AVANCE GAS ANNUAL REPORT 2021

Avance Gas, Avance Polaris

Avance Polaris Crew, Amit Acharya

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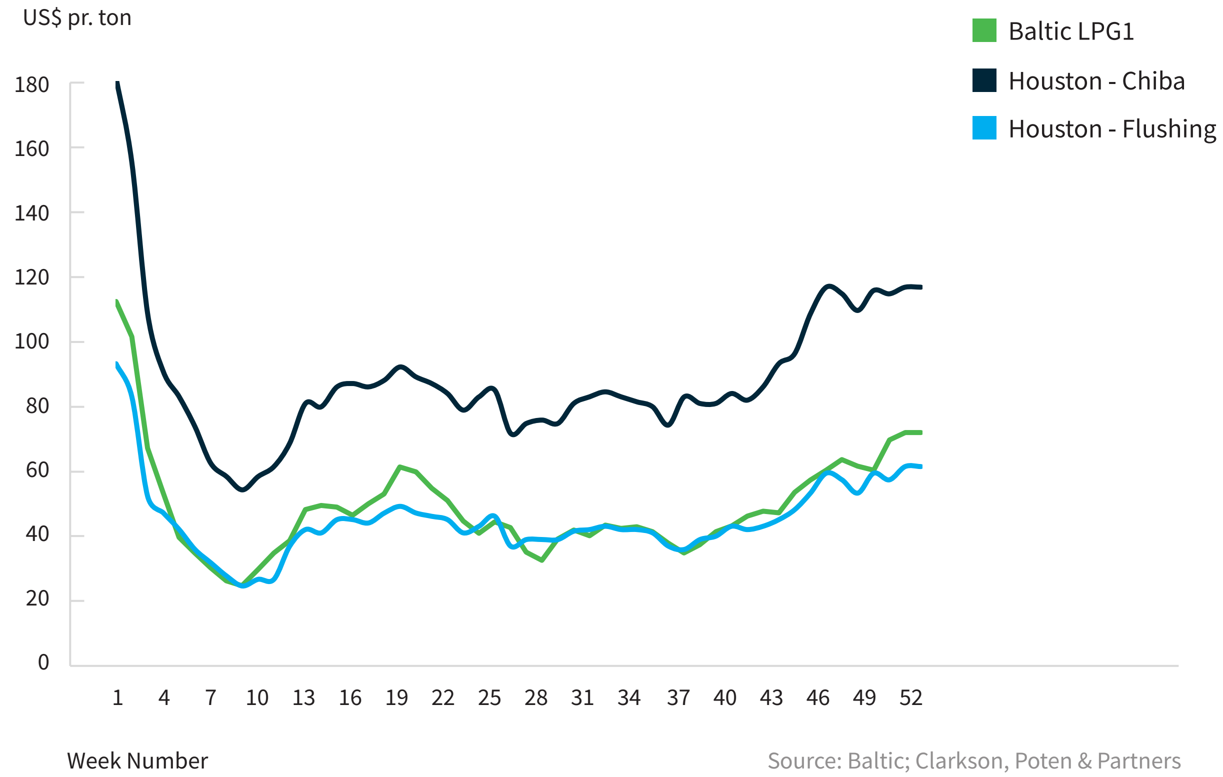
KEY OPERATIONAL AND FINANCIAL

Highlights

Elorde Ruebnico, Thetis Glory

Freight Rates 2021

$ pr. ton



Source: Baltic; Clarkson, Poten & Partners

Avance Gas' results for 2021 reflected the freight market development. The Company's average time charter equivalent (TCE)[1] rates followed the market trend, with a full-year average rate for the fleet of $31,302/day, down from $32,418/day in 2020. The year started high, with TCE rates for the first quarter of $42,552/day, however, the US cold snap towards the end of the first quarter resulted in a sharp fall in rates towards the end of the first quarter. The market recovered somewhat during the second quarter with the Company achieving a TCE rate of $27,730/day which remained relatively stable throughout the rest of the year with a TCE rate of $27,548/day and $27,631 achieved in the third and fourth quarters, respectively.

1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

KEY FINANCIAL HIGHLIGHTS

TCE/day[1] (in millions)
$31,302

Available liquidity (in millions)
$101.9

Ships **13** | NB Dual-fuel **6**

Calendar days **4,745** | Operating days **4,568**

OPEX/day
$8,871

A&G/day
$1,363

The Company continued to navigate through the pandemic safely recognising positive profits throughout the year. In 2021, Avance Gas (the "Company") reported a net profit of $32.1 million compared to a net profit in 2020 adjusted for the reversal of impairment of $37.2 million. Basic and diluted earnings per share was $0.44 in 2021, compared to $0.58 in 2020, adjusted for the reversal of impairment.

Operating expenses in 2021 were $42.1 million down from $45.0 million in 2020 equalling an average daily operating expense of $8,871 for 2021, compared to $8,968 in 2020. Operating expenses during 2021 were negatively impacted by Covid-19 crew changes expenses and increased freight cost of approximately $700 per day.

Administrative and general expenses, totalled $6.5 million in 2021, compared with $3.9 million in 2020. The increase was largely related to an increase in the number of FTEs from 2020 to 2021, as well as non-recurring personnel expenses. Net non-operating expenses, consisting mainly of financial expenses, were $14.6 million, down from $22.1 million in 2020, a decrease mainly attributable to lower LIBOR rate for the year, and reduced average debt following scheduled instalments.

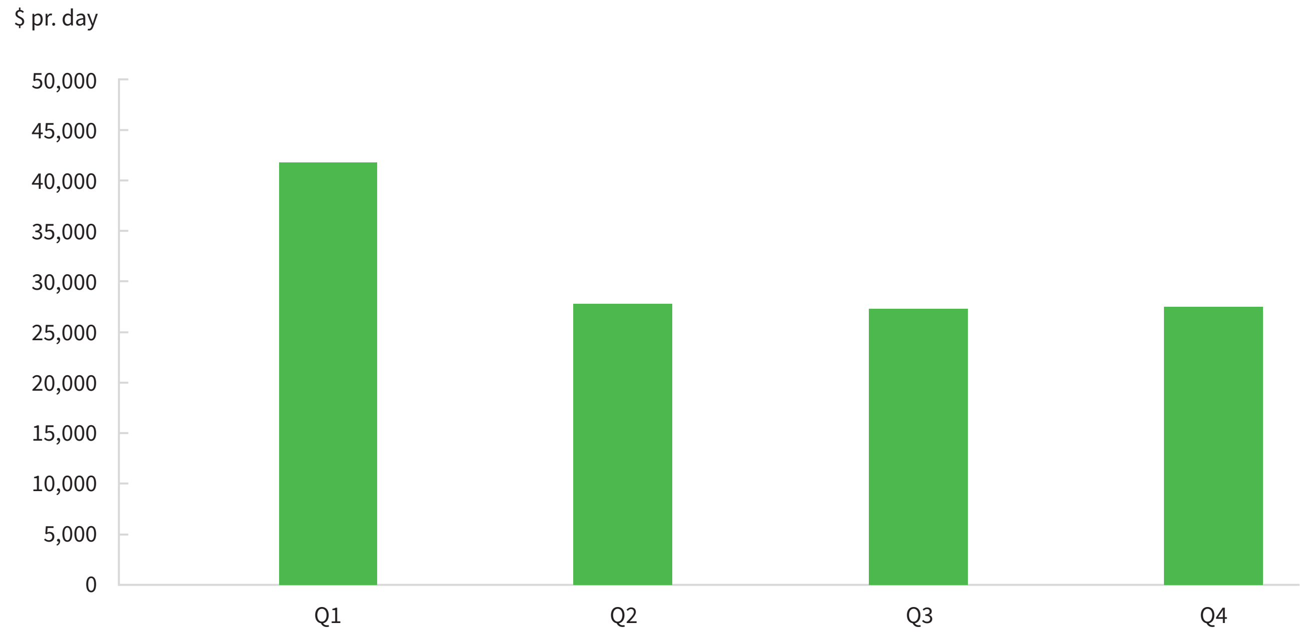
Avance Gas' total assets amounted to $955.4 million at 31 December 2021, up from $897.2 million at 31 December 2020. In 2021, the Company increased its newbuilding program from two to six Dual-fuel vessels at the shipyard Daewoo, in South-Korea. Throughout the year, the Company capitalised $60.8 million in relation to these six vessels representing primarily pre-delivery capital expenditure.

Total net interest bearing debt was $389.9 million at year-end 2021, compared to $416.5 million as of year-end 2020. In July 2021, the Company completed its first sustainability-linked term facility of $104 million to finance the two first dual fuel newbuildings, Avance Polaris and Avance Capella, which was susbsequently delivered in January and February 2022. In December 2021, the Company successfully refinanced and executed a sale leaseback agreement for the VLGC *Iris Glory* generating approximately $16.6 million in net cash proceeds.. Following the sale-leaseback transaction, the Company repaid a total of $23.9 million of debt, in addition to scheduled instalments of $43.9 million.

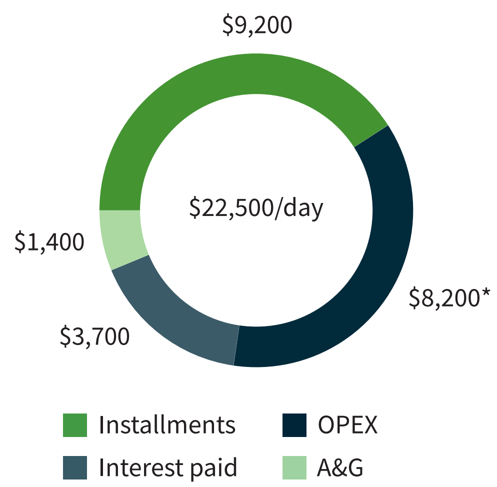
Total shareholders' equity amounted to $539.2 million, corresponding to an equity ratio of 56.4%, compared to $452.6 million and 50.4% as of December 31, 2020. The increase in equity reflects a net profit of $32.1 million, fair value gain of interest rate swaps of $12.9 million, a private placement of $65.0 million offset by dividend payment of $23.1 million. The private placement was successfully announced and completed in April 2021 with a total transaction size of NOK 555 million or $65 million through the allocation of 12,899,000 shares in the Company at a price of NOK 43 per share. The use of net proceeds from the Private Placement was for general corporate purposes including partly financing of the Company's newbuilding program. Shortly after the Private Placement, the Company increase it's newbuilding program from four to six dual fuel newbuildings.

Cash and cash equivalents were $101.9 million at 31 December 2021, compared with $75.9 million at 31 December 2020, reflecting capital expenditures and repayment of debt, offset by positive cash flows from operations, and net cash inflow from the sale-leaseback transaction.

Avance Gas TCE



Cash-break even 2021



**Normalised Opex excluding Covid crew change expenses and freight costs of $700 per day.*

1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation
97.4%

Crew members
273*

*Number of employees on board ships at any time are recorded, this does not reflect the aggregate number of shipboard employees during the year

On shore employees
9

Marine Casualties
0

Waiting days per ship per month
1.10

Number of countries
33

Deadweight Tonnes
702,689

Total Distance Traveled By Vessels (Nautical Miles)
1,169,371

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Utilization rates remained high throughout the year recording a fleet utilization of 97.4% for full year. Waiting days in 2021 for the Avance Gas fleet totalled 131.0 days compared to 164.7 days in 2020, representing an average of 0.84 days per ship/month. This compares with average 0.91 day per ship/month and a fleet utilization of 96.6% in 2020.

The Company recorded 4,568 operating days in 2021 (calendar days less off hire days), up from 4,445 operating days in 2020. This was mainly due to the scheduled drydocking for eight vessels and the completion of scrubber installation on five vessels which resulted in lower operating days in 2020. Scrubber installation on the sixth vessel was completed in the first quarter of 2021. During 2021, the Company had one vessel less in the fleet compared to 2020 due to the sale of the VLGC *Avance* in September 2020.

The Covid-19 pandemic continued to challenge aspects of our operational business in 2021. For Avance Gas, putting in place measures to ensure the safety and well-being of our employees and crew have been our highest priority. Varied Infection control regulations and procedures between jurisdictions have made crew changes difficult for the entire sector, making rotation of crew members on our vessels challenging, and consequently, impacting the well being of our seafarers. In 2021, Avance Gas became a signatory of the Neptune Declaration on Seafarer Wellbeing and Crew Change, recognising our shared responsibility to improve the situation for our crew and to ensure that we build a more resilient maritime supply chain going forward. The Company had a Lost time Incidence rate of 0 in 2021.

In 2021, Avance Gas continued with the decarbonization project, which sets a roadmap for meeting the IMO 2030 target. We have fully digitalized our ship performance data into our digital monitoring platform, allowing us to track each of our vessel's emissions and energy consumption on a live basis. During 2021, the company increased it's order to six dual-fuel VLGCs, with delivery end of 2022 and in 2023, further highlighting our commitment towards decarbonization of the LPG and shipping industry. In addition, the company entered into a sustainability linked financing facility during 2021 securing financing for the two of the dual fuel newbuildings. The financing has an annual sustainability margin adjustment mechanism linked to our performance against the carbon intensity targets set out in the Poseidon Principles.

For more information about GHC emissions and ESG, please find our separate ESG report published on our website www.avancegas.com

History & Fleet

As at December 31, 2021 Avance Gas owned and operated a modern fleet of thirteen VLGCs and six dual fuel newbuildings

Avance Gas, Avance Polaris

The Fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
Iris Glory	83,700	Daewoo, South Korea	2008	100%
Venus Glory	83,700	Daewoo, South Korea	2008	100%
Thetis Glory (Sold - Mar 22)	83,700	Daewoo, South Korea	2008	100%
Providence (Sold - May 22)	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%
Avance Polaris (Jan 22)	91,000	Daewoo, South Korea	2022	100%
Avance Capella (Feb 22)	91,000	Daewoo, South Korea	2022	100%
Avance Rigel	91,000	Daewoo, South Korea	2022	100%
Avance Avinor	91,000	Daewoo, South Korea	2023	100%
Avance Castor	91,000	Daewoo, South Korea	2023	100%
Avance Pollux	91,000	Daewoo, South Korea	2023	100%

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History

2007-2009

Avance Gas traces it's roots to 2007 and was established with the goal "to pursue growth opportunities in the expanding market for the transportation of liquefied petroleum gas (LPG)". 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*, later renamed *Avance*. Avance Gas Holding Ltd was established.

2010-2012

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.

In 2012 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.

2013-2014

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. 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").

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 a 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.

2015-2017

In 2015, Avance Gas took delivery of *Mistral*, *Monsoon*, *Breeze*, *Passat*, *Sirocco*, *Levant*, *Chinook* and *Pampero*, all 83,000 cbm VLGC newbuildings from Jiangnan Shipyard in China. The Avance Gas fleet now consists of 14 modern VLGCs, with a total capacity of 1.17 million cbm.

In 2016, Avance Gas prepares for a weaker market by entering 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.

2018-2020

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. After a weak freight market since 2016, the VLGC market began to strengthen at the end of 2018. In 2019 Avance Gas refinanced all outstanding debt and closed a new $515 million credit facility. End 2019, Avance Gas entered into two Dual-Fuel 91,000 cbm VLGCs at Korean shipbuilder DSME for delivery in 2021 and 2022, and scrubber installation contracts were signed for six of our vessels.

The global pandemic outbreak (Covid-19) has significant impact on the global market and economy in 2020, with reduced demand for LPG and lower fleet efficiency impacting the VLGC market. Avance Gas manages through a challenging year, and completes the scheduled drydocking programme for 8 vessels, in addition to scrubber installations on 5 vessels. Avance Gas completes the sale of its oldest vessel *Avance*, and proceeds with the construction of two LPG dual-fuel newbuildings at Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea.

2021

In January 2021, Avance Gas entered into shipbuilding contracts for two 91,000 CBM, LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea for delivery in Q4 2022 and Q1 2023.

In April, Avance Gas successfully completed a private placement raising $65 million in new equity. The net proceeds are being used for general purposes, which includes partly financing of the Company's newbuilding program. Following the equity raise, Avance Gas increased its dual fuel VLGC newbuilding program from four to six vessel, with estimated delivery of the final two vessels for the second half of 2023. In July the Company further signed a $104 million sustainability-linked term facility with a bank syndicate to finance its first two dual-fuel newbuildings, *Avance Polaris* and *Avance Capella*.

In August 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership of Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act the transaction triggered an obligation for Hemen to make a mandatory offer to acquire all shares in the Company at a price of NOK 43 per share. Following settlement of the mandatory offering in October 2021, Hemen owned 59,382,696 shares, equating to approximately 76.7% of the Company.

Conda, Emmanuel P., Thetis Glory

PRESENTATION OF THE

Board of Directors

Avance Gas, Iris Glory

ØYSTEIN KALLEKLEV

Executive Chairman

Øystein served as Director of Avance Gas since 26 May 2021 and was elected as Chairman of the Board in March 2022. Mr. Kalleklev has been the CEO in FLEX LNG Management since August 2018, after serving as CFO of Knutsne NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015-2017. Previous roles include CFO of industrial investment company Umoe Group, Managing Director of Umoe Invest, Partner of investment bank Clarksons Platou and Business Consultant at Accenture. Mr. Kalleklev holds a MSC in Business and Administration from Norwegian School of Economics and a Bachelor in Business and Finance from Heriot-Watt University. Mr. Kalleklev attended all board meetings during 2021 since his appointment to the board in May.

FRANÇOIS SUNIER

Director

François Sunier has served as a Director of Avance Gas since 1 December 2010. He has been the CEO and Managing Directors 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 attended all board meetings during the year.

JAMES O'SHAUGHNESSY

Director

James O'Shaughnessy has been a Director of the Company since January 2021 and a member of the Audit Committee since May 2021. James O'Shaughnessy served as an Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited since March 26, 2012. Prior to that Mr. O'Shaughnessy has served as Chief Financial Officer of Flagstone Reinsurance Holdings and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. Mr. O'Shaughnessy received a Bachelor of Commerce degree from University College Cork, Ireland and is a Chartered Director, Fellow of the Institute of Chartered Accountants of Ireland and an Associate Member of the Chartered Insurance Institute of the UK. Mr. O'Shaughnessy attended all board meetings during 2021 since his appointment to the board in January.

JENS MARTIN JENSEN

Director

Jens Martin Jensen has been a Director of Avance Gas since March 2022. Mr. Jensen joined Seatankers Management in March 2022, and prior to that he was the CEO of Athenian Holdings. He previously served as Head of Shipping at New Fortress Energy (USA) and prior to that he was a Partner at Pillarstone Europe. From May 2008 to September 2014, he was the CEO of Frontline Management AS. Mr Jensen has served as a director of various companies, including 2020 Bulkers Ltd, Frontline Ltd and Flex LNG Limited. Prior to these roles, he was a Partner/Director at Island Shipbrokers between the periods of 1996 – 2004 and held various positions at A.P. Moller/Maersk Group during 1985-1996 in Copenhagen, Mexico City, Tokyo and Singapore.

KATHRINE FREDRIKSEN

Director

Kathrine Fredriksen served as Director of Avance Gas since 26 May 2021. Ms. Fredriksen serves as President of Seatankers UK, board member of Norwegian Property since 2016 and as a board member in Ship Finance since February 2020. She has previously been on the boards of Seadrill, Golar LNG, Frontline and Deep Sea Supply. Through her role as President of Seatankers UK, she provides advice on all group investments and is intrinsically involved in the administration of the organization. Kathrine is educated at European Business School in London. She is a passionate collector of modern and contemporary art. Ms. Fredriksen attended all board meetings during 2021 since her appointment to the board in May.

Board of Directors' Report

Avance Gas, Avance Capella

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The year started with a seasonally strong LPG freight market at the very start of the year. Shortly thereafter, the US cold snap halted US LPG export activity causing rates to fall during the first quarter. The market quickly rebounded in the second quarter as US LPG exports came back on stream. The second half of 2021 was characterized by a firming winter market driven by relatively mild winter temperatures in the US allowing the LPG price arbitrage to open and more US cargoes to flow and combined with a continued Panama congestion absorbing capacity to the global VLGC fleet freight rates.

Looking at our commercial results, the Company recorded a TCE[1] earnings of $31,302 per day for full year 2021, compared to $32,418 per day in 2020. Avance Gas reported a net profit of $32.1 million in 2021, compared to a net profit of $37.2 million in 2020 adjusted for reversal of previously recognised impairment.

Out of a total 4,745 calendar days, Avance Gas fleet had 177 offhire days (3.7%) in 2021. Offhire days were impacted by the Drydocking of one vessel which commenced in December 2020 and was completed in 2021, and the scrubber installation on one vessel during 2021. This compared to 5,022 calendar days, and 577 offhire days (11%) in 2020 mainly related to drydocking, scrubber installation and covid-19 delays. Of total operating days, the fleet had a commercial utilisation rate of 97%, flat from 97% in 2020.

COMPANY AND BUSINESS

Avance Gas Holding Ltd. ("Avance Gas" or the "Company") is a Bermuda registered company. Avance Gas is a leading operator of modern VLGCs and provides LPG transportation services to destinations in Europe, South America, India and Asia, mainly loading in the Middle East Gulf and the US Gulf/US East Coast.

As at December 31, 2021, Avance Gas's fleet consisted of thirteen owned VLGCs and six LPG dual-fuel newbuildings to be constructed at Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea for delivery in 2022 and 2023.

The Company has outsourced technical management of the fleet with Bernhard Schulte Shipmanagement (Singapore) and Northern Marine Management Ltd (Glasgow) whose responsibilities include employment of onboard personnel, in close collaboration with the Company's technical supervisors, Frontline Management Ltd.

During 2021, the Company increased its newbuilding program with DSME in South Korea from two to six LPG Dual-Fuel VLGCs. The Company also entered into a $104 million sustainability-linked term facility to finance the first two of these six dual fuel newbuildings. During the year, the Company also successfully completed a Private Placement with a total transaction size of approximately NOK 555 million (USD $65 million) through the allocation of 12,899,000 shares in the Company at a price of NOK 43 per share.

The Company continues to focus on enhancing the green profile of the fleet, by reducing average age and improving the overall fuel efficiency. The newbuildings will have 91,000 cbm capacity with state of the art technical specification, resulting in significant improvements in fuel consumption, lower emissions and improved competitiveness.

MARKET DEVELOPMENT

The VLGC market proved itself as one of the most volatile shipping markets. From enjoying more than $100,000 per day in January, rates were down to below $10,000 per day by the end of February when the US cold snap halted the US LPG export activity. At the same time, the Middle Eastern LPG exports had gradually been reduced by the OPEC crude oil cutbacks before it was slowly reversed later that year.

In the third and well into the fourth quarter, the freight levels remained stable before the US LPG inventories reached a high enough level to support the US winter export program. At the same time, delays in the Panama Canal and a strong demand from Asia as well as European buyers of LPG boosted rates which reached close to $60,000 per day for modern, scrubber fitted vessels before year end.

The LPG commodity market is growing due to a strong Asian demand and increased US production. US Gulf and USEC VLGC exports were up 19% totalling 44 million tons, compared to 37 million tons in 2020. The growth in US exports volumes is a result of relatively flat domestic consumption, with seasonal variations, and increased terminal capacity. On an annual basis, the US VLGC loadings averaged 78 loadings per month for 2021, up 11% from 70 loadings per month in 2020.

Middle East volumes continued to follow the OPEC+ agreed crude oil production cuts and further fell back 4% in 2021. The oil production cuts have impacted the LPG exports from the region, especially from Saudi Arabia, however this was slowly reversed the second half of 2021 and the

1) Refer to Note 10 of the Financial Statements for definition and reconciliation of performance measures (APMs).

Middle East Gulf exports are expected to continue in this direction. On an annual basis, average monthly cargoes exported were 51 in 2021, down from 53 cargoes in 2020. On an annual basis, average monthly cargoes exported were 51 in 2021, down from 53 cargoes in 2020.

FINANCIAL RESULTS

Consolidated results

Despite the volatility in the market, the TCE[1)] earnings for 2021 was $143.0 million, similar to last year and slightly down from $144.1 million in 2020. Operating expenses decreased to $42.1 million in 2021 from $45.0 million in 2020. The decrease is largely related to 1 vessel less in the fleet as the Company sold the VLGC Avance (2003) in September 2020 combined with a reduction in Covid-19 crew change as the vaccine is rolled out to the majority of the crew towards the end of the year. Administrative and general (A&G) expenses were $6.5 million in 2021, an increase from $3.9 million in 2020. The increase in A&G expenses in 2021 was largely impacted by an increase in headcount combined with non-recurring personnel expenses. Non-operating expenses, consisting mainly of financial expenses, were $14.6 million, compared with $22.1 million in 2020, reflecting a lower LIBOR rate and reduced average debt following scheduled instalments. Avance Gas reported a net profit of $32.1 million in 2021, compared with a net profit adjusted for reversal of impairment of $37.2 million in 2020.

Financial position and cash flow

As of December 31, 2021, the carrying amount of Avance Gas' assets was $955.4 million compared to $897.2 million as of 31 December 2020. During 2021, the Company capitalised $60.8 million related to Newbuildings. The additions were partially offset by depreciations of $47.2 million. Receivables and other current assets increased from $21.2 million at the end of 2020 to $31.8 million at the end of 2021, mainly due to increased freight rates and an increase in prepaid expenses.

The Company holds derivative financial instruments for hedge accounting. The net change in fair value of the derivative financial instruments was positive $12.9 million as the LIBOR forward rates have been moving upwards from unusual low levels in 2020.

Total shareholders' equity as of December 31, 2021 was $539.2 million, corresponding to an equity ratio of 56.4%, compared to $452.6 million and 50.4% as of December 31, 2020. During the year, the Company completed the issue of 12,899,000 common shares at a price of $5.1 (NOK43) per share, increasing the total number of shares issued to 77,426,972 and the equity with $65 million.

Total free cash and cash equivalents in 2021 amounted to $101.9 million compared with $75.9 million in 2020. Net cash flows from operating activities were $72.6 million. Net cash flows used in investing activities were $60.2 million, mainly consisting of instalments paid on the Company's dual fuel newbuildings. Net cash flows from financing activities were $13.5 million, consisting of proceeds from issue of share capital of $64.4 million and drawdown of debt of $41.65 million. This was partially offset by repayment of debt of $67.8 million, including $23.9 million following refinancing of the VLGC Iris Glory by way of a sale-leaseback agreement generating $16.6 million in net cash proceeds and lastly the Company processed dividend payments of $23.1 million during the year 2021

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

During 2021, the Company carried out a materiality assessment to identify our most material impact on the environment, society and the economy. As part of the materiality assessment, interviews were conducted with key stakeholders of the company including employees, banks, investors and suppliers. Following the assessment, the areas which are deemed to be most material to the Company are climate impact, waste, health and safety, diversity, influence on business partners and corruption, bribery and money-laundering. The Company has set out targets in each of these areas, which are outlined in the Company's 2021 ESG rpeort.

A part of Avance Gas' strategy is to enhance the green profile of the fleet to contribute to a more sustainable shipping industry. The Company is committed to a de-carbonisation program to achieve the targeted emission reductions set by IMO 2030 and 2050. In order to provide transparency to our stakeholders, the Company has increased its focus on Environmental, Social and Governance (ESG) reporting. Avance Gas has published an ESG report to provide investors, banks and other stakeholders with easy access to extra-financial information. The report has been prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB) and the Poseidon Principles. This allows us to identify, manage and report on material ESG factors specific to our industry.

1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

The ESG report is published alongside with this annual report for the fourth time, and is available on the Company's website.

HUMAN RESOURCES AND DIVERSITY

All seagoing crew are under employment contracts with our technical managers, and are hired in close collaboration with the Avance Gas' technical supervisors, Frontline Management Ltd.

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

Avance Gas is proud to be an equal opportunity employer. All qualified applicants and employees are treated equally without regard to gender, nationality, disability, religion, race or colour. 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 had 9 on-shore employees by year-end 2021. 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 44% of the onshore workforce. The absence due to sickness for onshore employees was 0% in 2021.

HEALTH, SAFETY AND ENVIRONMENT

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

Ensuring safe working conditions is always Avance Gas primary focus, and the health and safety of our personnel are prioritised in every aspect of our operations. Avance Gas believes that a strong health and safety focus, both onshore and offshore, is key to the long-term performance of our company. All Company employees, shore based and seafarers are required to comply with the applicable standards and with the ship's occupational health and safety policy and program.

We have a zero-accident ambition, and we operate by the principle that no serious injury or environmental incident is acceptable. 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 members 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. Our main HSEQ objectives are inter alia to grow the culture of on-board awareness on environmental compliance, to improve the on-board safety culture and to have increased focus on our safety campaign on learning from industry incidents relating to launch and recovery failure of life/rescue boats. As part of these efforts, we hold annual officer conferences where we highlight specific topics and hold drills and training sessions with the technical managers.

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 crew members operate in strict compliance with local, national, global and industry requirements, regulations and certifications. All ships in the Avance Gas fleet operate in accordance with the ISO 14001 standard for Environmental Management.

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 and complying with all applicable international and local laws and regulations. We have established a set of policies and control procedures to safeguard these environmental and regulatory risks.

The Board ensures that we have sound internal control and risks management systems in place, which encompass our corporate values and ethical guidelines, including the guidelines for corporate social responsibility.
In accordance with the Oslo Stock Exchange corporate governance code, an Audit Committee is appointed by the Board and tasked with monitoring and following up reports and complaints received by the Company relating to internal controls and compliance. Furthermore, the Audit

Committee ensures that policies with respect to ethics, risk assessments and risk management are adequate at all times.

Avance Gas has a zero-tolerance policy towards bribery as stated in our Code of Conduct, which applies to all entities controlled by our company and officers, directors, employees as well as workers and third-party consultants acting on behalf of the company, wherever they are located. Assessing and monitoring business processes, training and controls are fundamental tools in implementing our anti-corruption policy.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Avance Gas Holding Ltd has liability insurance coverage for its Directors and Officers (D&O). The 2021 D&O policy was placed with Chubb European Group SE and covers all loss from any claim or securities claim against an insured person and all legal representation expenses in respect of an investigation made during the policy period. The insurance does not cover losses where the Company has indemnified such loss.

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 maintains an ongoing assessment process, which is designed to identify, analyse and minimize risk exposures. The unpredictability of LPG shipping and financial markets are key factors that this process considers.

Avance Gas conducted a full Compliance Risk Assessement if all aspects of our business performed by a third party during the year. The overall purpose was to adequately mitigate the compliance risks Avance Gas is exposed with emphasis to governance (sanctions, corruption, bribery, facilitation payments, money laundering, fraud, anti-competitive practices, handling of sensitive information and blackmailing) and social (employment conditions, health and safety, hum rights, discrimination, labour, community relations, local participation issues and freedom of association and collective bargaining). The results showed that Avance Gas has already implemented the key risk mitigating actions representing relevant policies and procedures being in place, implementation of software tools necessary for the compliance work, screening and monitoring of business partners, audits of third parties as well as mandatory compliance training for employees.

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. To partly mitigate the cyclical VLGC freight market, the Company has entered five 2-year Time charter consisting of three VLGC's on a fixed rate at $30,000 per day and two with a floating Baltic linked structure.

Following the above, the global economy has been impacted by the recent outbreak of war between Russia and the Ukraine, causing disruption to supply chains and instability. The Company has limited exposure to these regions and currently, the situation has not impacted the Company's contracts or operations. While, uncertainty is still present as a result of the conflict, it is possible that the situation could have an impact on the Company's business. Given the uncertain geopolitical situation in Ukraine it is difficult to quantify the magnitude of the short terms' effects to the VLGC freight market even though we see the tendency of energy securing, especially in Europe, driving energy commodity pricing upwards.

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

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facilities. To partly mitigate this the Company has hedged half of its current exposure through interest rate swaps of which the majority expire in 2025.

OUTLOOK

The outlook for 2022 remains positive but subject to constant change with the volatile freight markets.

Fundamentally it remains a positive outlook with the expectation that US exports will continue to grow with high energy prices creating a demand pull to keep cargoes moving. The demand from Chinese Petrochemical plants (PDH) is also expected to significantly grow during 2022 with a number of new PDH plants expected to come online in 2022. These new PDH plants will be largely dependent on seaborne supply, therefore having a positive impact on freight rates.

Exports from the Middle East are also expected to gradually increase in 2022. However, it is likely that these exports will remain close by in regional centres such as India where the product is used mainly for residential purposes.

The orderbook currently stands at 20% of the existing fleet of 328 vessels, with 13 ships due for delivery during the remainder of 2022, 47 in 2023 and 5 in 2024. Positive fundamentals in the VLGC freight market suggest that the orderbook will be partly accommodated by increased US production and Asian LPG demand combined with continued congestion in the Panama Canal. The inefficiencies in Panama will likely remain for the foreseeable future, albeit with expected seasonal variations in waiting times. The subsequent uncertainty in transiting will likely mean more secure routings via Cape of Good Hope are utilized which could stretch the fleet. Additionally, we believe another layer could stretch the fleet when the new EEXI and XII emission regulations are introduced in 2023.

With strong fundamentals and a fully utilized fleet, the Board will continue to focus on fleet renewal, further balance sheet strengthening and shareholder value. Since January 2022, the Company has sold two older VLGCs in a strong second/hand market generating approximately $46.8 million in total net cash proceed while at the same time we have taken delivery of our two first dual fuel VLGC newbuildings. Our remaining four dual fuel newbuildings, capable of burning LPG as fuel and prepared for ammonia as fuel, we are positioning ourselves for a zero-carbon fuel solution as soon as the technology is ready and feasible.

SUBSEQUENT EVENTS

In January, 2022 the Company took delivery of Avance Polaris, the first of six 91,000 cbm VLGC newbuildings from Daewoo shipyard in South Korea. The vessel was shortly after delivered to Total Energies on a Time Charter Agreement for 2 years.

In January, 2022 the Company entered into a Time Charter Agreement with Petredec for a period of two years for the second dual fuel VLGC, Avance Capella. The company took delivery of the vessel in February 2022.

In January, 2022 the Company entered into a contract to sell the 2008-built VLGC Thetis Glory. The sale was completed in February 2022 and following repayment of debt, the sale generated cash proceeds of approximately $22.5 million and a book profit of approximately $6.0 million.

In February, 2022 the Board of Directors declared a dividend of $0.05 per share for the fourth quarter 2021.

In March, 2022 Kristian Sorensen resigned as Chief Executive Officer and Erik O. Jacobsen resigned as Chairman of the board. Øystein Kalleklev was appointed Executive Chairman and Jens Martin Jensen was appointed as a Director of the Company.

In March, 2022 the Company entered into a contract to sell the 2008-built VLGC Providence with expected delivery in May. The sale is expected to generate a gain of approximately USD $4.8 million to be recognised in the second quarter 2022.

The Board of Directors of Avance Gas Holding Ltd
April 7, 2022

Øystein Kalleklev	Francois Sunier	Kathrine Fredriksen	James O'Shaughnessy	Jens Martin Jensen
Executive Chairman	*Director*	*Director*	*Director*	*Director*

Responsibility Statement

On behalf of the Board of Directors and Management, we confirm that, to the best of our knowledge, the financial statements for 2021 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 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.

The Board of Directors of Avance Gas Holding Ltd
April 7, 2022

Kathrine Fredriksen

Øystein Kalleklev
Executive Chairman

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Jens Martin Jensen
Director

Avance Gas, Avance Capella

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Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

	Note	FOR THE YEAR ENDED DECEMBER 31, 2021 (in USD thousands)	DECEMBER 31, 2020
Operating revenue	10	**210,677**	205,716
Voyage expenses	11	**(67,689)**	(61,618)
Operating expenses	12	**(42,093)**	(45,040)
Administrative and general expenses	13	**(6,466)**	(3,870)
Gross operating profit		**94,429**	95,188
Depreciation and amortisation expense	5	**(47,209)**	(41,705)
Reversal of impairment losses	5	**-**	33,733
Gain on disposal of asset	5	**-**	5,829
Operating profit		**47,220**	93,045
Finance expense	14	**(16,608)**	(22,303)
Finance income		**1,859**	26
Foreign currency exchange gains		**136**	223
Income before tax		**32,607**	70,991
Income tax expense	15	**(498)**	(85)
Net profit		**32,109**	70,906
Earnings per share	9		
Basic		**0.44**	1.11
Diluted		**0.44**	1.11

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	FOR THE YEAR ENDED DECEMBER 31, 2021 (in USD thousands)	DECEMBER 31, 2020
Net profit		**32,109**	70,906
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit and loss:			
Net fair value adjustment of interest rate swaps designated for hedge accounting	7, 20	**12,875**	(10,181)
Exchange differences arising on translation of foreign operations		**(12)**	7
Other comprehensive (loss) income		**12,863**	(10,174)
Total comprehensive income		**44,972**	60,732

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

CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2021	DECEMBER 31, 2020
		(in USD thousands)	
ASSETS	Note		
Cash and cash equivalents	3	**101,910**	75,882
Receivables	4	**21,098**	16,293
Related party receivable balances	16	**134**	163
Inventories		**7,933**	4,358
Mobilisation cost		**2,322**	2,793
Prepaid expenses		**6,940**	45
Other current assets	4	**3,620**	4,720
Total current assets		**143,957**	104,254
Property, plant and equipment	5	**716,577**	761,159
Newbuildings	5	**92,609**	31,825
Derivative financial instruments	7	**2,240**	-
Total non-current assets		**811,426**	792,984
Total assets		**955,383**	897,238

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

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CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2021	DECEMBER 31, 2020
		(in USD thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note		
Current portion of long-term debt	6, 7	**44,574**	43,001
Accounts payable		**7,477**	2,853
Related party payable balances	16	**532**	124
Accrued voyage expenses		**4,161**	3,150
Accrued expenses		**2,795**	493
Derivative financial instruments	7	**5,691**	6,223
Other current liabilities		**457**	56
Total current liabilities		**65,687**	55,900
Long-term debt	6, 7	**263,423**	285,434
Long-term revolving credit facilities	6, 7	**81,984**	88,110
Derivative financial instruments	7	**5,121**	15,224
Total non-current liabilities		**350,528**	388,768
Shareholders' equity			
Share capital	8	**77,427**	64,528
Paid-in capital		**431,366**	379,851
Contributed capital		**95,070**	94,780
Accumulated deficit		**(44,825)**	(53,856)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive loss	20	**(8,519)**	(21,382)
Total shareholders' equity		**539,168**	452,570
Total liabilities and shareholders' equity		**955,383**	897,238

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

The Board of Directors of Avance Gas Holding Ltd
April 7, 2022

Øystein Kalleklev
Executive Chairman

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Jens Martin Jensen
Director

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance December 31, 2019	64,528	379,851	94,945	(105,654)	(11,208)	(11,351)	411,111
Comprehensive income (loss):							
Net profit	-	-	-	70,906	-	-	70,906
Other comprehensive income (loss):							
Net fair value adjustment of interest rate swaps designated for hedge accounting less portion reclassified to income statement (note 7, 20)	-	-	-	-	(10,181)	-	(10,181)
Exchange differences arising on translation of foreign operations	-	-	-	-	7	-	7
Total other comprehensive income (loss)	-	-	-	-	(10,174)	-	(10,174)
Total comprehensive income (loss)	-	-	-	70,906	(10,174)	-	60,732
Transactions with shareholders:							
Dividend	-	-	-	(19,108)	-	-	(19,108)
Compensation expense for share options (note 18)	-	-	(165)	-	-	-	(165)
Total transactions with shareholders	-	-	(165)	(19,108)	-	-	(19,273)
Balance, December 31, 2020	**64,528**	**379,851**	**94,780**	**(53,856)**	**(21,382)**	**(11,351)**	**452,570**

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance, December 31, 2020	**64,528**	**379,851**	**94,780**	**(53,856)**	**(21,382)**	**(11,351)**	**452,570**
Comprehensive income (loss):							
Net profit	-	-	-	32,109	-	-	32,109
Other comprehensive income (loss):							
Net fair value adjustment of interest rate swaps designated for hedge accounting less portion reclassified to income statement (note 7, 20)	-	-	-	-	12,875	-	12,875
Exchange differences arising on translation of foreign operations	-	-	-	-	(12)	-	(12)
Total other comprehensive income	-	-	-	-	12,863	-	12,863
Total comprehensive income	**-**	**-**	**-**	**32,109**	**12,863**	**-**	**44,972**
Transactions with shareholders:							
Share Capital increase (note 8)	12,899	51,515	-	-	-	-	64,414
Dividend	-	-	-	(23,078)	-	-	(23,078)
Compensation expense for share options (note 18)	-	-	290	-	-	-	290
Total transactions with shareholders	**12,899**	**51,515**	**290**	**(23,078)**	**-**	**-**	**41,626**
Balance, December 31, 2021	**77,427**	**431,366**	**95,070**	**(44,825)**	**(8,519)**	**(11,351)**	**539,168**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	21	**91,158**	99,880
Interest paid		**(17,603)**	(20,926)
Settlement of share options		**(959)**	-
Net cash flows from operating activities		**72,596**	78,954
Cash flows used in investing activities:			
Net cash proceeds from sale of asset	5	**-**	34,257
Capital expenditures	5	**(60,179)**	(66,222)
Net cash flows used in investing activities		**(60,179)**	(31,965)
Cash flows from financing activities:			
Dividend		**(23,078)**	(19,108)
Proceeds from issue of share capital		**64,414**	-
Repayment of long-term debt	6	**(61,652)**	(85,451)
Drawdown of long-term debt	6	**41,650**	59,473
Repayment of revolving credit facility	6	**(6,126)**	(11,890)
Transaction cost related to loans and borrowings		**(1,707)**	-
Net cash flows from (used in) financing activities		**13,501**	(56,976)
Net increase (decrease) in cash and cash equivalents		**25,918**	(9,987)
Cash and cash equivalents at beginning of period		**75,882**	85,909
Effect of exchange rate changes on cash		**110**	(40)
Cash and cash equivalents at end of period		**101,910**	75,882

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

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"). As of December 31, 2021 the Company owned and operated a fleet of thirteen ships and six Dual Fuel LPG newbuildings due for delivery in 2022 and 2023.

Basis for preparation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated statement of cash flow, and the basis of preparation, accounting policies and related notes of the Company, and its subsidiaries (collectively, the "Group"). The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union. Details of the Group's accounting policies, including changes thereto, are outlined in Note 2 *Significant Accounting policies*.

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities, and financial instruments, including derivatives, which are measured at fair value.

The functional currency of the Group is US dollars. The consolidated financial statements are presented in US dollars, and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

ESTIMATION UNCERTAINTY, JUDGEMENTS, AND ASSUMPTIONS

Key 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 in the next year's reporting period.

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

IMPAIRMENT OF NON-CURRENT ASSETS

The Group has significant carrying amounts related to ships. For the purposes of preparing the Group's financial statements, management is required to assess the ships for indicators of impairment or reversal of previously recognised impairment, whenever events or changes in circumstances indicate the carrying amount of the ships may not be recoverable, or that assumptions for previously recognised impairment are no longer present. The Group tests its fleet of ships for impairment and reversal of impairment on a vessel-by-vessel basis. We consider each vessel to be a cash generating unit (CGU). A CGU is the lowest level at which cash flows are independent from cash flows generated by other assets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group holds financial derivative instruments for hedging purposes, which are measured at fair value. When measuring fair value, the Group uses observable market data to the extent possible. Where there is no active market, fair value is determined using valuation techniques which includes discounted cash flows method based on forward curves after the balance sheet date.

REVENUE RECOGNITION

Voyage revenues from spot voyages are recognised as the Company satisfies its performance obligations in accordance with IFRS 15. The performance obligation is satisfied over time from the point of loading to the point of discharge. Management uses judgement to estimate the total duration of each voyage at year end and allocates revenue to the voyage based on the percentage of completion. In estimating the total duration of the voyage, management considers historical trends, the operating capacity of each vessel and the distance of the planned route.

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.

All intra group transactions and balances between group companies are eliminated upon consolidation, including any gains and losses on transactions. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Foreign currency

The functional currency of Avance Gas and the majority of its subsidiaries is U.S. dollars.

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 translated 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 translated 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.

Operating segments

As of December 31, 2021 the Group operated thirteen VLGCs and six Newbuildings under construction in the LPG segment. The performance of the vessels is reviewed regularly by the chief operating decision maker, which is the Group's management, and thereby constitutes the Group's only reportable segment.

Financial assets

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognised at the transaction price in the contract with the customer and are subsequently measured at amortised cost. Accounts receivable are assessed for impairment on an ongoing basis using the expected credit loss method and presented net of expected losses if expected losses are not insignificant. Individual receivables are credit impaired and subsequently written off if enforcement activities indicate that a full recovery is not possible.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include current bank deposits and monetary items with a maturity of three months or less.

Inventory

Inventories are valued at the lower of cost and net realisable value. Inventories, being predominantly bunkers and lube oils, are accounted for based on first-in, first-out principle.

Property, plant and equipment

Items of property, plant and equipment mainly consist of the Group's ships, in addition to furniture and fixtures, which are measured at cost, less accumulated depreciation and any recognised impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, with addition of directly attributable borrowing costs for assets that take a substantial period of time to get ready for their intended use.

Subsequent expenditures are only capitalised if it is probable that the future economic benefits associated with the item will flow to the Group. Such expenditures include major refits and cost of replacement assets. Subsequent expenditures are included in the carrying amount of the asset or recognised as a separate asset as appropriate. Repairs and maintenance which are considered as a regular part of the daily operation of the ships are charged to the income statement as they occur and are included in Other operating expenses.

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.

Depreciation is recognised on a straight-line basis over the remaining useful life of the asset. Depreciation commences when the asset is available for use, being in the location and condition necessary to operate as intended by management.

Estimated useful life is 25 years for each VLGC and from 3 to 5 years for drydock assets and furniture and fixtures.

Residual value for the ships is based on steel price times lightweight tonnage and is reassessed annually. 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.

An asset is derecognised upon disposal or when the asset is no longer expected to generate any future benefits to the Group. Gain or loss due to disposal of the asset is calculated as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognised in the income statement.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT

Property, plant and equipment is reviewed for impairment whenever events or significant changes in circumstances indicate that the carrying amount might not be recoverable. 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 is assessed for reversal if there is an indication of a subsequent increase of the recoverable amount. If such indications exist, a previously recognised impairment is reversed partially or in full if there has been a change in the estimates used to determine the asset's recoverable amount.

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale ('qualifying asset') are added to the cost of such assets. Borrowing costs added to the carrying amount of Property, plant and equipment are depreciated over the useful life of the respective asset.

Financial liabilities

INTEREST-BEARING DEBT

The Group currently holds bank loans and a lease financing agreement which are initially recognised at fair value less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. The portion of bank loans which is due within 12 months after the balance sheet date is presented as current.

OTHER FINANCIAL LIABILITIES

Financial liabilities as accounts payable and other current liabilities are presented as current if the liability is due within 12 months after the balance sheet date. If the contractual obligations related to any financial liabilities expire, the liability is derecognised.

Derivative financial instruments

INTEREST RATE SWAPS

The Group holds interest rate swaps for the purpose of hedging its exposure to fluctuations in the market interest rates. All the interest rate swaps are designated for hedge accounting. These derivative financial instruments are initially recognised at fair value on the date the derivative contract was entered into and are subsequently remeasured at fair value, with the effective portion of the hedge recognised through other comprehensive income at the end of each reporting period.

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 7. Movements in the fair value of hedging derivatives in shareholders' equity are shown in note 20. The derivative financial instruments are presented gross in the consolidated balance sheet unless contract terms include the option to settle the instruments on a net basis and the Group has the intention and ability to do so. Derivative financial instruments with maturity equal to or less than 12 months after the balance sheet date are classified as a current asset or liability, and as non-current asset or liability if the maturity exceeds 12 months.

Operating revenue

Avance renders transportation services of LPG by sea and has categorised its revenue streams the two following categories:

FREIGHT REVENUE

The Group recognises revenues as it satisfies its performance obligation to deliver freight services to the customer. Revenue is recognised on a load-to-discharge basis in accordance with IFRS 15, with cost related to fulfil the contract incurred prior to loading capitalised as mobilisation costs and amortised over the related period for which revenue is recognised. Voyage expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

TIME CHARTER REVENUE

Time charter revenue is accounted for as an operating lease under IFRS 16 and is recognised on a straight-line basis over the term of the time charter arrangement.

Expenses

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.

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).

Income taxes

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. Through the Group's shipping activities, some subsidiaries operate in foreign jurisdictions and are subject to local tax schemes, including the local tax system in Norway and in United Kingdom. Income tax expense includes the current tax payable based on taxable profit for the year, adjusted for tax adjustments from previous periods, and any changes in deferred taxes.

Leases

IFRS 16 was effective from periods beginning on or after January 1, 2019. At implementation, management made an accounting policy choice that short-term leases (being 12 months or less) and leases of low value will be expensed as incurred, following the exemption in the standard. This mainly applies to short-term leases of office equipment and low value leases of office premises, which are charged to the income statement as incurred and included in Administrative and general expenses. Avance assesses at contract inception whether a contract is, or contains, a lease. As of the reporting date Avance has not entered into any lease contracts that are not meeting the short-term or low value exemptions in the standard.

NEW OR AMENDMENTS TO STANDARDS

The following new or amendments to standards and interpretations have been issued and become effective for annual reporting periods beginning on or after January 1, 2022, and earlier adoption is permitted. The Group has not early adopted the new or amended standards in preparing these accounts, and they are not expected to have a significant impact on the Group's consolidated financial statements:

- Provisions, contingent liabilities and contingent assets; costs of fulfilling a contract (Amendments to IAS 37).
- Property, plant and equipment: Proceeds before intended Use (Amendments to IAS 16).

The company has adopted all other new standards and amendments that are applicable as of January 1, 2021, which had no material impact on the Group's consolidated financial statements. These include Classification of liabilities as Current or Non-current (Amendments to IAS 1), Covid 19-related Rent concessions (Amendments to IFRS 16) and Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

3. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Cash at bank	**101,910**	75,882
Cash and cash equivalents	**101,910**	75,882

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 AND OTHER CURRENT ASSETS

	AS OF DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Receivables		
Customer trade receivables	**18,984**	12,499
Demurrage	**2,466**	3,924
Other	**1**	1
Total	**21,451**	16,425
Allowance for credit losses	**(353)**	(131)
Receivables	**21,098**	16,293

Refer to note 7 for an analysis of credit risk of receivables.

	AS OF DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Other current assets		
Advance canal toll and port disbursement	**3,138**	3,036
Other assets	**481**	1,684
Other current assets	**3,620**	4,720

5. PROPERTY, PLANT AND EQUIPMENT & NEWBUILDINGS

	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL PROPERTY, PLANT AND EQUIPMENT
		(in USD thousands)		
Cost:				
December 31, 2019	1,050,962	480	23,112	**1,074,554**
Additions	15,685	6	18,973	**34,664**
Disposals	(46,903)	-	(3,372)	**(50,274)**
December 31, 2020	1,019,744	486	38,713	**1,058,944**
Additions	2	139	2,485	**2,626**
Disposals	-	-	-	**-**
December 31, 2021	1,019,746	625	41,198	**1,061,570**
Accumulated depreciation, amortisation, impairment and reversals:				
December 31, 2019	299,467	278	11,913	**311,658**
Depreciation expense for the year	37,757	17	3,930	**41,705**
Disposals	(18,714)	-	(3,133)	**(21,847)**
Reversal of Impairment	(33,733)	-	-	**(33,733)**
Foreign currency translation effect	-	2	-	**2**
December 31, 2020	284,777	297	12,710	**297,784**
Depreciation expense for the year	38,289	19	8,901	**47,209**
Disposals	-	-	-	**-**
December 31, 2021	323,066	316	21,611	**344,993**
Carrying value:				
December 31, 2020	**734,968**	**189**	**26,003**	**761,159**
December 31, 2021	**696,680**	**309**	**19,588**	**716,577**

Newbuildings

On December 16, 2019 the Company entered into shipbuilding contracts for two LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery in Q1 2022.

On January 18, 2021 the Company entered into shipbuilding contracts for a further two LPG Dual-Fuel VLGCs with DSME in South Korea, for delivery in Q4 2022 and Q1 2023.

On April 21, 2021 the Company increased its VLGC newbuilding program with DSME in South Korea from four to six LPG Dual-Fuel VLGCs. The two additional VLGCs are due for delivery in the second half of 2023.

	NEWBUILDINGS
Cost:	
Newbuildings as at December 31, 2019	-
Instalments paid during 2020	31,432
Capitalised borrowing costs during 2020	393
Newbuildings balance at December 31, 2020	**31,825**
Instalments paid during 2021	58,068
Capitalised borrowing cost during 2021	2,716
December 31, 2021	**92,609**

BORROWING COST

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Company's general borrowing during the year. The average interest rate for the borrowing cost in 2021 was 2.6%.

Contractual obligations

Refer to note 7 for information on contractual obligations related to LPG Dual-Fuel VLGCs shipbuilding contracts.

Assets pledged as security

The carrying amount of each vessel is pledged for a relative portion of the Group's bank loans. Refer to Note 6 *Interest-bearing liabilities*.

Impairment and reversal of impairment

Tangible 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 Company performs a quarterly assessment to determine any indicators of impairment or reversal of previous recognised impairment for its vessels. An impairment loss is recognised 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) for the purpose of impairment testing.

VALUE IN USE

VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life. Management considers the current competitive situation, developments in market rates, and macroeconomic trends when estimating the future cash flows.

FAIR VALUE LESS COST OF DISPOSAL

FVLCOD (level 3) (see note 7) 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 TESTS PERFORMED IN 2021

As of December 31, 2021, indicators of impairment were assessed. The assessment was performed on a quarterly basis. Based on this assessment it was concluded that no significant indicators of impairment were present for the year ended December 31, 2021.

IMPAIRMENT TESTS PERFORMED IN 2020

As of December 31, 2020, indicators of reversal of previously recognised impairment were assessed. Based on this assessment previously recognised impairment losses on the VLGC fleet were assessed for reversal mainly due to recovered freight rates and appraisals obtained from external brokers. As a result of the impairment reversal test, management recognised a reversal of impairment of $33.7 million. Following this reversal of impairment, there was no residual impairment on any vessels.

The table shows the valuation method used, the impairment amount reversed, and the carrying amount after reversal, per vessel for the Impairment reversal as of December 31, 2020:

Vessel	Valuation method	Impairment reversal amount	Carrying value after reversal
Iris Glory	VIU	689	42,728
Thetis Glory	VIU	676	43,064
Venus Glory	VIU	732	43,432
Providence	VIU	4,123	46,533
Promise	VIU	3,286	48,262
Mistral	VIU	2,238	66,950
Monsoon	VIU	2,530	66,925
Breeze	VIU	2,559	66,039
Passat	VIU	2,043	67,772
Sirocco	VIU	2,694	68,472
Levant	VIU	3,898	69,701
Chinook	VIU	4,227	66,096
Pampero	VIU	4,036	65,064
Total		**33,733**	**761,039**

Management's assumptions for the reversal of impairment in 2020

FUTURE EXPECTED CASH FLOWS

Management applies the expected cash flow approach based on a weighted average of three different freight rate scenarios given the current market views for the future periods.

Operational expenses that are directly attributable to the CGU are based on budgets and forecasts. Drydocking costs are included as scheduled.

DISCOUNT RATE

The estimate of VIU was determined using a discount rate of 7.3 %, which is derived from the weighted average cost of capital (WACC) for the Company. 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 WACC is based on 20-year three-month forward LIBOR curve plus the Group's average margin for secured debt.

Sensitivities

The VIU calculation is mainly affected and sensitive to changes in WACC and freight rate assumptions.

6. FINANCIAL LIABILITIES

(in USD thousands)	AS OF DECEMBER 31, 2021	DECEMBER 31, 2020
Non-current liabilities:		
Long-term debt	**187,763**	243,318
Revolving credit facilities	**81,984**	88,110
Lease financing agreement	**75,660**	42,116
	345,407	373,544
Current liabilities:		
Current portion of long-term debt	**37,818**	40,751
Current portion of lease financing agreement	**6,756**	2,250
	44,574	43,001
TOTAL NET DEBT	**389,981**	416,545

The Company's Long-term debt is comprised of the $515 million credit facility signed in June 2019. The facility consists of three tranches, $380 million term loan tranche, a $100 million revolving tranche, and a $35 million top-up tranche. The top-up tranche was fully repaid in November 2019 ahead of its maturity date June 25, 2021.

In November 2020, the Company entered into a sale-leaseback agreement with a Chinese leasing house for the vessel Pampero. The financing has a 10 year tenor, with a termination option for the leasing house at year 5, and repurchase options in favour of the Company from year 2. The Company recognised a financial liability of $45 million related to the lease financing agreement equal to the consideration received. Following the transaction debt of $34.7 million on the original facility was repaid. Management determined that the transaction did not qualify as a sale of the asset under IFRS 15 and continue to recognise the vessel.

In July, 2021, the Company signed a $104 million sustainability-linked term facility with a bank syndicate. The transaction secured financing of the two first dual fuel newbuildings. The facility date has a maturity at the earlier of five years from delivery of the second newbuilding and June 2027.

In December 2021, the Company entered into a sale leaseback agreement of $41.65 million for the VLGC Iris Glory. The financing principal for the vessel has a 9-year tenor and a repurchase option in favour of Avance from end year 2. The financing bears an implied 22-year age adjusted repayment profile with a tenor of 9 years and no repurchase obligation. Following repayment of debt, the transaction generated approximately $16.6 million in net cash proceeds. Management determined that the transaction did not qualify as a sale of the asset under IFRS 15 and continues to recognise the vessel at cost less accumulated depreciation.

For the year ended December 31, 2021 long-term debt repayments were $61.7 million, and repayments of credit facilities were $6.1 million. Of total repayments $23.9 million were fully repaid ahead of maturity in relation to the refinancing of the VLGC Iris Glory as specified below.

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Terms and repayment schedule
(in USD thousands)

			AS OF DECEMBER 31, 2021		DECEMBER 31, 2020	
	Currency	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Long-term debt	USD	2024	**228,590**	**225,581**	287,549	284,069
Revolving credit facility	USD	2024	**81,984**	**81,984**	88,110	88,110
Lease financing agreement	USD	2030	**83,957**	**82,416**	45,000	44,366
Total interest-bearing liabilities			**394,531**	**389,981**	420,659	416,545

Loan covenants

The Group's secured bank loan contains a loan covenant, which under the terms of the loan agreement, the Group must comply with the following covenants at all times:

Financial covenants

- Total equity > $250 million
- Equity ratio > 30%
- Working capital > 0
- Minimum free liquidity: Cash and cash equivalents shall be at least the higher of (i) $35 million and (ii) 5% of the consolidated gross interest-bearing debt of the Group.

Other covenants

- A change of control provision which will be triggered if a person or company other than Hemen Holding Ltd, Frontline Ltd. or Sungas Holdings Ltd gains control, directly or indirectly, of one-third or more of the voting and/or shares of Avance Gas.
- Fair market value of VLGCs shall be minimum 130% of the aggregate of total loans outstanding.

The Group has complied with the covenants of its borrowing facilities during and as at December 31, 2021 and 2020.

7. FINANCIAL RISK MANAGEMENT & FINANCIAL INSTRUMENTS

Financial risks

The Group's activities create exposure to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, currency risk and price risk). The board of directors has the overall responsibility for the establishment and oversight of the Group's risk management policies, which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. 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.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and the exposure is limited to the carrying amount of the Group's receivables from customers.

Cash and cash equivalents
The group holds cash and cash equivalents with financial institutions. The group considers that the risk of impairment to cash and cash equivalents is low given the credit ratings of the counterparties and the short term maturities of the exposures.

Trade receivables
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, 2021, the Group had three customers who each generated revenue greater than 10% of total revenue. The amounts were $28.2 million, $23.8 million and $21.2 million. For the year ended December 31, 2020, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $36.0 million and $21.6 million.

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The following table provides information about the exposure to credit risk and expected credit losses (ECLs) for overdue trade receivables from individual customers:

	GROSS AMOUNT (in USD thousands)	IMPAIRMENT OF TRADE RECEIVABLES
AS OF DECEMBER 31, 2021		
Up to 30 days past due	7,004	-
31 to 60 days past due	337	-
61 to 90 days past due	-	-
More than 91 days past due	396	353
	7,737	**353**

	GROSS AMOUNT (in USD thousands)	IMPAIRMENT OF TRADE RECEIVABLES
AS OF DECEMBER 31, 2020		
Up to 30 days past due	1,059	131
31 to 60 days past due	474	-
61 to 90 days past due	813	-
More than 91 days past due	606	-
	2,952	**131**

Movements in the allowance for impairment in respect of trade receivables
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	DECEMBER 31, 2021 (in USD thousands)	DECEMBER 31, 2020
Beginning of the period	**131**	255
Net remeasurement of loss allowance	**222**	(124)
End of period	**353**	131

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities when they become due. The Group's objective when managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group.

Maturity of financial liabilities and contractual obligations
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments:

As of December 31, 2021
(in USD thousands)

	Carrying Amount	Total contractual cash flow	Contractual cash flows: Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	14,965	14,965	14,965	-	-	-
Long-term debt	225,581	246,037	45,881	49,283	150,873	-
Revolving credit facilities	81,984	89,952	2,666	3,500	83,786	-
Lease financing agreement	82,416	108,719	10,428	10,740	30,320	57,231
Total non-derivative financial liabilities	**404,946**	**459,673**	**73,940**	**63,523**	**264,979**	**57,231**
Interest rate swaps used for hedging	10,812	10,821	5,098	2,864	2,859	-
Total financial liabilities	**415,758**	**470,494**	**79,038**	**66,387**	**267,838**	**57,231**

As of December 31, 2020
(in USD thousands)

	Carrying Amount	Total contractual cash flow	Contractual cash flows: Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	6,620	6,620	6,620	-	-	-
Long-term debt	284,069	309,025	49,144	48,118	211,763	-
Revolving credit facilities	88,110	96,832	2,354	2,393	92,085	-
Lease financing arrangement	44,366	58,995	3,770	3,712	11,261	40,252
Total non-derivative financial liabilities	**423,165**	**471,472**	**61,888**	**54,223**	**315,109**	**40,252**
Interest rate swaps used for hedging	21,447	21,441	6,172	5,576	10,493	(800)
Total financial liabilities	**444,612**	**492,913**	**68,060**	**59,799**	**325,602**	**39,452**

Interest expense on outstanding debt is based on 3 months LIBOR forward curve at year end December 31, 2021 and 2020 plus applicable margin.

Contractual obligations related to LPG Dual-Fuel VLGCs shipbuilding contracts

As at December 31, 2021, the Company has entered into shipbuilding contracts for six new vessels, providing future payments of:

(in USD thousands)	**2022**	**2023**	**TOTAL**
As of December 31, 2021	204,273	181,135	385,408

(in USD thousands)	**2021**	**2022**	**TOTAL**
As of December 31, 2020	70,614	54,922	125,536

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INTEREST RATE RISK

The Group has floating interest on its interest-bearing loans and is exposed to changes in the interest market. Based on its outstanding loan portfolio as of December 31, 2021, a 1 % change in the LIBOR rate would increase/decrease the Group's interest expense by $3.9 million. To mitigate this interest rate exposure, the Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. Refer to Hedge Accounting section below.

Financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities which 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.

(in USD thousands)	Note	**AS OF DECEMBER 31, 2021** Carrying Amount	Fair Value	**DECEMBER 31, 2020** Carrying Amount	Fair Value
Financial liabilities					
Long-term debt	6	**225,581**	**225,581**	284,068	284,068
Revolving credit facilities	6	**81,984**	**81,984**	88,110	88,110
Lease financing agreement	6	**82,416**	**82,416**	44,366	44,366
Derivative financial instruments					
Interest rate swap assets		**2,240**	**2,240**	-	-
Interest rate swap liabilities		**10,812**	**10,812**	21,447	21,447

The carrying amount of cash and cash equivalents, receivables, and accounts payable 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, 2021 and December 31, 2020 as it is variable-rated. Derivative financial instruments are interest rate swaps designated in hedge relationships and are measured at Fair Value through OCI. The Company values the interest rate swaps according to level 2 in the fair value hierarchy, based on discounted future cash flows.

FAIR VALUE HIERARCHY

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).

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, considering, 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. Fair value adjustment of the interest swaps as of December 31, 2021 and December 31, 2020 was recognised in the statement of other comprehensive income, refer to Note 20 Accumulated Other Comprehensive Income.

Hedge accounting

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses financial instruments to hedge its interest rate exposure. The Company has designated a hedge relationship between the interest on its long-term debt and interest rate swaps, where the changes in the fair value of the hedging instrument is offset partly or in full by changes in cash flows of the underlying hedging object. The cash flows on these instruments will vary depending on LIBOR during the relevant period. The fair value of the interest rate swaps will depend on expectations of future interest rates, the forward yield curve.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The interest rate swaps have a maturity in 2025 and 2030. The swaps due in 2025 are amortising in line with the underlying debt, while the swaps maturing in 2030 have a fixed notional amount through to maturity. The portion of the interest rate swaps with maturity less than 12 months are classified as current. 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.

8. SHARE CAPITAL, PAID IN SURPLUS AND CONTRIBUTED CAPITAL

Shares outstanding	ORDINARY SHARES OUTSTANDING	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING
December 31, 2019	64,527,972	(833,889)	63,694,083
December 31, 2020	**64,527,972**	**(833,889)**	**63,694,083**
Share Capital Increase	**12,899,000**	**-**	**12,899,000**
December 31, 2020	**77,426,972**	**(833,889)**	**76,593,083**

SHARE CAPITAL

The share capital of Avance Gas Holding Ltd. as of December 31, 2021 was $77.4 million, consisting of 77,426,972 shares at par value of $1 per share. In April 2021, the company issued 12.9 million shares at a price of $5.1 (NOK 43) per share. All ordinary shares were issued at par value of $1.0. The share capital of Avance Gas Holding Ltd. as of December 31, 2020 was $64.5 million, consisting of 64,527,972 shares at par value of $1 per share. All shares are fully paid. All shares have equal voting rights and the rights to receive dividends. The Company's authorised share capital consists of 200,000,000 common shares at par value of $1 per share as of December 31, 2021 and December 31, 2020.

In August 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership of Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act the transaction triggered an obligation for Hemen to make a mandatory offer to acquire all shares in the Company at a price of NOK 43 per share. Following settlement of the mandatory offering in October 2021, Hemen owned 59,382,696 shares, equating to approximately 76.7% of the Company.

TREASURY SHARES

Repurchased shares are classified as treasury shares and presented as a deduction from total equity. The treasury shares are available for use in connection with settlement in share-based incentive schemes.

List of largest shareholders as of December 31, 2021

Shareholders holding 1 % or more:

NAME	NUMBER OF SHARES	HOLDING %
Hemen Holding Limited	59,382,696	76.7%
Nordnet Bank AB	1,437,430	1.9%
Danske Bank A/S	1,192,499	1.5%
UBS Switzerland AG	931,194	1.2%
Total shareholders holding 1 % or more	62,943,819	81.3%
Other shareholders	14,483,153	18.7%
TOTAL SHAREHOLDERS	77,426,972	100.0%

Avance Gas Holding Ltd holds 833,889 treasury shares representing 1.29% of total issued shares as of December 31, 2021.

Restriction on payment of dividend

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 realisable value of the company's assets would thereby be less than its liabilities.

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

9. EARNINGS PER SHARE

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in thousands, except per share data)	
Net profit attributable to common shareholders	**32,109**	70,906
Basic weighted average shares outstanding	**73,130**	63,694
Dilutive effect of share options	**88**	135
Diluted weighted average shares outstanding	**73,218**	63,829
Basic earnings per share	**0.44**	**1.11**
Diluted earnings per share	**0.44**	**1.11**

10. OPERATING REVENUE AND TIME CHARTER EQUIVALENT (TCE RATE)

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
External revenue disaggregated by nature:		
Freight revenue	**159,711**	148,980
Time charter revenue	**50,966**	56,746
Operating revenue	**210,677**	205,716
Timing of revenue recognition:		
Products and services transferred at a point in time	**7,267**	2,390
Products and services transferred over time	**152,444**	146,590
Revenue from contracts with customers	**159,711**	148,980
Time charter revenue	**50,966**	56,736
Operating revenue	**210,677**	205,716

The Group's freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2021 and 2020, when based on the region in which the cargo is loaded. 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.

Maturity of time charter contracts

Time charter contracts are entered into on long-term (defined as more than 6 months) and short-term (less than 6 months) basis. As at December 31, 2021 undiscounted payments receivable under long-term time charter contracts due within 12 months amount to $47.0 million, and $64.4 million within 24 months. As at December 31, 2020 undiscounted payments receivable under long-term time charter contracts due within 12 months amounted to $35.9 million.

ALTERNATIVE PERFORMANCE MEASURES ('APM') – TIME CHARTER EQUIVALENT (TCE RATE)

The Company uses time charter equivalent (TCE rate) as an alternative performance measure (APM) in communications with shareholders. TCE rate is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire. Off-hire days in 2021 are impacted by dry docking schedule for a significant portion of the fleet.

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Operating revenue	**210,677**	205,716
Voyage expenses	**(67,689)**	(61,618)
Voyage result	**142,988**	144,098
Calendar days	**4,745**	5,022
Technical off-hire days	**(177)**	(577)
Operating days	**4,568**	4,445
TCE per day ($)		
	31,302	32,418

11. VOYAGE EXPENSES

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Bunkers	**43,117**	39,467
Port and canal charges	**20,869**	18,097
Commissions	**3,060**	2,537
Other	**643**	1,517
TOTAL VOYAGE EXPENSES	**67,689**	61,618

12. OPERATING EXPENSES

(in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
Crewing costs	**23,690**	23,781
Maintenance and repairs	**2,210**	3,831
Insurance	**1,445**	1,914
Ship supplies and provisions	**11,843**	11,185
Ship management fee	**2,470**	3,936
Other	**435**	443
TOTAL OPERATING EXPENSES	**42,093**	45,040

13. ADMINISTRATIVE AND GENERAL EXPENSES

(in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
Employee benefit and secondment expenses	**3,347**	1,481
Information systems	**1,142**	893
Legal fees	**230**	230
Professional fees	**985**	1,025
Office fees	**254**	217
Travel and entertainment expenses	**31**	30
Share option compensation expense	**290**	(165)
Other	**186**	159
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	**6,466**	3,870

14. FINANCE EXPENSES

(in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
Interest on long-term debt	**17,686**	20,996
Amortisation of debt issuance cost	**1,237**	1,609
Commitment fee	**383**	-
Other finance costs	**18**	91
Capitalised borrowing cost	**(2,716)**	(393)
FINANCE COST EXPENSED	**16,608**	22,203

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15. INCOME TAX EXPENSE

At the date of this report there is no Bermuda income, corporation, or profits tax nor is there any, 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.

Tax expense recognised in the consolidated income statement in 2021 relates to income and withholding taxes in foreign jurisdictions, with $498 thousand in 2021 consisting of income taxes of $33 thousand and withholding taxes of $465 thousand. Withholding taxes related to an Equity distribution form Den Norske Krigsforsikring for Skib, or DNK, the Norwegian Shipowners Mutual War Risk Insurance Association. Tax expense recognised in the consolidated income statement in 2020 relates to income taxes in foreign jurisdictions, with $85 thousand in 2020. The Group has no deferred taxes. The effective tax rate for the Group was 1.5% for the year ended December 31, 2021, and 0.12% for the year ended December 31, 2020.

16. RELATED PARTY TRANSACTIONS

Shareholders Hemen Holding Limited ('Hemen') and Frontline Ltd. ('Frontline') combined hold 77% of the shares in Avance Gas Holding Ltd. as of December 31, 2021, and 25% holding as of December 31, 2020, and have significant influence over the Group. Hemen and companies associated with Hemen are considered related parties of the Group.

The Group entered into a corporate secretarial services agreement in July 2018, a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda) and an office lease and shared service agreement with Seatankers Management Norway AS in Q2 2019. Additionally, the Group entered into a separate technical supervision agreement for the Group's newbuilding program with Frontline Management (Bermuda) in Q1 2021 and a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

Fees paid to related parties (in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
Corporate secretarial services	117	121
Technical supervision	2,014	735
Office lease and shared services	331	373

Related party receivables were $134 per December 31, 2021, and $163 thousand per December 31, 2020. Payables to related parties were $532 thousand and $124 thousand per December 31, 2021 and 2020, respectively.

17. MANAGEMENT REMUNERATION

Remuneration to management:
Key management consists of the Chief Executive Officer and Chief Financial Officer of Avance Gas AS. The compensation to key management is paid in NOK and the USD figure is not fully comparable year on year. The Company discloses remuneration to management on aggregated levels. Total compensation and benefits of the key management were as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Salary	**497**	325
Bonus	**81**	229
Other remuneration	**6**	13
Pension contribution	**37**	27
	621	594

Management has received share options as part of the Company's remuneration program for its employees. Information about share-based payments is disclosed in Note 18.

Remuneration to the Board of Directors:
The Directors of the Board received a yearly remuneration of $40.0 thousand for the years ended December 31, 2021 and December 31, 2020 respectively, paid proportionally for the time served on the Board. The Chairman of the Board received $100.0 thousand for the year ended December 31, 2021 and $100 thousand for the year ended December 31, 2020. Total Board fees for the year ended December 31, 2021 were $247.2 thousand and $200.7 thousand for the year ended December 31, 2020.

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2021. Key management of Avance Gas and remaining Directors do not, directly or indirectly, own shares in Avance Gas as of December 31, 2021.

NAME	NUMBER OF SHARES	% NUMBER OF SHARES
Jan Kastrup-Nielsen [1)]	4,300	< 0.1%

[1)] *Jan Kastrup-Nielsen also serves as the chairman of the Audit Committee.*

18. SHARE-BASED PAYMENTS

The Company has set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2016, a total of 1,656,666 share options remained outstanding under the Company's share option scheme as of December 31, 2021.

Options granted under the 2015-2018 Plan vest 25% each anniversary of continuing employment after grant. 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 options granted 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 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.

In April 2021, 750,000 share options were issued to Mr. Kristian Sørensen in connection with his appointment as Chief Executive Officer of Avance GAS AS. The options have a 5 year term and become exercisable as follows; 200,000 options vest after 12 months at a subscription price of NOK 41.50 per share, 200,000 options vest after 24 months at a subscription price of NOK 51.50 per share, and 350,000 options vest after 36 months at a subscription price of NOK 61.50 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments.

In May 2021, 213,000 share options were issued to Ms. Randi Navdal Bekkelund in connection with her employment as Chief Financial Officer of Avance GAS AS. The options have a 5 year term and become exercisable as follows; 53,250 options vest after 12 months at a subscription price of NOK 43.14 per share, 53,250 options vest after 24 months at a subscription price of NOK 53.14 per share, and 106,500 options vest after 36 months at a subscription price of NOK 63.14 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments.

In May 2021, 586,999 share options were issued to employees of Avance GAS AS. The options have a 5 year term and become exercisable as follows; 146,750 options vest after 12 months at a subscription price of NOK 43.14 per share, 146,750 options vest after 24 months at a subscription price of NOK 53.14 per share, and 293,499 options vest after 36 months at a subscription price of NOK 63.14 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments. During the year ended 31 December 2021, 25,333 of these shares were forfeited.

	2016 SHARE OPTION	2017 SHARE OPTION	2018 SHARE OPTION	2019 SHARE OPTION	2021 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	1.64	1.59	1.45	4.38	6.23	
Outstanding January 1, 2021	58,750	55,000	197,500	160,000	-	471,250
Changes during the year:						
Granted	-	-	-	-	1,549,999	1,549,999
Exercised	(58,750)	(13,500)	(108,000)	(80,000)	-	(260,250)
Expired	-	-	-	(80,000)	-	(80,000)
Forfeited	-	-	-	-	(25,333)	(25,333)
Outstanding December 31, 2021	**-**	**41,500**	**89,500**	**-**	**1,524,666**	**1,655,666**
Exercisable December 31, 2021	-	41,500	62,000	-	-	103,500
Remaining average contractual life	-	0.9	1.8	-	3.6	

	2015 SHARE OPTION	2016 SHARE OPTION	2017 SHARE OPTION	2018 SHARE OPTION	2019 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	8.39	1.69	1.75	1.71	4.27	
Outstanding January 1, 2020	33,000	133,750	55,000	230,000	1,050,000	1,501,750
Changes during the year:						
Granted	-	-	-	-	-	-
Exercised	-	(75,000)	-	-	-	(75,000)
Expired	(33,000)	-	-	-	-	(33,000)
Forfeited	-	-	-	(32,500)	(890,000)	(922,500)
Outstanding December 31, 2020	**-**	**58,750**	**55,000**	**197,500**	**160,000**	**471,250**
Exercisable December 31, 2020	-	58,750	37,000	110,000	80,000	285,750
Remaining average contractual life	-	0.8	1.0	2.8	3.7	

The original exercise price, prior to adjustments for dividends were $18.8 (options granted in 2016). There were no dividend payments in 2016, 2017, 2018 or 2019, hence, no adjustment in exercise price. Following dividend payment in 2020, the original exercise price for options issued were adjusted for dividend of Norwegian kroner of 2.47/share, equal to US dollars 0.30/share. Options granted in 2015 expired in 2020, options granted in 2016 expired in 2021.

Share based expense for the year ended December 31, 2021 was $290 thousand. For the year ended December 31, 2020, share based expense was negative $164.8 thousand as a result of the derecognition of forfeited options.

The weighted average fair value of options determined using the Black-Scholes valuation model was $0.72, $0.82, $0.79, $0.66 and $1.47 per option for options granted in 2016, 2017, 2018, 2019 and 2021 respectively. The significant inputs into the model were weighted average share price of $2.19, $2.34, $2.16, $3.05 and $5.43 per share for options granted in 2016, 2017, 2018, 2019 and 2021 respectively, an expected option life of five years, and an annual risk-free rate of 1.24%, 1.84%, 2.83%, 1.46% and 0.87% for options granted in 2016, 2017, 2018, 2019 and 2021 respectively. The volatility was measured based on the share price development for the period since the IPO.

19. AUDITOR'S REMUNERATION

PricewaterhouseCoopers AS is the auditor of the Company. The following table shows the annual fees for the appointed auditor:

	FOR THE YEAR ENDED DECEMBER 31, 2021	DECEMBER 31, 2020
	(in USD thousands)	
Audit	**120**	91
Other assurance services	**15**	17
TOTAL AUDIT FEES	**135**	108

Audit fees are agreed and billed in NOK.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

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:

(in USD thousands)	FOREIGN CURRENCY RESERVE	CASH FLOW HEDGE RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME
As of January 1, 2020	58	(11,266)	(11,208)
Effective portion of changes in fair value of interest rate swaps	-	(14,821)	(14,821)
Reclassified to income statement	-	4,640	4,640
Translation adjustment, net	7	-	7
As of December 31, 2020	65	(21,447)	(21,382)
Effective portion of changes in fair value of interest rate swaps	-	6,608	6,608
Reclassified to income statement	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
As of December 31, 2021	**53**	**(8,572)**	**8,519**

21. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of net profit to cash generated from operations:

	Note	FOR THE YEAR ENDED DECEMBER 31, 2021 (in USD thousands)	DECEMBER 31, 2020
Net profit		**32,109**	70,906
Adjustments to reconcile net profit to net cash from operating activities:			
Depreciation and amortisation of property, plant and equipment and intangibles		**47,209**	41,705
(Reversal of) impairment losses on non-current assets	5	**-**	(33,733)
Net finance expense	14	**16,472**	22,054
Share Based Compensation expense	18	**290**	(165)
Gain on sale asset	5	**-**	(5,829)
Changes in assets and liabilities:			
Decrease (increase) in receivables		**(4,805)**	9,775
Decrease (increase) in prepaid expenses, inventory, related party receivables, mobilisation cost and other current assets		**(8,869)**	12,097
(Decrease) increase in accounts payable		**5,030**	(11,382)
(Decrease) increase in accrued voyage expenses, other current liabilities, and related party balances		**3,716**	(5,571)
Other		**6**	23
Cash flows from operating activities		**91,158**	99,880

Changes in liabilities arising from financing activities:

	DECEMBER 31, 2020	CASH FLOWS	NON-CASH CHANGES: AMORTISATION	NON-CASH CHANGES: OTHER	DECEMBER 31, 2021
Long-term debt	284,069	(58,959)	1,164	(693)	**255,581**
Long-term revolving credit facility	88,110	(6,126)	-	-	**81,984**
Lease financing arrangements	44,366	38,957	73	(980)	**82,416**
Total liabilities from financing activities	**416,545**	**(26,128)**	**1,237**	(1,673)	**389,981**

	DECEMBER 31, 2019	CASH FLOWS	NON-CASH CHANGES: AMORTISATION	NON-CASH CHANGES: OTHER	DECEMBER 31, 2020
Long-term debt	353,043	(25,978)	1,604	399	**284,069**
Long-term revolving credit facility	100,000	(11,890)	-	-	**88,110**
Lease financing arrangements	-	45,000	5	(639)	**44,366**
Total liabilities from financing activities	**453,043**	**(37,868)**	**1,609**	(240)	**416,545**

22. SUBSEQUENT EVENTS

In January, 2022 the Company took delivery of Avance Polaris, the first of six 91,000 cbm VLGC newbuildings from Daewoo Shipyard in South Korea. The vessel was shortly after delivered to Total Energies on a Time Charter Agreement for 2 years.

In January 2022, the Company entered into a Time Charter Agreement with Petredec for a period of 2 years for the second dual fuel VLGC, Avance Capella. The company took delivery of the vessel in February 2022.

In January, 2022 the Company entered a contract to sell the 2008-built VLGC Thetis Glory. The sale was completed in February 2022 and following repayment of debt, the sale generated cash proceeds of approximately $22.5 million and a book profit of approximately $6.0 million.

In February, 2022 the Board of Directors declared dividend of $0.05 per share for the fourth quarter 2021.

In March, 2022 the Company entered a contract to sell the 2008 built VLGC Providence. The sale is expected to be completed May 2022 and following repayment of debt, the sale is expected the generate cash proceeds of approximately $24.3 million and a book profit of approximately $4.8 million.

In March, 2022 Kristian Sorensen resigned as Chief Executive Officer and Erik O. Jacobsen resigned as Chairman of the board. Øystein Kalleklev was appointed Executive Chairman and Jens Martin Jensen was appointed as a Director of the Company.

STATEMENT OF

Corporate Governance

Yaroslav Akulov, Chinook

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 14 October 2021 (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 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. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period, and the Board can declare dividends to shareholders without the prior authorisation or approval by the general meeting as recommended by the Code.

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, in the opinion of the Board, 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 the company being deemed a “Controlled Foreign Company” in Norway.

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 IN AVANCE GAS

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 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 Time Charter Contracts and spot market voyages. Avance Gas' objectives as set out in its memorandum of association are wider and more extensive than recommended by the Code.

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 in a sustainable way. The Board is in this respect taking inter alia economic, social and environmental conditions into account. 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' capital structure 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 without the prior authorisation or approval by the general meeting. 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. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended by the Code.

Deviation from the Code: See Section 1.1 above.

3.4 EQUAL TREATMENT OF SHAREHOLDERS

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 in a stock exchange announcement in connection with the increase in share capital.

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. If there is limited liquidity in Avance Gas' shares, Avance Gas will consider other ways to ensure equal treatment of shareholders.

3.5 SHARES AND NEGOTIABILITY

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, comprehensive and specific 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;
- the shareholders have the opportunity to vote separately on each individual matter, including on each candidate nominated for election to Avance Gas' Board and committees, if applicable; and
- the members of the Board will have the opportunity to participate at the General Meeting.

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

Bermuda law do not require that a nomination committee is established, but Avance Gas' bye-laws provide that Avance Gas may have a nomination committee, comprising such number of persons as the shareholders in a general meeting may determine from time to time, and members of the nomination committee are appointed by resolutions of the shareholders. The shareholders have not resolved to establish a nomination committee.

The functions and duties of the nomination committee are therefore performed by the Board members, including to (i) identify and evaluate proposed candidates for nomanation to the Board, (ii) recommend remuneration of the Board members, and (iii) regularly assess its own work in this regard.

Shareholders may still propose changes to the composition of the Board and the remuneration payable to the Board members. The Board members are elected by the shareholders at the annual general meeting or any special general meeting called for that purpose, unless there is a casual vacancy, and the shareholders of Avance Gas may authorise the Board to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board occurring as a result of death, disability, disqualification or resignation of any Board member or as a result of increase in the size of the Board, the shareholders of Avance Gas or the Board has the power to appoint a member to fill the vacancy.

The term of office of the current Board members expires at the next Annual General Meeting.

Deviation from the Code: See Section 1.1 above.

3.8 BOARD; COMPOSITION AND INDEPENDENCE

The composition of the Board ensures that the Board can attend to the common interests of all shareholders of Avance Gas and meets the company's need for expertise, capacity and diversity and ensures that it can function effectively as a collegiate body.

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 members of the Board, including the Chairman, are elected by the general meeting on an annual basis and their current term of office expires at the next annual general meeting. In March 2022, the Company announced resignation of CEO and changes to the Board composition. The CEO resigned and the Chairman of the Board elected to step-down. To fill the vacancy and in the best interest of the shareholders, the Board resolved to appoint an Executive Chairman of the Board and a new Director with immediate effect. The Board maintain their independency of the Company's executive personnel, material business connections and at least two board members are independent of the major shareholder as set out in the guidelines. For an overview of the composition of the Board and the expertise and independence of such Board members, as well as records of their attendance at the Bord meetings, 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 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.

The Company has put in place guidelines on the handling of agreements with related parties. The Board ensures that members of the Board and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board. Matters of a material character in which the chairman of the Board is, or has been, personally involved, will be chaired by some other member of the board. In cases of transactions between the Company and a shareholder, a shareholder's parent company, Director, Officer or Executive Personnel of the Company or persons closely related to any such parties, or with another company in the same group, which are not immaterial for either the Company or the close associate involved the Board will obtain a valuation from an independent third party. Agreements with related parties are given account for in the Annual Report.

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 James O'Shaughnessy (chair and sole member), who is among the independent members of the Board. Based on Mr James O'Shaughnessy's former experience as a part of top management, CFO and extensive service as board member, he is deemed to have sufficient competence and expertise. 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, 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 the preparation of such matters. The establishment of a separate remuneration committee has thus been considered, but not deemed necessary.

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' considerations for how it integrates considerations related to stakeholders into its creation of value.

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 shall be disclosed to the Board and the remuneration for such additional duties shall be approved by the Board.

No remuneration has been paid to the Board members in addition to normal board and committee fees for the financial year 2021. Please see note 17 of the consolidated financial statements for an overview of remuneration paid to the members of the Board for the financial year 2021.

3.12 REMUNERATION OF EXECUTIVE PERSONNEL

The Board has established guidelines for remuneration of the executive personnel of Avance Gas. These guidelines are clear and understandable, and contribute to the Company's business strategy, long term interests and financial sustainability. They are communicated to the annual general meeting and are also made available on the Company's website. 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. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case, it will explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board will consider whether to arrange a valuation from an independent expert. Any such valuation will be made public no later than at the time of the public disclosure of the Board's statement.

3.15 AUDITOR

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

The auditor participates in the audit committee's review and discussion of the annual accounts and quarterly interim accounts, and will annually submit the main features of the plan for the audit of the company to the Board or the Audit Committee.

The auditor normally participates in meetings with the Audit Committee that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the company. The auditor shall at least once a year present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses identified by the auditor and proposals for improvement.

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

* * *

Auditor's Report

Avance Gas, Avance Polaris

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

Independent Auditor's Report

Report on the Audit of the Financial Statements

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, 2021, 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 December 31, 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

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 as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Group for 8 years from the election by the general meeting of the shareholders for the accounting year 2014.

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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 Group's business activities are largely unchanged compared to last year. As described below, impairment assessment for vessels and newbuildings 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 and newbuildings Refer to note 2 (Significant accounting policies) and note 5 (Property, plant and equipment) where management explains how they assess the value of the vessels and newbuildings. As at 31 December, 2021, the Group owns 13 VLGC vessels and 6 newbuildings. The vessels have a combined carrying amount of USD 716 million. The newbuildings have a combined carrying amount of USD 93 million. The Group has not recognised an impairment on the VLGCs in or newbuildings 2021. Indicators for impairment and reversal of previously recognised impairment were assessed and not considered present during 2021. As explained in the notes, management considered the conditions in LPG freight market, estimated fair value less cost of sale of the vessels and newbuildings, discount rate and market capitalisation versus net book value of the Group, which gave no indication of impairment or reversal of previously recognised impairment. As a result of the above factors, management have not performed an impairment test.	We evaluated and challenged management's assessment of indicators of impairment or reversal of previously recognised 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 management and challenged their assumptions. For certain key assumptions we specifically used 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. We utilised 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 addition, we noted current freight rates are broadly in line with those utilised by management in the last performance of full impairment for this period. 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 and

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Management considers each vessel and newbuilding to be a cash generating unit (“CGU”, “vessel” or “newbuilding”) 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 newbuildings and the judgement inherent in the assessment of indicators of impairment or reversal of previously recognised impairment.

newbuildings. 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 assessed this as appropriate.

No matters of consequence arose from our procedures.

Other Information

The Board of Directors (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.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors’ report

- is consistent with the consolidated financial statements and
- contains the information required by applicable legal requirements.

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Our opinion on the Board of Director’s report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.
- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 Audit Committee 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 consolidated 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.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the consolidated financial statements with file name Avance Gas Holding Limited-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing and publishing the consolidated financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the consolidated financial statements.

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Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the Group's processes for preparing its financial statements in the European Single Electronic Format. Our work comprised reconciliation of the financial statements under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 7 April 2022
PricewaterhouseCoopers AS

Peter Wallace
State Authorised Public Accountant

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