level in the first quarter of 2020. The agreement with the banks was subject to the Company raising minimum $55.0 million in new equity, which was completed in November 2016. The lenders are compensated by an increased credit margin of 25 basis points for the amendment period.

The credit facilities contain certain covenants which are set out in the table below (original and amended covenants):

	ORIGINAL COVENANTS	AMENDED COVENANTS
Minimum value to outstanding loan under each facility	130%	110%
Book equity (at all times)	Equal or higher than $250 million	Equal or higher than $200 million
Equity ratio (at all times)	Minimum 30%	Minimum 25%

As part of the amendment agreement, the Company has limitations on dividend payments, investments and new indebtedness as customary for such agreements.

The following financial covenants have not been amended:

- A change of control provision which will be triggered if a person or company other than Frontline, Hemen Holding Ltd, SNGL or Sungas gains control, directly or indirectly, of one-third or more of the voting and/or shares of Avance Gas
- Minimum free liquidity: Cash and cash equivalents shall at all times be at least the higher of (i) $35 million and (ii) 5% of the consolidated gross interest-bearing debt of the Group
- Working capital: Working capital shall at all times be positive

The Group has complied with the financial covenants of its credit facilities during and as of year-end 2018 and 2017.

In first half of 2015 the Company entered into interest rate swaps to fix the interest rate for approximately half of the long-term debt, at an average fixed rate of 2.74%. The swaps have eight-year tenors and two-year forward start and commenced in the second quarter of 2017 with first cash flow effect from third quarter 2017. The swaps are designated for hedge accounting.

7. RELATED PARTY TRANSACTIONS

The Group has during 2018 and 2017 transacted with Stolt-Nielsen regarding procurement for the President. Total expenses related to secondment of the President were $0.6 million in 2018 and 2017. A subsidiary of Stolt-Nielsen Limited, Marlowe Insurance Ltd, facilitated insurance coverage for the Group until March 2017. In March 2017, the Group renewed its insurance coverage with a third-party insurance broker, thus ending the relationship.

Due to changes made in the board of directors on July 13, 2018, Stolt-Nielsen is no longer a related party. The Group terminated the service agreement for procurement for the President with effect December 1, 2018, hence, the President is directly employed in Avance Gas AS as of December 31, 2018.

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During the fourth quarter, Frontline Ltd is defined as a related party with the Group due to change in holding of the share. As aggregate holdings of Hemen and Frontline Ltd are above 20% they are considered to have significant influence over the Group, thus a related party. The Group entered into a corporate secretarial service agreement with Frontline Management (Bermuda) Ltd in July 2018. The fee for corporate secretarial services was $16 thousand for the year ended December 31, 2018.

The Group had no accounts receivables or payables towards related party as of December 31, 2018. As of December 31, 2017 the Group had $132 thousand in accounts receivable from Stolt-Nielsen Norway AS and $4 thousand in accounts payable to Stolt Nielsen Gas Ltd.

Board of directors and key management compensation

For the calendar year 2018 each Director received $40,000. The Chairman of the Board received $60,000. Total Board fees for 2018 were $280,000 and $320,000 in 2017.

Key management consists of the President and Chief Financial Officer. The compensation to key management is paid in NOK and the USD figure is thus exposed to changes in exchange rates. Total compensation and benefits of the key management were as follows.

		FOR THE YEAR ENDED DECEMBER 31, 2018		FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Salary	$	**625**	$	648
Bonus		**0**		172
Other remuneration		**137**		51
Pension cost		**84**		83
TOTAL COMPENSATION AND BENEFITS	**$**	**847**	$	954

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2018. The President of Avance Gas and remaining Directors do not, directly or indirectly, own shares in Avance Gas as of December 31, 2018.

NAME	NUMBER OF SHARES	% NUMBER OF SHARES
Jan Kastrup-Nielsen, *Chairman*	2,800	<0.1 %
Peder C. G. Simonsen, CFO	2,300	<0.1 %

In February, 2019 the President acquired 80,000 shares and additional 80,000 shares in Avance Gas in March 2019, at an average price of NOK 14.57 and NOK 13.97 per share respectively. After these transactions, the President owns 160,000 shares.

Furthermore, in March 2019, the CFO, acquired 7,700 shares in Avance Gas at an average price of NOK 13.92 per share. After this transaction, the CFO owns 10,000 shares.

8. FINANCIAL RISK FACTORS

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's activities create exposure to a variety of financial risks such as market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Concentration of credit risk

Trade receivables are from customers of the Group's business. The Group extends credit to its customers in the normal course of business. The maximum exposure to credit risk is the receivables balance of $14.1 million and $11.8 million as of December 31, 2018 and 2017, respectively. The Group performs credit checks upon entering into an initial sales contract with a customer and regularly reviews the days past due accounts. The company assesses the credit quality of its counterparties as good since customers are on the whole large well known energy firms. The majority of trade receivables are in U.S. dollars.

For the year ended December 31, 2018, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $27.5 million and $22.1 million. For the year ended December 31, 2017, the Group had three customers who each generated revenue greater than 10% of total revenue. The amounts were $27.0 million, $12.7 million and $11.8 million.

An analysis of the age of receivables that are past due is as follows:

AS OF DECEMBER 31, 2018		GROSS AMOUNT (in thousands)		ALLOWANCE FOR DOUBTFUL ACCOUNTS (in thousands)
Up to 30 days past due	$	1,552	$	-
31 to 60 days past due				
61 to 90 days past due		29		17
Greater than 91 days past due		125		68
	$	**1,706**	**$**	**85**

AS OF DECEMBER 31, 2017		GROSS AMOUNT (in thousands)		ALLOWANCE FOR DOUBTFUL ACCOUNTS (in thousands)
Up to 30 days past due	$	1,085	$	-
31 to 60 days past due		26		1
61 to 90 days past due		198		10
Greater than 91 days past due		343		38
	$	**1,652**	**$**	**49**

Receivables greater than 60 days overdue were mainly demurrage receivables. Allowance for doubtful accounts is mainly related to demurrage. Receivables that were not past due as of December 31, 2017 and 2016 respectively, were not included in the table above.

The allowance for doubtful accounts (reversed reserves) changed as follows:

		AS OF DECEMBER 31, 2018 (in thousands)		AS OF DECEMBER 31, 2017 (in thousands)
Beginning of the period	**$**	**49**	$	68
(Reversal of) charged against revenue		**36**		(19)
	$	**85**	$	49

Financial risk factors

Risk management is carried out by management under policies approved by the Board of Directors. The Company continuously monitors financial risk and implements financial risk policies for foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity, as applicable.

Fair value of financial instruments

The following estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange.

	AS OF DECEMBER 31, 2018		AS OF DECEMBER 31, 2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(in thousands)			
Financial assets:				
Cash and cash equivalents	**$ 47,289**	**$ 47,289**	$ 63,316	$ 63,316
Receivables	**14,047**	**14,047**	11,836	11,836
Related party receivable balances			132	132
Financial liabilities:				
Accounts payables	**7,207**	**7,207**	5,867	5,867
Related party payable balances			4	4
Accrued expenses and accrued voyage expenses	**3,748**	**3,748**	4,219	4,219
Revolving credit facilities	**125,000**	**125,000**	100.000	100.000
Long-term debt including current maturities	**369,271**	**369,271**	391,238	391,238
Derivative financial instruments (fair value):				
Interest rate swap liabilities including current maturities	**$ 1,688**	**$ 1,688**	$ 7,507	$ 7,507

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses are a reasonable estimate of their fair value, due to their short maturity. The estimated value of the Group's long-term debt equals its carrying value as of December 31, 2018 and 2017 as it is variable-rated.

Long-term debt in the table above excludes debt issuance costs of $2.1 million and $3.6 million as of December 31, 2018 and December 31, 2017, respectively.

The Group has no financial assets that would otherwise have been past due or impaired that have been renegotiated.

Maturity of financial assets

All financial assets mature within one year.

Maturity of financial liabilities and contractual obligations

	AS OF DECEMBER 31, 2018				
	LESS THAN 1 YR	1-2 YRS	2-5 YRS	5-10 YRS	TOTAL
	(in thousands)				
Financial liabilities and contractual obligations:					
Accounts payable	$ 7,207	$ -	$ -	$ -	$ 7,207
Related party payable balances	-	-	-	-	-
Accrued expenses and accrued voyage expenses	3,748	-	-	-	3,748
Long-term debt	33,035	143,266	192,912	-	369,213
Revolving credit facility	-	50,000	75,000	-	125,000
Total financial liabilities and contractual obligations	**$ 43,990**	**$ 193,266**	**$ 267,912**	**$ -**	**$ 505,168**

	AS OF DECEMBER 31, 2017				
	LESS THAN 1 YR	1-2 YRS	2-5 YRS	5-10 YRS	TOTAL
	(in thousands)				
Financial liabilities and contractual obligations:					
Accounts payable	$ 5,867	$ -	$ -	$ -	$ 5,867
Related party payable balances	4	-	-	-	4
Accrued expenses and accrued voyage expenses	4,219	-	-	-	4,219
Long-term debt	22,024	282,485	86,719	-	391,238
Revolving credit facility	-	50,000	50,000	-	100,000
Total financial liabilities and contractual obligations	**$ 32,114**	**$ 332,495**	**$ 136,719**	**$ -**	**$ 501,328**

Fair value estimation

The below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value equals carrying value for cash and cash equivalents (level 1) and fair value equals carrying value of mortgage and floating interest (level 2).

The fair value (level 2) of the Company's interest rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account, as applicable, fixed interest rate curves and the current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows.

A change by 1% in LIBOR, will have an effect of approximately $5.1 million in higher or lower interest expense.

Derivative financial instruments and hedging

The Company uses financial instruments to hedge against interest rate risk. The Company has designated a hedge relationship between the interest on its long-term debt and interest rate swaps. The cashflows on the interest rate swaps began in the third quarter 2017 and will continue until second quarter 2025. The cashflows on these instruments will vary depending on LIBOR during the relevant period. The value of the interest rate swaps will depend on expectations of future interest rates, the forward yield curve.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on mark-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest swaps as of December 31, 2018 and December 31, 2017 was recognized in the statement of other comprehensive income.

Derivative financial instruments (interest rate swap liabilities) have a maturity in 2025. The designated hedge accounting relationship with the underlying loans assumes refinancing of outstanding loans at maturity of each loan agreement at substantially the same terms.

9. SHARE CAPITAL, PAID IN SURPLUS AND CONTRIBUTED CAPITAL

	NUMBER OF SHARES		PAR VALUE PER SHARE		SHARE CAPITAL
	(in thousands)				(in thousands)
Authorised share capital	200,000	$	1.00	$	200,000
Issued and outstanding shares December 31, 2016	64,528	$	1.00	$	64,528
Issued and outstanding shares December 31, 2017	**64,528**	$	1.00	$	**64,528**
Issued and outstanding shares December 31, 2018	**64,528**	$	1.00	$	**64,528**

Issuance of common shares in 2016 raised $29.3 million in share capital and $29.5 million in paid in capital net of share issuance costs of $1.6 million.

64.5 million shares were issued and outstanding as of December 31, 2018 and 2017, including 0.9 million treasury shares, and all shares are fully paid.

Contributed capital consist mainly of conversion of shareholders' loans from 2013 prior to the IPO. No dividend has been paid in 2018 or 2017.

List of largest shareholders as of December 31, 2018

NAME	HOLDING OF SHARES	IN %
HEMEN HOLDING LIMITED	12,130,568	18,80%
SUNGAS HOLDING LTD	5,478,799	8.49%
Stolt-Nielsen Gas Limited	5,478,799	8.49%
Santander Securities Services, S.A	2,457,235	3.81%
DNB Luxembourg S.A.	1,683,797	2.61%
Nordnet Bank AB	1,241,684	1.92%
Citibank, N.A	1,174,329	1.82%
UBS Switzerland AG	1,168,596	1.81%
Danske Bank A/S	901,885	1.40%
Northern Trust Global Services Plc	860,000	1.33%
Swedbank AB	661,705	1.03%
EIKA NORGE	658,948	1.02%
The Bank of New York Mellon SA/NV	571,284	0.89%
NORDNET LIVSFORSIKRING AS	560,296	0.87%
JPMorgan Chase Bank, N.A., London	547,882	0.85%
TOTAL	**35,575,807**	**55.13%**
Other shareholders	28,952,165	44.87%
TOTAL	**64,527,972**	**100.00%**

Avance Gas Holding Ltd holds 871,639 treasury shares representing 1.35% of total issued shares as of December 31, 2018.

10. RESTRICTIONS ON PAYMENT OF DIVIDENDS

Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that

(a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) The realizable value of the company's assets would thereby be less its liabilities

The Company has acted within the rules in the Bermuda Companies Act when declaring dividends.

As part of the amendment agreement, the Company has limitations on dividend payments during the amendment period, see note 6.

11. SHARE-BASED COMPENSATION

In 2013 the Group set up a share option plan (the "Plan") covering 1.0 million shares and granted 175,000 options in 2013, 118,200 options in 2015, 486,000 in 2016, 207,000 in 2017 and 593,000 in 2018. The 2013 plan is administered by the Board of Directors and the exercise price is set at the market rate on the day the awards are approved.

In January 2018, the Board of the Company approved a new share option plan (the "2018 Option Scheme") in order to encourage the Company's directors, officers and other employees to hold shares in the Company. The 2018 Option Scheme will expire in January 2028. The 2018 Option Scheme permits the Board, at its discretion, to grant options to acquire shares in the Company to employees and directors of the Company or its subsidiaries. The options are not transferable. The subscription price is at the discretion of the Board, provided the subscription price is never reduced below the par value of the share. The subscription price for certain options granted under the 2018 Option Scheme will be reduced by the amount of all dividends declared by the Company in the period from the date of grant until the date the option is exercised. Options granted under the 2018 Option Scheme will vest at a date determined by the Board at the date of the grant. There is no maximum number of shares authorized for awards of equity share options under the 2018 Option Scheme and authorized, unissued or treasury shares of the Company may be used to satisfy exercised options.

The strike price on options granted in 2013 were based on the share price of the most recent equity transaction with Frontline as there were no shares being traded in 2013. The options granted in 2015, 2016 and 2017 were set at the market rate on the day of the issue. Options granted under the Plan vest 25% each anniversary of continuing employment after grant. Options may be exercisable when they are vested, and within five years from the date of grant. Options are forfeited by employees upon termination of employment in most circumstances. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	2013 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2015 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2017 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2018 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)
Outstanding January 1, 2017	**102,600**	**$ 4.34**	**98,200**	**$ 9.98**	**207,000**	**$ 2.34**	**-**	**-**
Granted during the year	-	-	-	-	-	-	593,000	$ 18.80
Exercised during the year	-	-	-	-	-	-	-	-
Expired during the year	102,600	-	21,200	-	68,000	-	-	-
Outstanding December 31, 2017	**-**	**-**	**77,000**	**$ 9.98**	**139,000**	**$ 2.34**	**593,000**	**$ 18.80**
Exercisable December 31, 2017	-		57,750		34,750		-	
Remaining average contractual life (years)	-		1.6		3.0		4.8	

There were 1,197,000 options outstanding at December 31, 2018. The original exercise price, prior to adjustments for dividends, is $11.78 (options granted in 2013), $15.24 (options granted in 2015). There were no dividend payments in 2016, 2017 or 2018, hence, no adjustment in exercise price.

Share based expense for the years ended December 31, 2018 and 2017 was $106,000 and $299,000, respectively.
The weighted average fair value of options granted in 2013 determined using the Black-Scholes valuation model was $5.00 per option. The significant inputs into the model were weighted average share price of $11.78 per share, an expected

option life of five years, and an annual risk-free rate of 1.45%. The volatility was measured based on the weekly average freight rates for the last three years.

The weighted average fair value of options determined using the Black-Scholes valuation model was $3.80, $0.72, $0.82 and $0.79 per option for options granted in 2015, 2016, 2017 and 2018 respectively. The significant inputs into the model were weighted average share price of $15.24, $2.19, $2.34 and $2.16 per share for options granted in 2015, 2016, 2017 and 2018 respectively, an expected option life of five years, and an annual risk-free rate of 1.48%, 1.24%, 1.84% and 2.83% for options granted in 2015, 2016, 2017 and 2018 respectively. The volatility was measured based on the share price development for the period since the IPO.

12. LOSS PER SHARE

The following is a reconciliation of the numerator and denominator of the basic and diluted loss per share computations:

		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands, except per share data)		
Net loss attributable to common shareholders	$	**(43,215)**	$	(54,560)
Basic weighted average shares outstanding net of treasury shares		**63,656**		63,656
Dilutive effect of share options		**94**		-
Diluted weighted average shares outstanding		**63,750**		63,656
Basic loss per share	$	**(0.68)**	$	(0.86)
Diluted loss per share	$	**(0.68)**	$	(0.86)

*See note 21 for details regarding the restatement as a result of a change in accounting policies

13. OPERATING REVENUE AND TIME CHARTER EQUIVALENT

Operating revenue		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Freight revenue	$	**102,244**	$	101,908
Time charter revenue		**27,697**		11,086
	$	**129,941**	$	112,994

Under time charters, vessels are chartered to customers for fixed periods of time (which can range from days to the life span of the ship). Rates are generally fixed with operating expense escalation clauses for long-term charters. The charterer pays all voyage costs. The owner of the vessel receives monthly charter payments in advance on a per day or per month basis and is responsible for the payment of all operating expenses (including manning, maintenance, repair and docking) and capital costs of the vessel.

The Company uses time charter equivalent (TCE rate) as an alternative performance measure. TCE rate is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire. Operating days were 4,849 days in 2018 and 5,051 days in 2017.

TIME CHARTER EQUIVALENT (TCE RATE)		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Operating revenue	$	**129,941**	$	112,994
Voyage expenses		**(60,381)**		(59,028)
Voyage result		**69,560**		53,966
Calendar days		5,110.0		5,110.0
Technical off-hire days		(260.8)		(58.9)
Operating days		**4,849.2**		5,051.1
TCE per day ($)	$	**14,345**	$	10,684

*See note 21 for details regarding the restatement as a result of a change in accounting policies

14. VOYAGE AND OPERATING EXPENSES

		FOR THE YEAR ENDED DECEMBER 31, 2018		RESTATED* FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Voyage expenses:				
Bunkers	$	**41,897**	$	43,015
Port charges		**15,348**		13,717
Commissions		**1,722**		1,604
Other		**1,414**		692
	$	**60,381**	$	59,028

*See note 21 for details regarding the restatement as a result of a change in accounting policies

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		FOR THE YEAR ENDED DECEMBER 31, 2018		FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Operating expenses:				
Crewing costs	$	**25,562**	$	25,557
Maintenance and repairs		**4,432**		4,651
Insurance		**1,513**		1,220
Ship supplies and provisions		**4,681**		4,493
Ship management fee		**2,243**		2,591
Other		**1,196**		432
	$	**39,627**	$	38,944

15. ADMINISTRATIVE AND GENERAL EXPENSES

		FOR THE YEAR ENDED DECEMBER 31, 2018		FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Employee benefit and secondment expenses	$	**2,994**	$	2,690
Information systems		**367**		398
Legal fees		**-18**		206
Professional fees		**955**		1,381
Office fees		**285**		261
Travel and entertainment expenses		**163**		199
Share option compensation expense		**106**		299
Other		**124**		105
	$	**4,976**	$	5,539

Auditors' remuneration to PricewaterhouseCoopers AS was an audit fee of $136,616 for the year ended December 31, 2018 and $121,517 for the year ended December 31, 2017. The audit fees are included in professional fees in the table above. The compensation to the auditor is paid in NOK and the USD figure is not totally comparable year on year.

The average number of full time employees was 11 for the year ended December 31, 2018 and December 31, 2017.

16. FINANCE EXPENSES

	FOR THE YEAR ENDED DECEMBER 31, 2018	FOR THE YEAR ENDED DECEMBER 31, 2017
	(in thousands)	
Interest on long-term debt	$ **25,619**	$ 21,585
Amortization of debt issuance cost	**1,582**	1,822
Commitment fee	**381**	598
Other financial cost	**123**	204
	$ **27,705**	$ 24,209

17. INCOME TAX EXPENSE

At the date of this report there is no Bermuda income, corporation, or profits tax nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable by the Company. The Company has obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035 be applicable to the Company or to any of its operations, or to the Company's shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda and holding the Company's shares, debentures, or other obligations, or any property in Bermuda leased or let to the Company.

In 2018 and 2017, the Company's subsidiary Avance Gas AS was subject to taxation in Norway. The tax charge for 2018 was $53,755 ($55,308 for the year ended December 31, 2017). The Singapore office was also subject to taxation in 2017 but closed the same year, hence not subject to taxation in 2018.

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18. RECONCILIATION OF NET LOSS TO CASH GENERATED FROM OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 2018	FOR THE YEAR ENDED DECEMBER 31, 2017
	(in thousands)	
Net loss	$ **(43,215)**	$ (54,750)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	**40,662**	40,025
Net finance expense	**27,458**	23,994
Share option compensation expense	**106**	299
Changes in assets and liabilities:		
(Increase) decrease in receivables	**(2,212)**	(3,215)
(Increase) decrease in prepaid expenses, inventory, related party receivable balances and other current assets	**(3,892)**	1,334
Increase in accounts payable	**1,340**	3,191
Decrease in accrued expenses, related party payable balances, accrued voyage expenses and other current liabilities	**(161)**	(807)
Cash flows from operations	$ **20,088**	$ 10,071

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive income represents the gain or loss arising from the change in fair value of interest rate swaps and translation adjustments. Accumulated other comprehensive loss is broken down between the two categories as follows:

		FOREIGN CURRENCY RESERVE		FAIR VALUE RESERVE		ACCUMULATED OTHER COMPREHENSIVE
				(in thousands)		
Balance January 1, 2017	$	58	$	(8,931)	$	(8,873)
Fair value adjustment of interest rate swaps		-		1,424		1,424
Translation adjustments, net		-		-		-
Balance December 31, 2017	$	58	$	(7,507)	$	(7,449)
Fair value adjustment of interest rate swaps designated for hedge accounting		-		5,819		5,819
Translation adjustments, net		-		-		-
Balance December 31, 2018	$	58	$	(1,688)	$	(1,630)

20. NET DEBT RECONCILIATION

		FOR THE YEAR ENDED DECEMBER 31, 2018		FOR THE YEAR ENDED DECEMBER 31, 2017
		(in thousands)		
Cash and cash equivalents	$	47,289	$	62,316
Long term debt repayable after one year		(336,179)		(369,213)
Long term debt repayable within one year		(33,035)		(22,024)
Revolving credit facilities		(125,000)		(100,000)
Net debt	$	**(446,925)**	$	**(428,921)**

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		CASH AND CASH EQUIVALENTS	LONG-TERM DEBT	REVOLVING CREDIT FACILITIES	TOTAL
			(in thousands)		
Net debt January 1, 2018	$	**62,316**	**(391,237)**	**(100,000)**	**(428,921)**
Cash flows		(15,029	22,024	(25,000)	(18,005)
Foreign exchange adjustments		2	-	-	2
Net debt December 31, 2018	$	**47,289**	**(369,213)**	**(125,000)**	**(446,924)**

Long-term debt in the tables above excludes debt issuance costs of $2.1 million in 2018 and $3.6 million in 2017 (note 6).

21. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 15 (Revenue from Contracts with Customers) on the Group's financial statements, and also discloses the new accounting policies that have been applied from January 1, 2018 where they are different to those applied in prior periods.

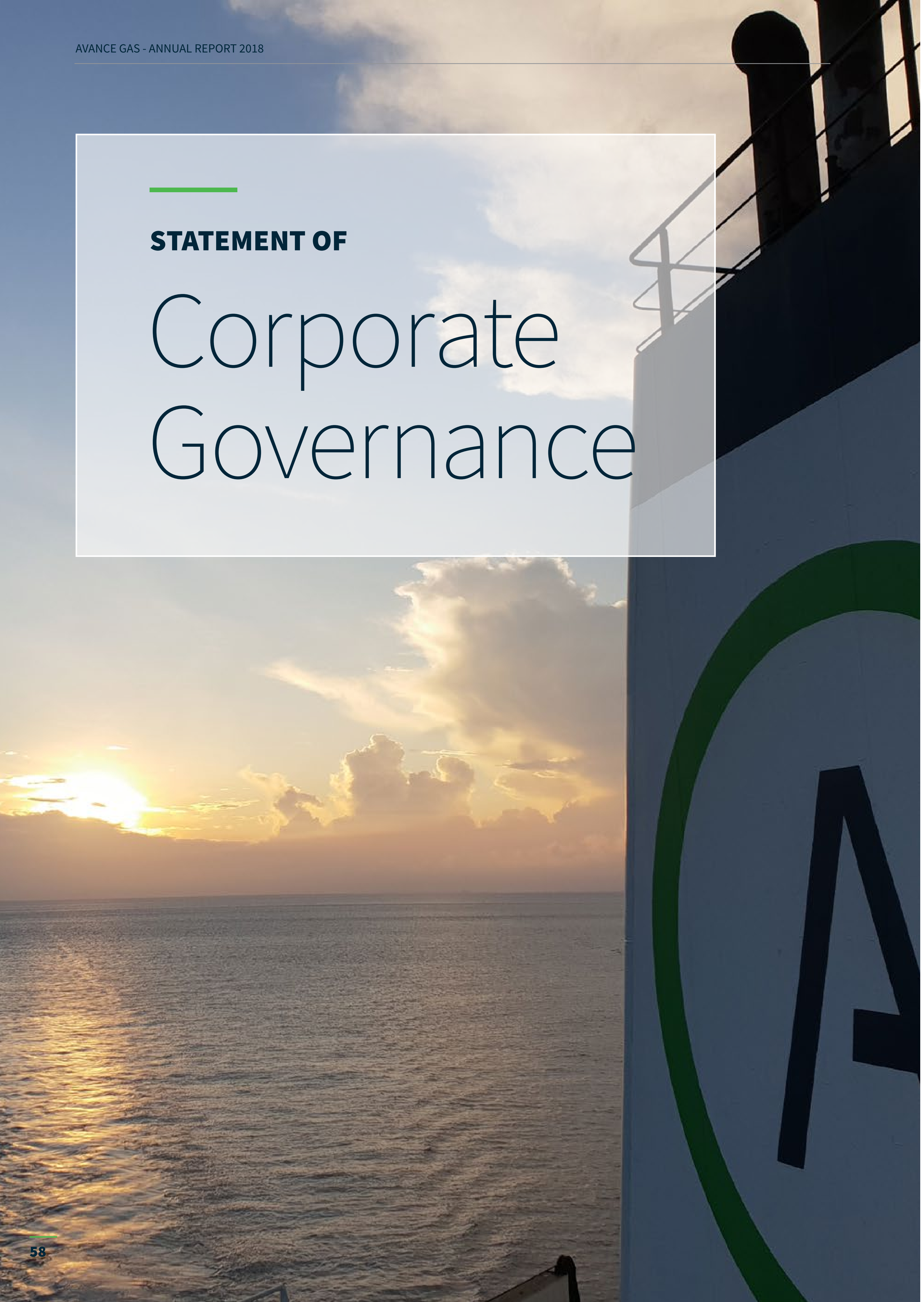
For the twelve months ended December 31, 2017

	AS ORIGINALLY PRESENTED DECEMBER 31, 2017	CHANGES RELATED TO IMPLEMENTATION OF IFRS 15 (in thousands)	RESTATED DECEMBER 31, 2017
Operating revenue	**$ 110,910**	**$ 2,085**	**$ 112,994**
Voyage expenses	(57,134)	(1,894)	(59,028)
Operating expenses	(38,944)		(38,944)
Administrative and general expenses	(5,539)		(5,539)
Operating profit before depreciation expense	9,293	190	9,483
Depreciation and amortization expense	(40,025)		(40,025)
Operating loss	(30,732)	190	(30,542)
Non-operating (expenses) income:			
Finance expense	(24,209)		(24,209)
Finance income	215		215
Foreign currency exchange gain (loss)	31		31
Loss before income tax expense	(54,695)	190	(54,505)
Income tax expense	(55)		(55)
Net loss	**(54,750)**	**190**	**(54,560)**
Loss per share:			
Basic	**(0.86)**	**0.00**	**(0.86)**
Diluted	**(0.86)**	**0.00**	**(0.86)**
Other comprehensive income (loss)			
Fair value adjustment of interest rate swaps designated for hedge accounting	1,424		1,424
Total comprehensive (loss)/income	**$ (53,326)**	**$ 190**	**$ (53,136)**

	ORIGINALLY PRESENTED DECEMBER 31, 2017	CHANGES RELATED TO IMPLEMENTATION OF IFRS 15 (in thousands)	RESTATED DECEMBER 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$ 62,316	$	$ 62,316
Receivables	16,920	(5,084)	11,836
Related party receivables	132		132
Inventory	3,993		3,993
Mobilization costs	-	2,667	2,667
Prepaid expenses	523		523
Other current assets	2,911		2,911
Total current assets	86,795	(2,417)	84,378
Total non-current assets	823,645		823,645
Total assets	**$ 910,440**	**$ (2,417)**	**$ 908,023**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt (note 6)	$ 20,598	$	$ 20,598
Accounts payable	5,867		5,867
Related party payable balances	4		4
Accrued voyage expenses	3,761		3,761
Accrued expenses	458		458
Current portion of derivative financial instruments	2,538		2,538
Other current liabilities	1,313		1,313
Total current liabilities	34,539		34,539
Total non-current liabilities	471,969		471,969
Shareholders' equity			
Share capital	64,528		64,528
Paid-in capital	379,851		379,851
Contributed capital	95,185	(2,417)	95,185
Retained loss	(116,316)		(118,733)
Treasury shares	(11,867)		(11,867)
Accumulated other comprehensive loss	(7,449)	(2,417)	(7,449)
Total shareholders' equity	403,932	(2,417)	401,515
Total liabilities and shareholders' equity	**$ 910,440**	**$ (2,417)**	**$ 908,023**

22. SUBSEQUENT EVENTS

There were no significant subsequent events after December 31, 2018.



STATEMENT OF

Corporate Governance

Photo credit: Conda, Emmanuel P., Thetis Glory

AVANCE GAS - ANNUAL REPORT 2018

1 INTRODUCTION

This section of the annual report provides an overview on how Avance Gas follows the Norwegian Code of Practice for Corporate Governance as of 17 October 2018 (the "Code"). Avance Gas is an exempted company limited by shares incorporated in Bermuda and is subject to Bermuda law, and is listed on the Oslo Stock Exchange.

Avance Gas is primarily governed by the Bermuda Companies Act, its memorandum of association and its bye-laws. Further, Avance Gas is subject to certain aspects of the Norwegian Securities Trading Act, the Norwegian Accounting Act and the continuing obligations for companies listed on the Oslo Stock Exchange.

Avance Gas continuously strives to protect and enhance shareholder equity through transparency, integrity and equitable treatment of all shareholders. Sound corporate governance is key to achieving these goals. The corporate governance principles adopted by the Board of Avance Gas are based on the the Code. The Code is available at www.nues.no. Other than the deviations listed and explained in Section 1.1 below, Avance Gas is in compliance with the Code.

1.1 DEVIATIONS FROM THE CODE

The Board has identified the following deviations from the Code:

Deviation from section 2 "Business":

In accordance with common practice for Bermuda incorporated companies, Avance Gas' objectives as set out in the memorandum of association are wider and more extensive than recommended in the Code. The Board of Directors has not adopted specific guidelines for how it integrates considerations related to its shareholders into its value creation, but such considerations form an integrated part of the Company's decision making processes.

Deviation from section 3 "Equity and dividends":

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of Avance Gas' shareholders to the contrary, and to declare dividends to be paid to the shareholders and repurchase shares in Avance Gas.

Deviation from section 5 "Freely negotiable shares":

The shares in Avance Gas are freely negotiable and Avance Gas' constitutional documents do not impose any transfer restrictions on the shares other than as set out below. The bye-laws include a right for the Board to decline to register the transfer of any share in the register of members, or instruct any registrar appointed by Avance Gas to decline, to register the transfer of any interest in a share held through the VPS where such transfer is likely to result in 50% or more of the shares or votes being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or being effectively connected to a Norwegian business activity or Avance Gas otherwise being deemed a "Controlled Foreign Company" as defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid that the company being deemed a "Controlled Foreign Company".

Deviation from section 6 "General meetings":

As is common for companies incorporated under the laws of Bermuda, the bye-laws of Avance Gas set forth that, unless otherwise is agreed by a majority of those attending and entitled to vote at a general meeting, the Chairman of the board shall act as chairman of the meeting if he is present. If the Chairman of the Board is absent, a chairman of the meeting shall be appointed or elected by those present at the meeting and entitled to vote.

Deviation from section 7 "Nomination committee":

The bye-laws provide that Avance Gas may have a nomination committee, but the shareholders have resolved to not establish a nomination committee.

2 MAIN OBJECTIVES FOR CORPORATE GOVERNANCE

The way that Avance Gas is managed is vital to the development of Avance Gas' value over time. Avance Gas' corporate governance policy is based on the Code, and Avance Gas aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust and positive development of shareholder values. The Board monitors the governance of Avance Gas and develops and improves the corporate governance policy as required.

3 CORPORATE GOVERNANCE REPORT

3.1 IMPLEMENTATION AND REPORTING

The Board has adopted a corporate governance policy which is based on the Code. The Board further ensures that Avance Gas at all times has sound corporate governance.

This corporate governance report is included in Avance Gas' annual report to the shareholders, and is made available on Avance Gas' website in the annual report. Any deviations from the Code are described and explained under Section 1.1 above.

The Board has defined Avance Gas' value base and formulated ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

3.2 BUSINESS

Avance Gas' objectives as set out in its memorandum of association are wider and more extensive than recommended by the Code. Avance Gas and its subsidiaries' is a leading player in the VLGC (very large gas carrier) market, operating a fleet of modern vessels providing customers with global transportation services via a combination of Contracts of affreightment and spot market voyages.

The Board is responsible for the Company's strategic planning, and defines clear objectives, strategies and risk profile for the business that form the basis for Avance Gas' creation of value for the shareholders. The Board evaluates Avance Gas' objectives, strategies and risk profile at least once per year.

Further, long-term sustainability and profitability forms an integral part of Avance Gas' strategies, plans and everyday work to create value for its shareholders, while also considering the interests of the other stakeholders of the company (employees, suppliers, customers, etc.).

Deviation from the Code: See Section 1.1 above.

3.3 EQUITY AND DIVIDENDS

The Board and the management of Avance Gas aim at all times to keep Avance Gas' equity capital at a level that is suitable in light of Avance Gas' objectives, strategy and risk profile.

Avance Gas' objective is to generate competitive returns to its shareholders. The company's dividend policy is balanced between growth opportunities for Avance Gas and cash returns for the shareholders. Whilst it is the intention to pay regular dividends, the level of any dividend will be guided by current earnings, market prospects, current and future capital expenditure commitments and investments opportunities.

Pursuant to bye-law 2, the Board has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of the shareholders to the contrary, and to declare dividends to be paid to the shareholders. Further, pursuant to bye-law 3, the Board may exercise the power of Avance Gas to purchase its own shares for cancellation or acquire them as treasury shares in accordance with Bermuda law on such terms as the Board thinks fit.

Deviation from the Code: See Section 1.1 above.

3.4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

3.4.1 General information

Avance Gas has only one class of shares. Each share in Avance Gas carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders are treated on an equal basis, unless there is just cause for treating them differently.

3.4.2 Share issues without pre-emption rights for existing shareholders

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of Avance Gas do not have pre-emption rights in share issues unless specifically resolved by the Board or the shareholders of Avance Gas. Any decision to issue shares without pre-emption rights for existing shareholders will be justified and publicly disclosed.

3.4.3 Transactions in own shares

Any transactions Avance Gas carries out in its own shares are carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way.

3.4.4 Approval of agreements with shareholders and other closely-related parties

The Board will arrange for a valuation to be obtained from an independent third party in the event of a not immaterial transaction between Avance Gas and its shareholders, a shareholder's parent company, members of the Board, executive personnel or closely-related parties of any such parties.

There are guidelines in place to ensure that members of the Board and employees notifies the Board if they have a significant, direct or indirect, interest in a transaction carried out by Avance Gas.

3.5 FREELY NEGOTIABLE SHARES

Avance Gas' constituting documents do not impose any transfer restrictions on Avance Gas' common shares, other than as described in Section 1.1 above, and Avance Gas' common shares are freely transferable, provided that the beneficial interests in the common shares are registered in the VPS.

Deviation from the Code: See Section 1.1 above.

3.6 GENERAL MEETINGS

3.6.1 Exercising rights

The Board seeks to ensure that the greatest possible number of shareholders can exercise their voting rights in Avance Gas' general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

Among other things, the Board ensures that:

- the notice and the supporting documents and information on the resolutions to be considered at the general meeting are available on Avance Gas' website no later than 21 days prior to the date of the general meeting;
- the resolutions and supporting documentation, if any, are detailed enough to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- the deadline, if any, for shareholders to give notice of their intention to attend the general meeting is set as closely as practically possible to the date of the general meeting; and
- the shareholders have the opportunity to vote separately on each candidate nominated for election to Avance Gas' Board and committees, if applicable.

3.6.2 Participation without being present

Shareholders who cannot be present at the general meeting have the opportunity to vote using proxies. Avance Gas:

- provides information about the procedure for attending via proxy;
- nominates a person who will vote on behalf of a shareholder as their proxy; and
- prepares a proxy form such that the shareholder can vote on each item to be addressed and vote for each of the candidates that are nominated for election.

3.6.3 Summary of provisions in the bye-laws that deviate from the provisions in Chapter 5 of the Norwegian Public Limited Companies Act

Below is a summary of the provisions in Avance Gas' bye-laws that deviate from the provisions of Chapter 5 of the Norwegian Public Limited Companies Act:

- The annual general meeting shall be held each year at such time and place as the Chairman of the Board shall appoint.

- The Chairman of the Board may convene a special general meeting whenever in his judgment such a meeting is necessary.
- The Board shall, on the requisition of shareholders holding not less than one-tenth of the paid-up share capital that carries the right to vote at general meetings, convene a special general meeting.
- At any general meeting two or more persons present in person or by proxy shall form a quorum.
- Subject to the Bermuda Companies Act and the bye-laws, any question proposed for the consideration of the shareholders at a general meeting shall be decided by the affirmative votes of a majority of the votes cast.
- At the annual general meeting, the financial statements and accounts are laid before the meeting for information, but under Bermuda law, no approval of the shareholders is required.
- The Board may, subject to the Bermuda Companies Act and the bye-laws declare dividends and other distributions (in cash or in specie) to its shareholders.
- Subject to the bye-laws, anything that may be done by resolution of the general meeting may be done without a meeting by written resolution in accordance with the bye-laws.

Deviation from the Code: See Section 1.1 above.

3.7 NOMINATION COMMITTEE

Avance Gas' shareholders have resolved that the company shall not have a nomination committee. Shareholders may propose changes to the composition of the Board and the term of office of the Board members expires at the next Annual General Meeting.

Deviation from the Code: See Section 1.1 above.

3.8 BOARD; COMPOSITION AND INDEPENDENCE

A majority of the shareholder-elected members of the Board is independent of Avance Gas' executive personnel, material business connections and major shareholders (i.e. holders of more than 10% of the shares). The Board does not include any executive personnel. The members of the Board, including the Chairman, have been elected by the general meeting and their current term of office expires at the next annual general meeting. For an overview of the composition of the Board and the expertise of such Board members, please see page 15.

The members of the Board are encouraged to hold shares in Avance Gas.

3.9 THE WORK OF THE BOARD

3.9.1 General

The Board produces an annual plan for its work, emphasizing objectives, strategy and implementation. The Board has prepared guidelines for its own work, as well as for the executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties. The Board is responsible for the overall management of Avance Gas and may exercise all of the powers of Avance Gas not reserved to Avance Gas' shareholders by the bye-laws or Bermuda law.

3.9.2 Audit committee

The Board has established an audit committee as a preparatory and advisory committee. The current member of the committee is Mr Jan Kastrup-Nielsen (chair and sole member), who is among the independent members of the Board. The members of the audit committee serve for as long as they remain members of the Board, or until the Board decides otherwise or they wish to retire.

The duties and composition of the audit committee is regulated in the charter for the audit committee adopted by the Board. The audit committee reports and makes recommendations to the Board, but the Board retains responsibility for implementing such recommendations.

3.9.3 Remuneration committee

Since all the members of the Board are independent of Avance Gas' executive personnel, and Avance Gas' executive management team only consist of two members, the Board has concluded that the best way to ensure a thorough and independent preparation of matters relating to compensation of the executive personnel is to involve all the members of the Board in such matters.

3.9.4 Annual evaluation

The Board evaluates its performance and expertise on an annual basis.

3.10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that Avance Gas has sound internal controls in place and systems for risk management. Internal controls and the systems for risk management encompass Avance Gas' corporate values and ethical guidelines, including the guidelines for corporate social responsibility.

The Board conducts annual reviews of Avance Gas' most important areas of exposure to risk and its internal control arrangements.

3.11 REMUNERATION OF THE BOARD

The remuneration of the Board is decided by the shareholders at the annual general meeting of Avance Gas. The level of compensation to the members of the Board reflects the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees. The remuneration is not linked to Avance Gas' performance. None of the Board members hold any share options in Avance Gas.

Any assignments taken on by Board members and/or companies with which they are associated in addition to their appointment as Board members are disclosed to the Board.

No remuneration has been paid to the Board members in addition to normal board and committee fees for the financial year 2018. Please see note 7 of the consolidated financial statements for an overview of remuneration paid to the members of the Board for the financial year 2018.

3.12 REMUNERATION OF EXECUTIVE PERSONNEL

The Board has established guidelines for remuneration of the executive personnel of Avance Gas. These guidelines are communicated to the annual general meeting. Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like are linked to value creation for the shareholders or Avance Gas' earnings performance over time. Performance-related remuneration is subject to an absolute limit.

3.13 INFORMATION AND COMMUNICATIONS

3.13.1 General information

Avance Gas provides timely and precise information to its shareholders and the financial markets in general (through the Oslo Stock Exchange information system). Such information is given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations.

Avance Gas publishes an annual, electronic financial calendar with an overview of the dates of important events, such as the annual general meeting, publishing of interim reports and open presentations, if applicable.

3.13.2 Information to shareholders

Avance Gas has procedures for communication with shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of the shareholders. Such communication is undertaken in compliance with the provisions of applicable laws and regulations.

Information to Avance Gas' shareholders is posted on Avance Gas' website at the same time that it is distributed to the shareholders.

3.14 TAKE-OVERS

3.14.1 General

In the event Avance Gas becomes the subject of a take-over, the Board will ensure that Avance Gas' shareholders are treated equally, that Avance Gas' activities are not unnecessarily interrupted, and that the shareholders have sufficient information and time to assess the offer.

3.14.2 Main principles for action in the event of a take-over bid

In the event of a take-over situation, the Board will abide by the principles of the Code, and ensure that the following takes place:

- the Board will ensure that the offer is made to all shareholders, and on the same terms;
- the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or Avance Gas;
- the Board will strive to be completely open about the take-over situation;
- the Board will not institute measures that have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board will not attempt to prevent or impede the take-over offer unless this has been decided by the general meeting in accordance with applicable laws.

If an offer is made for Avance Gas' common shares, the Board will issue a statement evaluating the offer and making a recommendation as to whether or not the shareholders should accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it will explain the reasons for this.

3.15 AUDITOR

Avance Gas' auditor is appointed by the shareholders at the general meeting, and the shareholders authorises the Board or the audit committee to fix the auditor's remuneration.

The auditor submits annually the main features of the plan for the audit of Avance Gas to the Audit Committee. The auditor participates in the Audit Committee meetings that deal with the annual financial statements, and presents to the audit committee a review of Avance Gas' control procedures. Once a year, the Audit Committee holds at least one meeting with the auditor without any members of the executive personnel being present.

The Audit Committee has established routines for the use of the auditor by the executive personnel for services other than audit.

The Board informs the shareholders at the annual general meeting of the remuneration paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments.

The Board informs the shareholders at the annual general meeting of the remuneration paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments.

* * *

Auditor's Report

Photo Credit: Artem Sverydyuk, MISTRAL

To the shareholders and Board of Directors of Avance Gas Holding Ltd

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Avance Gas Holding Ltd and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This is the matter we addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The Groups business activities are largely unchanged compared to last year. As described below, vessel valuations remain the key audit matter where the audit team have focused their attention.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for vessels Refer to note 2 (Significant accounting policies) and note 5 (Property, plant and equipment and intangible assets) where management explains how they assess the value of the vessels. The Group owns 14 VLGCs, which transport LPG globally. The vessels have a combined carrying amount of USD 795 million. The Group has not recognized an impairment on the VLGCs in 2018.	We evaluated and challenged management's assessment of indicators of impairment or reversal of previously recognized impairment and the process by which this was performed. We assessed management's accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. We also assessed the consistency year on year of the application of the accounting policy. In order to assess each of the assumptions in the impairment indicator assessment, we interviewed

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Indicators for impairment and reversal of previously recognized impairment were assessed and not considered present during 2018. As explained in the notes, management considered the conditions in LPG freight market, estimated fair value less cost of sale of the vessels, discount rate and market capitalization versus net book value of the Group, which gave no indication of impairment or reversal of previously recognized impairment. As a result of the above factors, management have not performed an impairment test. Management considers each vessel to be a cash generating unit ("CGU" or "vessel") in their assessment of impairment indicators, consequently we assessed for impairment indicators on the same basis. We focused on this area due to the significant carrying value of the vessels and the judgement inherent in the assessment of indicators of impairment or reversal of previously recognized impairment. We note that management explains sensitives in note 5 and that changes in any of the assumptions above would have a direct impact on the assessment of indicators of impairment or reversal of previously recognized impairment.	management and challenged their assumptions. For certain key assumptions we specifically used; Our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We considered that the discount rate assessed was within an appropriate range and changes did not lead to any indication of impairment. Current and historical external market data to corroborate the freight rates assessed by management. We challenged management on their assessment of current market rates. We also corroborated management's assessment with external market reports where possible. We considered that freight rates used by management were within an appropriate range and changes did not lead to any indication of impairment. In order to assess the estimates for fair value less costs of disposal as an indicator of impairment, management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. In order to assess this we corroborated that under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause covenant reporting. Management used brokers from this approved list. We interviewed selected brokers to understand how the estimates for fair value were compiled. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. We concluded that management sufficiently understood the valuations from third party brokers, including having obtained an understanding of the methodology used in arriving at the valuations and performing sensitivity analysis and performing comparisons to other available market data where possible. We have read note 5 – Property, plant and equipment and intangible assets) and assessed this to be in line with the requirements. No matters of consequence arose from the procedure above.

(2)

Independent Auditor's Report - Avance Gas Holding Ltd

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with ISAs, we exercise professional judgment 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. We 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(3)

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Independent Auditor's Report - Avance Gas Holding Ltd

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 10 April 2019

PricewaterhouseCoopers AS

Rita Granlund

State Authorised Public Accountant

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