AVENIR LNG LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

Avenir LNG Limited
Consolidated financial statements

Index to audited consolidated financial statements

Avenir LNG Limited
Consolidated Income Statement
(In thousands of U.S. Dollars except per share data)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Operating revenue	3	**16,538**	2,321
Operating expenses	4	**(6,399)**	(1,948)
Depreciation		**(4,639)**	(632)
Administrative and general expenses	5	**(5,361)**	(6,590)
Operating profit/(loss)		**139**	(6,849)
Non-operating (expenses)/income:			
Finance expense	6	**(2,894)**	(296)
Finance income		**8**	62
Foreign currency exchange gain		**169**	965
Gain on disposal of asset, net	7	**10,046**	—
Profit/(loss) before income tax		**7,468**	(6,118)
Income tax (expense)/credit	8	**(349)**	1,602
Net profit/(loss)		**7,119**	(4,516)
Earnings/(loss) per share (USD)	25		
Basic		**0.04**	(0.03)
Diluted		**0.04**	(0.03)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Consolidated Statement of Comprehensive Income
(In thousands of U.S. Dollars except per share data)

	Year ended December 31, 2021	Year ended December 31, 2020
Net profit/(loss)	**7,119**	(4,516)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,701)**	3,694
Other comprehensive (loss)/income	**(3,701)**	3,694
Total comprehensive income/(loss)	**3,418**	(822)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Consolidated Balance Sheet
(In thousands of U.S. Dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current Assets:			
Cash and cash equivalents	**9**	**46,934**	8,025
Trade and other receivables	**10**	**7,996**	8,484
Inventories	**11**	**3,065**	70
Other current assets		**1,140**	773
Non-current assets classified as held for sale	**12**	**606**	—
Total Current Assets		**59,741**	17,352
Property, plant and equipment	**15**	**172,539**	93,934
Newbuilding deposits	**15**	**34,604**	59,173
Investment in joint venture	**13**	**10**	10
Deferred tax asset	**14**	**1,551**	1,602
Other assets		**175**	137
Goodwill	**16**	**70**	70
Total Non-current Assets		**208,949**	154,926
Total Assets		**268,690**	172,278
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term debt	**17**	**7,002**	2,497
Current portion of lease liability	**19**	**145**	225
Trade and other payables	**18**	**9,124**	9,684
Income tax payable		**304**	17
Related party payable	**26**	**19,595**	8,894
Provisions	**22**	**2,387**	—
Total Current Liabilities		**38,557**	21,317
Long-term debt	**17**	**65,365**	23,782
Lease liability	**19**	**814**	1,167
Total Non-current Liabilities		**66,179**	24,949
Total Liabilities		**104,736**	46,266
Equity			
Share capital	**24**	**182,000**	147,500
Contributed capital		**(1,451)**	(1,475)
Retained deficit		**(15,897)**	(23,016)
Foreign currency reserve		**(698)**	3,003
Total Equity		**163,954**	126,012
Total Liabilities and Equity		**268,690**	172,278

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Consolidated Statement of Changes in Equity
(In thousands of U.S. Dollars)

	Share Capital	Retained Deficit	Contributed Capital	Foreign Currency Reserve	Total
Balance, January 1, 2020	**110,000**	**(18,500)**	**(1,549)**	**(691)**	**89,260**
Loss for the year	—	(4,516)	—	—	(4,516)
Other comprehensive income	—	—	—	3,694	3,694
Total comprehensive loss	**—**	**(4,516)**	**—**	**3,694**	**(822)**
Transactions with shareholders:					
Issuance of shares (note 24)	37,500	—	—	—	37,500
Share options	—	—	74	—	74
Balance, December 31, 2020	**147,500**	**(23,016)**	**(1,475)**	**3,003**	**126,012**
Profit for the year	—	7,119	—	—	7,119
Other comprehensive loss	—	—	—	(3,701)	(3,701)
Total comprehensive income/(loss)	**—**	**7,119**	**—**	**(3,701)**	**3,418**
Transactions with shareholders:					
Issuance of shares (note 24)	34,500	—	—	—	34,500
Share options	—	—	24	—	24
Balance, December 31, 2021	**182,000**	**(15,897)**	**(1,451)**	**(698)**	**163,954**

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Consolidated Statement of Cash Flows
(In thousands of U.S. Dollars)

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Net profit/(loss)		**7,119**	(4,516)
Adjustments to reconcile net profit/(loss) to net cash used in operations:			
Depreciation	**15**	**4,639**	632
Amortization of deferred charges	**6**	**391**	41
Finance expense, net		**2,495**	193
Share options expense	**21**	**24**	74
Foreign exchange gain		**(169)**	(965)
Income tax expense/(credit)	**8**	**349**	(1,602)
Gain on disposal of asset, net		**(10,046)**	—
Changes in assets and liabilities:			
Decrease/(increase) in receivables		**488**	(3,046)
Increase in other current assets		**(335)**	(349)
Increase in inventories		**(3,065)**	—
(Decrease)/increase in related party payables	**26**	**(2,780)**	3,597
(Decrease)/increase in payables		**(663)**	353
Income tax paid		**(13)**	—
Interest paid		**(1,940)**	—
Interest received		**8**	—
Net cash used in operating activities		**(3,498)**	(5,588)
Cash flows used in investing activities:			
Additions to property, plant and equipment	**15**	**(61,270)**	(53,862)
Newbuilding deposits	**15**	**(24,594)**	(19,006)
Net proceeds from sale of asset	**7**	**38,187**	—
Net cash used in investing activities		**(47,677)**	(72,868)
Cash flows generated from financing activities:			
Proceeds from borrowings	**17**	**78,326**	26,706
Repayments of borrowings	**17**	**(29,119)**	—
Payment of deferred financing fees		**(3,369)**	(468)
Proceeds from shareholder loan	**26**	**10,607**	—
Lease payments		**(251)**	(199)
Issuance of shares	**24**	**34,500**	37,500
Net cash generated from financing activities		**90,694**	63,539
Net increase/(decrease) in cash and cash equivalents		**39,519**	(14,917)
Effect of exchange rate changes on cash		**(610)**	1,705
Cash and cash equivalents at beginning of the year	**9**	**8,025**	21,237
Cash and cash equivalents at end of the year	**9**	**46,934**	8,025

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

(In thousands of U.S. Dollars)

1. Background

Avenir LNG Limited (the “Company” or “Avenir”) is incorporated in Bermuda. The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the registration number is EC 52417. The Company and its subsidiaries (collectively, the “Group”) financial statements have been prepared in accordance with the accounting policies outlined in Note 2.

The objective of the Group is to acquire and operate LNG assets related to the small-scale LNG segment. The Company was incorporated in March 2017 by Stolt-Nielsen LNG Holdings Ltd. (“SN LNG”), an indirect subsidiary of Stolt-Nielsen Limited (“SNL”). Avenir purchased the shares of Stolt-Nielsen Gas B.V. (“SNG BV”) from SN LNG in July 2018. The acquisition of SNG BV has been accounted for as a business acquisition involving entities under common control. As such the transfer was at book value, resulting in a $1.9 million adjustment to Contributed capital. SNG BV had entered into two 7,500 cbm LNG newbuilding contracts from Keppel Singmarine in 2017. SNG BV also has interest in HiGas Srl (“HiGas”), which owns a terminal and distribution facility in the port of Oristano, Sardinia and has commenced commercial operation from August 2021.

Between 2018 and 2019, the Group entered into contracts for two 7,500 cbm LNG newbuildings and two 20,000 cbm newbuildings.

Between October 2020 and December 2021, the Group took delivery of its first three 7,500cbm LNG newbuildings, *Avenir Advantage, Avenir Accolade* and *Avenir Aspiration*. The first two vessels were delivered to their charterers whilst the third vessel has been earmarked to service the Group’s terminal in Sardinia, Italy. The Group also took delivery of its fourth vessel and first 20,000cbm LNG newbuild in December 2021 which was subsequently sold to Shanghai SIPG Energy Service Co., Ltd (“SSES”). The Group also subsequently entered into a joint collaboration agreement with SSES in January 2022 where the Group will provide technical, operational and marketing services.

In August 2021, the Group completed the construction and took over its terminal in Sardinia. The terminal commenced operations of providing LNG supply and truck loading services to its customers.

The accompanying consolidated financial statements include the financial statements of Avenir and its subsidiaries. Unless indicated otherwise, the subsidiaries listed below were 100% held (either directly or indirectly) by Avenir. As of December 31, 2021, the Group's structure is as follows:

Name	Place of incorporation	Principal activity
100%-owned Subsidiaries:		
Stolt-Nielsen Gas BV	Netherlands	Holding company
Avenir (L) Pte. Ltd.	Malaysia	Vessel-owning company
Avenir Accolade Limited	United Kingdom	Vessel-owning company
Avenir LNG M.S. Limited	United Kingdom	Management services company
Avenir LNG (UK) Limited	United Kingdom	Holding company
Avenir Supply and Trading Limited	United Kingdom	Commodity trading company
Avenir Aspiration Limited	United Kingdom	Vessel-owning company
Avenir Ascension Limited	United Kingdom	Vessel-owning company
Avenir Achievement Limited	United Kingdom	Vessel-owning company
Avenir Italia Srl	Italy	Dormant
80%-owned subsidiary:		
Higas SRL	Italy	Terminal-owning company
49%-owned joint venture:		
Future Horizon (L) Pte. Ltd.	Malaysia	Vessel-leasing company

2. Summary of Significant Accounting Policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The presentation currency used in these consolidated financial statements is the U.S. dollar and the consolidated financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Going Concern

As of December 31, 2021, the Group's current assets exceeded its current liabilities by $21.2 million (2020: $4.0 million negative working capital). In considering going concern, management has reviewed the Group's future cash requirements, covenant compliance and earning projections and incorporated the on-going impact of the coronavirus pandemic.

Management anticipates that the Group's primary sources of funds will be available cash, cash from operations and borrowings under existing and new loan arrangements. Also, the shareholders regularly review the cash requirements of the Group and under the Shareholders' Agreement will take all reasonable endeavours to ensure that the Group is able to meet its capital expenditure commitments and working capital needs. The Group has also completed the financing for all of its vessels including the final newbuild vessel to be delivered in May 2022 thereby ensuring that the Group's operational assets are fully funded.

Management has considered the challenging market conditions brought about by the on-going coronavirus pandemic and the recent escalation of hostilities in Ukraine in performing its going concern assessment. Management believes that the sources of funds mentioned above will be sufficient for the Group to meet its liquidity needs and comply with its banking covenants for at least twelve months from the end of the reporting period and therefore it is appropriate to prepare the financial statements on a going concern basis.

Separate Financial Statements of the Parent Company, Avenir LNG Limited, are included.

Basis of consolidation

Control exists where either a parent entity is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Where the Group jointly controls an entity, the results, assets and liabilities of the entity are included in the financial statements using the equity method of accounting.

Critical Accounting Estimates and Judgements

In connection with the preparation of the consolidated financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes

2. Summary of Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgements to ensure that the financial statements are presented fairly and in accordance with IFRS and Bermudian Company law, applied on a consistent basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the change affects both as per IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Critical accounting estimates and judgements are those that have a significant risk of having a material impact on the consolidated financial statements. Management believes the following area is the significant judgement and estimate used in the preparation of the Consolidated Financial Statements:

Description: Property, plant and equipment and newbuilding deposits are reviewed for impairment whenever circumstances indicate the carrying value of the ships or property may not be fully recoverable. When such events or circumstances are present, Management measures the recoverable amount of these assets by comparing their carrying amount to the higher of their fair value less costs of disposal ("FVLCD") or value in use ("VIU").

Judgements and estimates: The cash flows on which the assessment of recoverability is based for VIU is highly dependent upon forecasts which are highly subjective, especially as the market for small-scaled LNG ships is an expanding market. Although Management believes that the underlying assumptions supporting the assessment are reasonable and appropriate at the time they are made, it is reasonably possible that a further decline in the economic environment, effects of future technological advances, future effects of climate change and change in rules and regulations could adversely impact the business prospects in the future. This could represent a triggering event for a further impairment assessment.

Accordingly, the principal assumptions that were used in the recoverability assessment included, among others, charter rates, ship operating expenses, utilisation, dry-docking requirements, future growth rates, supply-demand balance of LNG ships and residual value. Specifically, forecasted charter rates were based on information regarding current spot market rates from industry experts. Estimated outflows for operating expenses and dry-dockings were based on historical costs adjusted for assumed inflation.

Effect if actual results differ from assumptions: Although Management believes the underlying assumptions supporting the impairment assessment are reasonable, if charter rate trends and the length of the current market downturn vary significantly from forecast, this might trigger impairment indicators and result in an impairment review and possibly a material impairment of plant, property and equipment and/or the newbuilding deposits.

Description: Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after reducing for the estimated residual value. Estimated useful lives are based on past experience, expected future performance and management's estimate of the period over which the asset will provide economic benefit. For ships residual values are estimated based on the steel price, the estimated light displacement tonnage of the fleet and current trends in the price of recycling of ships. Both estimated useful lives and the residual values are evaluated annually, and the effect of any change is considered as a revision of accounting estimates, and the effect is reflected in the future depreciation charge.

Judgements and estimates: In order to achieve component accounting, the Group uses the useful economic life of the asset. In the case of ships, estimated useful lives of the components of the ships are at 25 years. Future useful lives could be reduced based on customer preferences, new technological advances, governmental and industry regulations, and the effects of climate change. Residual values are difficult to estimate given the long lives of ships, the uncertainty as to future economic conditions and the price of steel, which is considered as the main determinant of the residual price.

2. Summary of Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

Effect if actual results differ from assumptions: If the estimated economic useful life has to be reduced in future periods, an impairment loss or additional depreciation expense could result. A decrease in the useful life of the ship or fall in the residual value would have the effect of increasing the annual depreciation charge and potentially resulting in an impairment loss. If the residual value is overestimated, it would reduce the annual depreciation and overstate the value of the assets.

Business combinations with entities under Common Control

For business combinations with entities under common control, the assets and liabilities of the purchased entity is included in the Group's books based on their existing carrying values in the parent's consolidated financial statements.

Investment in joint ventures

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is established by a contractual arrangement that requires unanimous agreement on decisions made on relevant activities. Without the presence of joint control, joint arrangements do not exist.

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The arrangement is a joint operation when the contractual agreement provides rights to assets and obligations for liabilities for those parties sharing joint control. The joint arrangement is a joint venture when the agreement grants rights to the arrangement's net assets. Interests in joint ventures are accounted for using the equity method after initially being recognized at cost in the consolidated statement of financial position.

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for a consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability unless the leased asset is of low value or the lease duration is for 2 months or less (short-term leases).

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term including the exercise price of any options if exercise is considered reasonably certain. The discount rate is determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are measured at the amount of the lease liability, reduced for any lease incentives and increased for any lease payments made prior to commencement of the lease; any initial direct costs incurred and any provisions recognised for the dismantlement, removal or restoration of the lease asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the outstanding balance and are reduced for lease payments made. Right-of-use assets are amortised on a straight line basis over the remaining term of the lease or, if shorter, over the asset's remaining useful economic life.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term time deposits of less than three months, which are subject to an insignificant risk of changes in value.

Restricted cash

Restricted cash reflects deposits in retention or restricted accounts with certain banks that can only be used to pay the current loan installments and interest or are required to be maintained as certain minimum security deposits. Cash required to be maintained as unrestricted liquidity is not considered restricted cash if the relevant account has no restrictions for use or withdrawal.

2. Summary of Significant Accounting Policies (continued)

Trade receivables

Trade receivables are initially valued at their fair value and subsequently at amortised costs. The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses. See ***Financial Instruments*** below for further discussion.

Property, plant and equipment and Newbuilding deposits

(i) Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Cost includes expenditures that are directly attributable to the acquisition of the assets, including instalment payments, supervision and technical costs. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use. Grant receipts are netted against the cost of the asset. Capitalisation ceases and depreciation commences once the asset is completed and available for its intended use.

Vessels are required to undergo dry-docking overhaul every five years to restore their service potential and to meet their classification requirements that cannot be performed while the vessels are operating. The dry-docking component is estimated at the time of a vessel's delivery from the shipyard or acquisition from the previous owner and is measured based on the estimated cost of the first dry-docking subsequent to its acquisition, based on the Group's historical experience with similar types of vessels. For subsequent dry-dockings, actual costs are capitalized when incurred.

When a vessel is disposed of, any unamortised drydock expenditure is charged against income in the period of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the vessel. Land and assets under construction are not depreciated. Vessels and property, plant and equipment are depreciated to a residual value which reflects management’s estimate of scrap value or otherwise recoverable value at the end of the estimated useful life of the asset. Residual values and economic lives are reviewed annually.

The expected useful lives of all long-lived tangible assets are as follows:

Vessels	25 years
Terminal	25 years
Dry-docking expenditure	5 years
Other property, plant and equipment	3 - 5 years
Right-of-use assets	5 - 25 years

(iii) Impairment of tangible assets

Tangible assets, including Newbuilding deposits, are tested for impairment if there are indications of impairment. The carrying amounts of the Group’s tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Ship newbuildings and other assets under construction are tested for impairment when there is an indication of impairment.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants. FVLCD is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion projects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate rate to arrive at a net present value of the asset.

2. Summary of Significant Accounting Policies (continued)

(iii) Impairment of tangible assets (continued)

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale.

Assets classified as held for sale are presented separately from the other assets in the balance sheet.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Goodwill

Goodwill represents amounts arising on the acquisition of subsidiaries. Goodwill arising on acquisition represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, or more frequently when there is an indication that the cash-generating unit is impaired.

Trade payables

Trade payables are initially valued at their fair value and subsequently at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (continued)

Foreign currency

(i) Foreign currency transactions

The individual financial statements of all Group companies are presented in the functional currency of the primary economic environment in which the subsidiaries operate.

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

Foreign exchange differences arising on retranslation are recognised in the income statement, except for those differences arising from monetary balances with foreign operations where settlement is not planned and unlikely to occur which are recorded in other comprehensive income.

(ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates the foreign exchange rates at the dates of the transactions.

Financial Instruments

IFRS 9 contains a classification and measurement approach for financial assets and liabilities, that reflects the business model in which assets are managed.

Under IFRS 9 all financial instruments are initially measured at fair value plus or minus transaction costs, in the case of a financial asset or liability not at fair value through profit or loss. This requirement is consistent with IAS 39. Financial asset classification and measurement is an area where many changes have been introduced by IFRS 9. Consistent with IAS 39, the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be reclassified.

IFRS 9 contains three principal classification categories for financial assets, based on the business models under which they are held:

- Amortised cost: The Group classifies its financial assets at amortised cost only if both of the following criteria are met: the assets are held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Income from these financial assets is included in finance income using the effective interest rate method. The Group's assets measured at amortised cost include trade and other receivables and cash and cash equivalents.
- Fair value through other comprehensive income (FVTOCI): Assets that are held for collection of contractual cash flows and for future sales the financial assets, where the assets' cash flows represent solely payments of principal and interest and dividends, are measured at fair value through other comprehensive income.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

Impairment

As required by IFRS 9, the Group adopted an "expected credit loss model", as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each year end or half year end date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses are calculated as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive. Expected credit losses are the sum of all possible credit losses, weighted by their probability of occurrence.

The "12 month expected credit losses" approach is applied to all financial assets with the exception of trade receivables. For this asset, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, net of any allowance losses. The allowance loss measurement is determined by applying a simplified approach equalling the lifetime expected credit losses.

Under the simplified approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within administrative and general expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Equity capital stock

The company's capital comprises equity capital stock. Equity capital stock is measured based upon net proceeds.

Share-based compensation

The fair value of options as of the date granted to employees is recognised on a straight-line basis as an employee expense, with a corresponding increase to equity over the vesting period. The fair value of the options granted is measured using the Black-Scholes-Merton option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Earnings per share

Basic Earnings per Common share ("EPS") is computed by dividing net profit by the weighted average number of shares outstanding during the year. Diluted EPS is computed by adjusting the weighted average number of shares outstanding during the year for all potentially dilutive shares and equivalents outstanding, including share warrants, during the year using the Treasury stock method.

2. Summary of Significant Accounting Policies (continued)

Operating revenue

Revenue from customer contracts

Operating revenue is measured on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue as a point in time when it transfers control over a product or service to a customer. The transfer of control can take place in two ways: 1) at the Group's terminal when LNG is loaded to the customer's truck and 2) at the point of delivery of LNG to the customer's site where LNG is loaded to the customer's tank.

The Group may also transport and store LNG in a tank that is owned by the Group but which is located at a customer's facility. Revenue is generated when the LNG is loaded to the tank. Lease revenue is also recorded by the Group for the customer's use of the tank which is recognized on a straight-line basis.

Time and Bareboat charters

Revenues from time charters and bareboat charters are accounted for as operating leases and are recognized on a straight-line basis over the periods of such charters, as service is performed.

Expenses

Operating expenses

Operating expenses include costs directly associated with the operation and maintenance of the property, plant and equipment. These types of costs include LNG purchases, transportation costs, ship operating expenses, depreciation and other expenses.

Taxes

Current tax is provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Certain companies of the Group operate within the UK Tonnage Tax regime, under which ship owning and operating activities are taxed based on the net tonnage of vessels operated.

Deferred tax is provided in full using the liabilities method on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallize based on current tax rates.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax is not provided when the amounts involved are not significant.

IFRS effective in the year ended December 31, 2021

All IFRS standards and amendments that became effective in the current year are not relevant to the Group or are not material with respect to the Group's financial statements.

IFRS not yet effective for the year ended December 31, 2021

At the date of authorization of these consolidated financial statements, the following standard relevant to the company was issued but not yet effective:

In January 2020, the IASB issued a narrow-scope amendment to IAS 1 Presentation of Financial Statements, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also defines the "settlement" of a liability as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. The amendment will be effective for annual periods beginning on or after January 1, 2022 and should be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. Management anticipates that this amendment will not have a material impact on the company's financial statements. The impact of all other IFRS standards and amendments issued but not yet adopted is not expected to be material with respect to the Group's financial statements.

3. Operating Revenue

USD in thousands	**2021**	2020
Shipping revenue	**12,442**	1,255
Revenue from the sale of LNG and rendering of services	**4,096**	1,066
	16,538	2,321

Shipping revenue represents the hire income generated from the bareboat charters of the vessels in Malaysia and the Caribbean.

Revenue is generated for the sale of LNG in Sardinia to non-governmental customers. The LNG is transferred to the customer as required by the customer at a point in time.

4. Operating Expenses

USD in thousands	**2021**	2020
LNG supply and trading expenses	**4,995**	658
Ship operating expenses	**1,302**	265
Other	**102**	1,025
	6,399	1,948

5. Administrative and General Expenses

USD in thousands	**2021**	2020
Personnel expenses	**2,704**	3,049
Professional fees	**855**	2,426
Other office expenses	**1,802**	1,115
	5,361	6,590

Auditors' remuneration to PricewaterhouseCoopers LLP was $0.3 million and $0.2 million for the years ended December 31, 2021 and 2020, respectively, which relate to the audits of the Group and its subsidiaries. Auditors' remuneration for non-audit services amounted to $50 thousands for the year ended December 31, 2021 (2020: $nil).

6. Finance Expense

USD in thousands	**2021**	2020
Interest payable on parent guarantees (Note 26)	**1,271**	2,039
Interest payable on borrowings (Note 17)	**2,390**	235
Amortization of deferred finance cost	**391**	41
Other	**56**	20
Capitalised interest	**(1,214)**	(2,039)
	2,894	296

The interest payable on parent guarantees relate to the newbuilding and financing guarantee agreements with SN LNG, Golar LNG Limited ("Golar") and Höegh LNG Holdings Limited ("Höegh") for the year ended December 31, 2021 (2020: related to newbuilding guarantee agreement only). The interest rate on the parent guarantees was 1% of outstanding commitments. The interest payable on parent guarantees relating to newbuildings has been capitalised and added to the cost of the vessel.

7. Gain on disposal of asset, net

In December 2021, the Group entered into an agreement with SSES relating to the sale of *Avenir Allegiance* vessel.

USD in thousands	2021
Cash consideration received	**73,300**
Carrying value of *Avenir Allegiance**	**(60,972)**
Less: Tax on chargeable gains	**(2,282)**
Gain on disposal	**10,046**

* The carrying value of Avenir Allegiance included instalments, variation orders, spares, fuel remaining on board and cost to sell (refer to Note 15).

8. Income Tax

USD in thousands	2021	2020
Current income tax	**395**	—
Adjustments for current tax of prior periods	**(6)**	—
Deferred income tax	**(40)**	(1,602)
Total income tax expense/(credit)	**349**	(1,602)

The following reconciles the actual income tax credit to income taxes computed at the Bermuda statutory tax rate:

USD in thousands	2021	2020
Profit/(loss) from continuing operations before income tax	**7,468**	(6,118)
Tax at the Bermuda statutory tax rate	**—**	—
Difference in overseas tax rates	**568**	—
Adjustments for current tax of prior periods	**(6)**	—
Withholding taxes	**211**	—
Deferred tax movement	**(40)**	—
Utilisation of current year losses	**(384)**	—
Recognition of deferred tax asset on tax losses	**—**	(1,602)
Total income tax expense/(credit)	**349**	(1,602)

United Kingdom

In the Spring Budget 2021, the Government announced that from April 1, 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on May 24, 2021.

9. Cash and cash equivalents

USD in thousands	2021	2020
Cash and cash equivalents	**46,625**	8,025
Restricted cash	**309**	—
	46,934	8,025

Cash and cash equivalents comprise cash and short-term time deposits held by the Group. Restricted cash refers to cash deposits required under our debt facilities.

10. Trade and other receivables

USD in thousands	2021	2020
Trade receivables	**1,952**	1,000
VAT receivables	**6,044**	7,484
	7,996	8,484

See Note 20 for an analysis of the credit risk of receivables. At December 31, 2021 and 2020, there is no expected credit loss so no impairment has been recorded.

11. Inventories

USD in thousands	2021	2020
Fuel oils	**134**	—
Liquified natural gas	**2,857**	—
Other	**74**	70
	3,065	70

The cost of inventory included in operating expenses in 2021 and 2020 was $2.8 million and $0.7 million. No inventory was written down in the years ended December 31, 2021 and 2020.

12. Non-current assets classified as held for sale

In 2021, the Group decided to sell the semi-trailers owned by Higas. The sale is expected to be completed in the first half of 2022.

The cost of the semi-trailers was classified as assets held for sale. There were no impairment losses nor reversals recognized in the year ended December 31, 2021.

13. Investment in Joint Venture

In December 2019, the Group contributed $9,800 for 49% ownership in Future Horizon (L) Pte. Ltd., a joint venture with MISC Berhad. The joint venture entered into a three-year time charter with Petronas, upon delivery of the Group’s first vessel in October 2020. Equity method accounting is applied to this joint venture. For the year ended December 31, 2021, there is no material movement in the joint venture.

14. Deferred Tax Asset

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognised for financial reporting purposes and such amounts recognised for tax purposes:

14. Deferred Tax Asset (continued)

USD in thousands	Total
Balance at January 1, 2020	**—**
Credit for the year:	
Adjustments in respect of prior year	**564**
Recognition of deferred tax asset on tax losses	**1,038**
Balance at December 31, 2020	**1,602**
Adjustments in respect of prior year	**57**
Exchange rate change impact	**(17)**
Utilised during the year	**(91)**
Balance at December 31, 2021	**1,551**

As at December 31, 2021, the total deferred tax assets of $1.6 million (2020: $1.6 million) related to net operating loss ("NOL") carryforwards generated from the Group's UK subsidiary. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income. The subsidiary is expected to generate taxable income for 2022 onwards. The losses can be carried forward indefinitely, have no expiry date and can be surrendered to other group subsidiaries.

As at December 31, 2021, the Group's total unrecognised tax losses were $6.3 million (2020: $2.5 million) which can be carried forward indefinitely.

15. Property, Plant and Equipment and Newbuilding Deposits

USD in thousand	Land	Right-of-Use Asset	Other Property plant and equipment	Vessels	Dry-docking cost	Construction in Progress	Total
Cost							
Balance at January 1, 2020	**2,928**	**889**	**956**	**—**	**—**	**23,553**	**28,326**
Additions	—	—	599	30,485	—	24,997	56,081
Recording right-of-use asset	—	733	—	—	—	—	733
Transfer from construction in progress	—	—	—	3,844	—	(3,844)	—
Transfer from newbuild deposits	—	—	—	7,744	—	—	7,744
Net foreign exchange differences	262	47	82	—	—	1,612	2,003
Balance at December 31, 2020	**3,190**	**1,669**	**1,637**	**42,073**	**—**	**46,318**	**94,887**
Additions [1]	—	—	98	92,690	—	9,841	102,629
Adjustment to right-of-use asset	—	(201)	—	—	—	—	(201)
Transfer from construction in progress [2]	—	—	42,486	6,757	—	(49,243)	—
Transfer from newbuild deposits [1]	—	—	—	45,248	—	—	45,248
Transfer to asset held for sale	—	—	(606)	—	—	—	(606)
Transfer of dry-docking cost	—	—	—	(3,000)	3,000	—	—
Disposal of asset [3]	—	—	—	(60,972)	—	—	(60,972)
Net foreign exchange differences	(161)	—	(29)	—	—	(2,724)	(2,914)
Balance at December 31, 2021	**3,029**	**1,468**	**43,586**	**122,796**	**3,000**	**4,192**	**178,071**
Accumulated depreciation							
Balance at January 1, 2020	**—**	**177**	**130**	**—**	**—**	**—**	**307**
Depreciation expense	—	201	95	336	—	—	632
Net foreign exchange difference	—	9	5	—	—	—	**14**
Balance at December 31, 2020	**—**	**387**	**230**	**336**	**—**	**—**	**953**
Depreciation expense	—	213	813	3,210	403	—	4,639
Net foreign exchange difference	—	(19)	(78)	37	—	—	(60)
Transfer of dry-docking depreciation	—	—	—	(41)	41	—	-
Balance at December 31, 2021	**—**	**581**	**965**	**3,542**	**444**	**—**	**5,532**
Net Book Value							
Balance at December 31, 2020	**3,190**	**1,282**	**1,407**	**41,737**	**—**	**46,318**	**93,934**
Balance at December 31, 2021	**3,029**	**887**	**42,621**	**119,254**	**2,556**	**4,192**	**172,539**

(1) In the year ended December 31, 2021, the Company took delivery of three vessels.

(2) In August 2021, the Company completed the construction of its LNG terminal at the Italian port of Oristano, Sardinia.

(3) In December 2021, the Group sold its first 20,000 cbm LNG newbuild, *Avenir Allegiance,* to SSES.

15. Property, Plant and Equipment and Newbuilding Deposits (continued)

The vessels are mortgaged as security for the loan facilities, refer to Note 17.

The Group's right-of-use assets relate to the lease of its office in the UK and lease of jetty infrastructure for the Group's LNG terminal in Sardinia (Note 19).

Newbuilding Deposits

The Newbuilding deposits were $34.6 million and $59.2 million as at December 31, 2021 and 2020, respectively. The newbuilding deposits represent the scheduled payments made to the shipyards for the newbuildings being built by Keppel Singmarine and Sinopacific Offshore Engineering. Interest costs capitalized in connection with the newbuilds for the years ended December 31, 2021 and 2020 were $1.2 million and $2.0 million, respectively.

16. Goodwill

The Goodwill was generated from the Higas acquisition in 2017 upon SN Gas BV's acquisition of 66.6% of Higas for $5.8 million. It is tested for impairment on an annual basis based upon the cash-generating unit which is considered to be the entire Group.

17. Borrowings

An analysis of borrowings is as follows:

USD in thousands	2021	2020
Bank loans	**75,910**	26,706
Less: Deferred financing costs	**(3,543)**	(427)
	72,367	26,279
Presented in the financial statements as:		
Non-current portion of debt, net of deferred finance cost	**65,365**	23,782
Current portion of debt, net of deferred finance cost	**7,002**	2,497

Bank loans are secured with key charges over the vessels, cash and cash equivalents, an assignment of earnings and a pledge over the share capital of certain Group subsidiaries.

In October 2020, certain subsidiaries of the Group entered into a secured term loan facility for $53.5 million for the purpose of financing the acquisition of two of the Group's newbuildings. The facility bears interest at LIBOR plus a margin of 3.50% and is repayable in quarterly instalments over a term of three years with a final balloon payment at maturity.

In October 2021, one of the Group's subsidiaries entered into a secured short-term bridge financing for $24.6 million for the purpose of financing the acquisition of one of the Group's newbuildings. The facility bore interest at LIBOR plus a margin of 6.00% and was repayable by 48 quarterly instalments with a final balloon payment at maturity. The facility was refinanced in December 2021 following the completion of a longer-term facility as discussed below.

In December 2021, certain subsidiaries of the Group entered into a secured term loan facility for $93.9 million primarily for the purpose of financing the acquisition of two of the Group's newbuildings and refinancing of the vessel delivered in October 2021. The facility bears interest at LIBOR plus a blended margin of 2.37% and is repayable in 48 quarterly instalments with final balloon payments for two tranches of the facility at maturity.

18. Trade and other payables

USD in thousands	2021	2020
Trade payables	**4,510**	4,038
Other payables	**2,808**	2,859
Deferred revenue	**578**	578
Other accrued expenses	**1,228**	2,209
	9,124	9,684

See Note 20 for an analysis of the credit risk of payables. At December 31, 2021 and 2020, there is no expected credit loss, so no impairment has been recorded. Other payables as at December 31, 2021 includes \$2.3m chargeable gains tax derived from disposal of asset. See Note 7 for further details.

19. Leases

In January 2019, the Group entered into an office lease agreement for five years. During 2021, the Group negotiated a five-month rent-free period in 2022 for the office lease resulting in the reduced lease liability. The incremental borrowing rate used was 4%.

During 2020, the Group entered into an agreement with the Italian government for the lease of the jetty infrastructure in Sardinia for 25 years. The incremental borrowing rate used was 3.81%.

Maturity analysis is as follows:

USD in thousands	Office Lease	Jetty Lease	Total 2021
Contractual undiscounted cash flows:			
Less than one year	142	39	**181**
From two to five years	240	156	**396**
From five years and beyond	—	703	**703**
	382	898	**1,280**
Less: Future finance charges	(18)	(303)	**(321)**
	364	**595**	**959**
Presented in the financial statements as:			
Current maturities			**145**
Non-current maturities			**814**
			959

USD in thousands	Office Lease	Jetty Lease	Total 2020
Contractual undiscounted cash flows:			
Less than one year	227	46	273
From two to five years	508	232	740
From five years and beyond	—	835	835
	735	1,113	1,848
Less: Future finance charges	(64)	(392)	(456)
	671	721	1,392
Presented in the financial statements as:			
Current maturities			225
Non-current maturities			1,167
			1,392

The lease payments made during the year were \$0.3 million (2020: \$0.2 million), interest charges with respect to IFRS 16 totaled \$0.1 million for the year (2020: \$0.1 million) and depreciation for the right-of-use assets recognized in the consolidated statement of comprehensive income totaled \$0.2 million (2020: \$0.2 million).

20. Financial Risk Factors

Risk management is carried out by the Avenir Group Finance team and approved by the Avenir Board of Directors. Avenir Group Finance team identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The Group's activities expose it to a variety of financial risks such as market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure, primarily with the Euro and British pound. Any appreciation of the expense currency against the US dollar will decrease profit margins. There is also exposure when a member of the Group holds accounts receivable or payable in a non-functional currency.

At December 31, 2021, if the US dollar had weakened or strengthened by 5% against the major currencies mentioned above, with all other currencies remaining constant, the recalculated profit for the year would have been approximately $0.1 million higher/lower, mainly as a result of lower/higher administrative and general expenses from non-US dollar transactions and foreign exchange gains/losses on translation of non-US dollar-denominated accounts receivable and payable balances.

Cash Flow Interest Rate Risk

The Group's main interest rate arises from borrowings with variable rates (LIBOR), which expose the Group to cash flow interest rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

USD in thousands	**2021**	2020
Variable rate borrowings	**75,910**	26,706
	75,910	26,706

As at December 31, 2021 should LIBOR has increased/decreased by 100 basis points with all other variables remaining constant, the decrease/increase in result for the year would have been $0.5 million (2020: $0.1 million).

Concentration of Credit Risk

Receivables are from customers of the Group. The Group extends credit to its customers in the normal course of business. The maximum exposure to credit risk is the customer receivables balance of $2.0 million at December 31, 2021 (2020: $1 million). The Group regularly reviews its receivables by performing credit checks upon entering into an initial sales contract with a customer and by the business controller regularly reviewing the days past due receivable reports. There are no receivables that are past due and no recorded allowance for doubtful accounts.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this by monitoring forecast and actual cash flows to ensure the Group has sufficient cash to meet operational needs and does not breach covenants on any of its borrowing facilities.

Also the shareholders regularly review the cash requirements of the Group and under the Shareholders' Agreement will take all reasonable endeavours to ensure that the Group is able to meet its capital expenditure commitments and working capital needs. The Group has also completed the financing for all of its vessels including the final newbuild vessel to be delivered in May 2022 thereby ensuring that the Group's operational assets are fully funded.

20. Financial Risk Factors (continued)

Fair Value of Financial Instruments

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

USD in thousands	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	**46,934**	**46,934**	8,025	8,025
Trade and other receivables, excluding VAT receivables	**1,952**	**1,952**	1,000	1,000
Financial Liabilities:				
Trade and other payables	**7,318**	**7,318**	6,897	6,897
Related party payable balances	**19,595**	**19,595**	8,894	8,894
Lease liabilities	**959**	**959**	1,392	1,392
Long-term debt, net of deferred charges	**72,367**	**72,367**	26,279	26,279

The carrying amounts of cash and cash equivalents, receivables, accounts payable and related party payables are reasonable estimates of their fair values, due to the short maturity thereof.

The cash and cash equivalents meet Level 1 classification. There were no financial instruments in Level 3 and no transfers between Levels 1, 2 or 3 during the periods presented. The definitions of the levels provided by IFRS 13 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The estimated fair value of the Group's bank loans and lease liabilities have been determined by management based upon the present value of the expected cash flows derived from the liability discounted at an appropriate discount rate.

20. Financial Risk Factors (continued)

Maturity of Financial Liabilities

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2021				
Contractual obligations:				
Trade and other payables	7,318	—	—	7,318
Related party payable balances	19,595	—	—	19,595
Lease liability	145	332	482	959
Lease interest	31	89	201	321
Long-term debt	7,002	50,497	14,868	72,367
Total contractual obligations	**34,091**	**50,918**	**15,551**	**100,560**

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2020				
Contractual obligations:				
Trade and other payables	6,897	—	—	6,897
Related party payable balances	8,894	—	—	8,894
Lease liability	225	584	583	1,392
Lease interest	62	156	238	456
Long-term debt	2,497	23,782	—	26,279
Total contractual obligations	18,575	24,522	821	43,918

21. Share options

The Company's Board of Directors approved the Avenir LNG Limited Share Option Plan 2018 in October 2018. Options are to be granted in consideration of services to the Company and its subsidiaries.

In USD except share data	Shares	2021 Weighted Average Exercise Price	Shares	2020 Weighted Average Exercise Price
For the years ended December 31,				
Common share options				
Outstanding at beginning of year	**1,070,000**	**1.04**	2,120,000	1.10
Issued	**225,000**	**1.00**	100,000	1.46
Forfeiture	**(350,000**	**1.00**	(1,150,000)	1.18
Outstanding at end of year	**945,000**	**1.05**	1,070,000	1.04
Exercisable at end of year	**595,000**	**1.02**	520,000	1.00
Fair value of share options granted during the year (in USD)		**0.31**		1.33
Risk-free rate		**0.36%**		2.12%
Volatility		**67.48%**		52.06%

The volatility was measured based on the share price development of four companies within the LNG industry for the last ten years.

Share-based compensation expense has been recorded in Avenir LNG M.S. Limited for $24 thousands and $74 thousands for the years ended December 31, 2021 and 2020, respectively. The Company has recorded a corresponding increase in its Investment in Avenir LNG M.S. Limited.

22. Commitments and Contingencies

Asset pledged

USD in thousands	2021	2020
Book value of vessels secured against long-term debt	**121,810**	41,737

Newbuilding contracts

Between 2016 and 2019, the Group entered into newbuilding contracts for the construction of four 7,500 cbm LNG carriers and two 20,000 cbm LNG carriers for a total cost of approximately $262 million. The first vessel was delivered in 2020 and a further three vessels was delivered in the year ended December 31, 2021. The remaining two vessels are scheduled to be delivered in 2022. As of December 31, 2021, $65.4 million remains to be paid in respect of the two vessels.

Provisions

In December 2021, the Group was in discussions with the Engineering, procurement, and construction ("EPC") contractor, responsible for the construction of its terminal in Sardinia, to finalise and settle the EPC agreement following the completion of the terminal. Subsequent to the year end, the Group entered into an agreement and settled with the EPC contractor in March 2022 for $2.4 million of additional cost relating to the terminal. Accordingly, $2.4 million was recorded as a provision for the year ended December 31, 2021.

23. Capital Management

The Group manages capital by safeguarding their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

Our debts include covenants that requires compliance with certain ratios, these ratios includes equity ratios, working capital ratios, minimum net worth covenants and restrictions on cash and cash equivalents.

As of December 31, 2021, we were in compliance with all covenants under our debt agreements.

Restriction on payment of dividends

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

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

(b) The realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In consideration of the above, the Company has not proposed a dividend distribution in 2021 (2020: $nil).

24. Share Capital

The Group's authorised share capital consists of 500 million common shares as of December 31, 2021 and 2020. There were 182.0 million and 147.5 million shares issued, outstanding and fully paid as of December 31, 2021 and 2020, respectively.

During the year, the Group issued a further 34.5 million shares in several tranches at $1 per share.

	Common Shares, par value $1 per share
Balance at December 31, 2020	147,500,000
Issuance of shares	34,500,000
Balance at December 31, 2021	**182,000,000**

25. Earnings/(loss) per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings/(loss) per share calculation.

USD in thousands unless otherwise stated	**2021**	2020
Net profit/(loss)	**7,119**	(4,516)
Basic and dilutive weighted average shares outstanding (number in thousands)	**178,207**	129,205
Basic earnings/(loss) per share (USD)	**0.04**	(0.03)
Diluted earnings/(loss) per share (USD)	**0.04**	(0.03)

There was no difference in the weighted average number of shares used for the calculation of basic and diluted earnings/(loss) per share as the effect of the share options discussed in Note 21 and the warrants discussed in Note 26 was anti-dilutive.

26. Related Party Transactions

Board of Directors and Key Management Compensation

Key management consists of three members of management. Total compensation and benefits of the management were as follows:

USD in thousands	**2021**	2020
Salary and benefits	**940**	1,048
Pension cost	**91**	105
Share-based compensation	**28**	77
Total compensation and benefits	**1,059**	1,230

The Board of Directors consists of four members for the years ended December 31, 2021 and 2020. The Board of Directors did not receive any remuneration for the years ended December 31, 2021 and 2020.

26. Related Party Transactions (continued)

Transactions with SNL, Golar and Höegh

USD in thousands	2021	2020
Transactions with SNL:		
Site team services costs, capitalised to newbuildings	**3,009**	2,573
Support services	**300**	377
Finance expense - guarantee, capitalised to newbuildings	**404**	968
Finance expense - guarantee, loan	**29**	—
Finance expense - RCF interest and commitment	**340**	—
Transactions with Golar:		
Bareboat chartering revenue	**687**	—
Finance expense - guarantee, capitalised to newbuildings	**454**	546
Finance expense - guarantee, loan	**14**	—
Finance expense - RCF interest and commitment	**21**	—
Transactions with Höegh:		
Ship operating management fee	**421**	—
Ship pre-delivery cost	**2,220**	—
Finance expense - guarantee, capitalised to newbuildings	**356**	525
Finance expense - guarantee, loan	**14**	—
Finance expense - RCF interest and commitment	**21**	—

The Company has entered into two service agreements with subsidiaries of SNL for (a) newbuilding site team services for the Company and its subsidiary, SN Gas BV and (b) accounting, finance, treasury and other support services.

SNL, Golar and Höegh have agreed to guarantee the outstanding newbuilding commitments with the shipyards for a 1% commitment fee.

In 2020, the Group has signed a three year bareboat charter agreement for *Avenir Accolade* with Golar Power Limited, a subsidiary of Golar. The charter started in March 2021 before Golar Power Limited was disposed by Golar in April 2021 when it ceased to be a related party.

In 2021, SNL, Golar and Höegh have agreed to guarantee the financed amount for one of its vessels from the secured term loan facility that the Group entered into in 2021 for a 1% guarantee fee.

In 2021, the Group has entered into ship operating management agreements with Höegh for four vessels. The ship operating management cost was \$0.4m for one vessel in 2021 and pre-delivery cost was \$2.2m for two vessels delivered in 2021.

Revolving Credit Facility ("RCF")

During 2021, the group entered into a \$21.0 million revolving credit facility agreement with SNL, Golar and Höegh. The facility bears a fixed interest rate of 5.0% per annum and a commitment fee on undrawn amount at 2.0% per annum.

As at December 31, 2021, the Group has drawn down an amount of \$10.6 million from this facility.

Accounts Payable to SNL, Golar and Höegh

USD in thousands	2021	2020
Stolt-Nielsen group companies	**3,191**	6,957
Golar	**1,442**	980
Höegh	**3,961**	957
Total	**8,594**	8,894

26. Related Party Transactions (continued)

Borrowings from SNL, Golar and Höegh

USD in thousands	**2021**	2020
Borrowings	**10,607**	—
Commitment fees charged	**36**	—
Interest charged	**358**	—
End of year	**11,001**	—

Warrants

Concurrent with the Framework and Shareholders Agreement, the Company issued warrants to SNL for the right to acquire up to 14,560,000 shares for $1/share (the "Warrants"). The Warrants shall be exercisable in tranches of 25% of the total number of Warrants when the price of Avenir's shares have been traded on the Norwegian OTC for 20 successive days at a price which is 25%, 50%, 75% and 100% above the first equity offering price of $1/share. The expiration date is October 1, 2023. No warrants have been exercised.

Future Horizon Transactions

USD in thousands	**2021**	2020
Hire	**6,807**	1,255

In September 2019, one of the Group's subsidiaries entered into a bareboat charter party agreement ("BBC") with MISC Berhard ("MISC") for the Group's first vessel, *Avenir Advantage*. Subsequently, the BBC was novated to Future Horizon which is a joint venture of the Group. There was no outstanding balance with Future Horizon as of December 31, 2021.

CPL Concordia and Gas & Heat

CPL Concordia Soc. Coop. ("CPL") and Gas & Heat S.p.A ("G&H") are the minority shareholders of Higas for the years ended December 31, 2021 and 2020.

In 2021 the Group ordered a satellite plant from CPL for an amount of $0.6 million, which was outstanding as at December 31, 2021.

G&H billed the Group $2.8 million in 2021 for the final EPC payment, variation orders and spare parts in its role as the EPC contractor for Higas ($15.4 million in 2020).

G&H also provided accounting services to Higas for a cost of $0.1 million in 2021 (2020: $0.1 million).

27. Subsequent events

In January 2022, the Group took delivery of the fourth newbuild dual purpose LNG vessel, *Avenir Ascension*. She will be providing bunkering services to LNG fueled vessels in the South Baltic Sea.

In January 2022, the Group signed a long-term Joint Collaboration Agreement ("JCA") with SSES which is responsible in delivering LNG bunker to CMA CGM containerships. Under the JCA, the Group will be responsible for the global marketing of LNG bunkering services in Shanghai Port as well as support SSES with operational and technical services.

In February 2022, the Group signed a short-term time charter with New Fortress Energy for *Avenir Achievement*. The charter is expected to begin in July 2022. After this she is expected to commence three-year time charter with Shell from January 2023.

In March 2022, the Group completed the settlement of the EPC contract relating to the construction of the Higas terminal in Sardinia with G&H. The Group has also agreed to buy out the minority shareholders of Higas. Following the completion of the acquisition, the Group now owns 100% of Higas.

AVENIR LNG LIMITED

FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

Avenir LNG Limited
Financial statements

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Avenir LNG Limited
Statement of Comprehensive Income
(In thousands of U.S. Dollars)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Administrative and general expenses	**3**	**(3,287)**	(1,266)
Operating loss		**(3,287)**	(1,266)
Non-operating (expenses)/income:			
Finance expense to related parties	**4**	**(394)**	—
Finance expense	**4**	**(5)**	(7)
Finance income from related parties	**4**	**1,607**	1,701
Finance income	**4**	**7**	61
Foreign currency exchange (loss)/gain		**(35)**	262
Net (loss)/profit and total comprehensive (loss)/income		**(2,107)**	751

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Balance Sheet
(In thousands of U.S. Dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current Assets:			
Cash and cash equivalents	**5**	**35,073**	5,592
Prepaid expenses		—	37
Related party receivable	**10**	**30,584**	55,569
Other receivables		**18**	—
Total Current Assets		**65,675**	61,198
Property, plant and equipment	**6**	—	1,173
Newbuilding deposits	**6**	—	23,490
Investment in subsidiaries	**7**	**156,496**	23,568
Investment in joint venture	**8**	**10**	10
Long-term related party receivable	**10**	—	36,406
Total Non-current Assets		**156,506**	84,647
Total Assets		**222,181**	145,845
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Trade and other payables	**9**	**2,910**	4,008
Related party payable	**10**	**48,706**	3,689
Total Current Liabilities		**51,616**	7,697
Equity			
Share capital	**14**	**182,000**	147,500
Contributed capital		**454**	430
Retained deficit		**(11,889)**	(9,782)
Total Equity		**170,565**	138,148
Total Liabilities and Equity		**222,181**	145,845

The above balance sheet should be read in conjunction with the accompanying notes.

Avenir LNG Limited
Statement of Changes in Equity
(In thousands of U.S. Dollars)

	Share Capital	Retained Deficit	Contributed Capital	Total
Balance, January 1, 2020	**110,000**	**(10,533)**	**356**	**99,823**
Net income	—	751	—	751
Total comprehensive income	**—**	**751**	**—**	**751**
Transactions with shareholders:				
Contribution of equity	37,500	—	—	37,500
Share options	—	—	74	74
Balance, December 31, 2020	**147,500**	**(9,782)**	**430**	**138,148**
Net loss	—	(2,107)	—	(2,107)
Total comprehensive loss	**—**	**(2,107)**	**—**	**(2,107)**
Transactions with shareholders:				
Contribution of equity	34,500	—	—	34,500
Share options	—	—	24	24
Balance, December 31, 2021	**182,000**	**(11,889)**	**454**	**170,565**

The above statement of shareholders' equity should be read in conjunction with the accompanying notes

Avenir LNG Limited
Statement of Cash Flows
(In thousands of U.S. Dollars)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Net (loss)/profit		**(2,107)**	751
Adjustments to reconcile net (loss)/profit to net cash used in operations:			
Finance income, net	**4**	**(1,215)**	(1,755)
Foreign exchange loss/(gain)		**35**	(262)
Changes in assets and liabilities:			
Increase in other receivables		**(18)**	—
Decrease in related party balances		**(7,353)**	(4,640)
Decrease/(increase) in prepaid expenses		**37**	(28)
Increase/(decrease) in payables		**2,818**	(948)
Interest received		**7**	—
Net cash used in operating activities		**(7,796)**	(6,882)
Cash flows used in investing activities:			
Additions to property, plant and equipment	**6**	—	(565)
Newbuilding deposits	**6**	**(7,830)**	(7,830)
Net cash used in investing activities		**(7,830)**	(8,395)
Cash flows generated from financing activities:			
Advances to subsidiary		—	(35,802)
Proceeds from shareholder loans		**10,607**	—
Issuance of shares	**14**	**34,500**	37,500
Net cash generated from financing activities		**45,107**	1,698
Net increase/(decrease) in cash and cash equivalents		**29,481**	(13,579)
Cash and cash equivalents at beginning of the year	**5**	**5,592**	19,171
Cash and cash equivalents at end of the year	**5**	**35,073**	5,592

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of Preparation

Avenir LNG Limited (the "Company" or "Avenir") is incorporated in Bermuda. The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the registration number is EC 52417. The Company financial statements have been prepared in accordance with the accounting policies outlined in Note 2.

The object of the Company is to hold investments related to the small-scale LNG segment. The Company was incorporated in March 2017 by Stolt-Nielsen LNG Holdings Ltd. ("SN LNG"), an indirect subsidiary of Stolt-Nielsen Limited ("SNL"). Avenir purchased the shares of Stolt-Nielsen Gas B.V. ("SNG BV") from SN LNG in July 2018. SNG BV had entered into two 7,500 cbm LNG newbuilding contracts from Keppel Singmarine in 2017. SNG BV also has an interest in HiGas Srl ("HiGas"), a terminal and distribution facility in the port of Oristano, Sardinia.

In 2019, the Company entered into contracts for two 7,500 cbm.

In October 2021, the Group undertook a group restructuring wherein

- the shipbuilding contracts held by the Company were novated to group subsidiaries; and
- certain of the Company's intercompany loans and investments were novated and converted into equity of a directly owned subsidiary.

2. Significant Accounting Policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The presentation currency used in these financial statements is the U.S. dollar and the financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going Concern

The shareholders regularly review the cash requirements of the Company and under the Shareholders' Agreement will take all reasonable endeavours to procure that financing is available to meet the Company's capital expenditure commitments and working capital needs.

Management has considered the challenging market conditions brought about by the on-going coronavirus pandemic and the recent escalation of hostilities in Ukraine in performing its going concern assessment. Management believes that these sources of funds will be sufficient for the Company to meet its liquidity needs for at least twelve months from the end of the reporting period and therefore it is appropriate to prepare the financial statements on a going concern basis.

Critical Accounting Estimates and Judgements

In connection with the preparation of the financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, 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 financial statements are prepared. Actual results may differ from these estimates. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgements to ensure that the financial statements are presented fairly and in accordance with IFRS and Bermudian Company law, applied on a consistent basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the change affects both as per IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

2. Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

Critical accounting estimates and judgements are those that have a significant risk of having a material impact on the financial statements. Management believes the following area is the significant judgement and estimate used in the preparation of the Financial Statements:

Description: Property, plant and equipment and newbuilding deposits are reviewed for impairment whenever circumstances indicate the carrying value of the ships may not be fully recoverable. When such events or circumstances are present, Management measures the recoverable amount of these assets by comparing their carrying amount to the higher of their fair value less costs of disposal ("FVLCD") or value in use ("VIU").

Judgements and estimates: The cash flows on which the assessment of recoverability is based for VIU is highly dependent upon forecasts which are highly subjective, especially as the market for small-scaled LNG ships is an expanding market. Although Management believes that the underlying assumptions supporting the assessment are reasonable and appropriate at the time they are made, it is reasonably possible that a further decline in the economic environment, effects of future technological advances, future effects of climate change and change in rules and regulations could adversely impact the business prospects in the future. This could represent a triggering event for a further impairment assessment.

Accordingly, the principal assumptions that have been used in the recoverability assessment included, among others, charter rates, ship operating expenses, utilisation, dry-docking requirements, future growth rates, supply-demand balance of LNG ships and residual value. Specifically, forecasted charter rates are based on information regarding current spot market rates from industry experts. Estimated outflows for operating expenses and dry-dockings are based on historical costs adjusted for assumed inflation.

Effect if actual results differ from assumptions: Although Management believes the underlying assumptions supporting the impairment assessment are reasonable, if charter rate trends and the length of the current market downturn vary significantly from forecast, this might trigger impairment indicators and result in an impairment review and possibly a material impairment of plant, property and equipment and/or the newbuilding deposits.

Investment impairment testing

The Company reviews its investments in subsidiaries for impairment at each reporting date. If events or circumstances indicate that the carrying value may not be recoverable, the value is adjusted to the recoverable amount. Any impairment is recognized in the income statement.

Loss allowances

Loss allowances for the Company's intercompany balances are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period.

Investment in joint ventures

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is established by a contractual arrangement that requires unanimous agreement on decisions made on relevant activities. Without the presence of joint control, joint arrangements do not exist.

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The arrangement is a joint operation when the contractual agreement provides rights to assets and obligations for liabilities for those parties sharing joint control. The joint arrangement is a joint venture when the agreement grants rights to the arrangement's net assets. Interests in joint ventures are accounted for using the equity method after initially being recognized at cost in the consolidated statement of financial position.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term time deposits of less than three months, which are subject to an insignificant risk of changes in value.

Property, plant and equipment and Newbuilding deposits

(i) Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Cost includes expenditures that are directly attributable to the acquisition of the assets, including instalment payments, supervision and technical costs. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use. Grant receipts are netted against the cost of the asset. Capitalisation ceases and depreciation commences once the asset is completed and available for its intended use.

(ii) Impairment of tangible assets

Newbuilding deposits are tested for impairment if there are indications of impairment. The carrying amounts of the Company's tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Newbuildings are tested for impairment when there is an indication of impairment.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants. FVLCD is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion projects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate rate to arrive at a net present value of the asset.

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

Foreign currency

(i) Foreign currency transactions

The Company's financial statements are presented in the functional currency of the primary economic environment in which it operates, which is the 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 retranslated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Foreign exchange differences arising on retranslation are recognised in the income statement, except for those differences arising from monetary balances with foreign operations where settlement is not planned and unlikely to occur which are recorded in other comprehensive income.

2. Significant Accounting Policies (continued)

Financial Instruments

IFRS 9 contains a classification and measurement approach for financial assets and liabilities, that reflects the business model in which assets are managed.

Under IFRS 9 all financial instruments are initially measured at fair value plus or minus transaction costs, in the case of a financial asset or liability not at fair value through profit or loss. This requirement is consistent with IAS 39. Financial asset classification and measurement is an area where many changes have been introduced by IFRS 9. Consistent with IAS 39, the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be reclassified.

IFRS 9 contains three principal classification categories for financial assets, based on the business models under which they are held:

- Amortised cost: The Company classifies its financial assets at amortised cost only if both of the following criteria are met: the assets are held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Income from these financial assets is included in finance income using the effective interest rate method. The Company's assets measured at amortised cost include trade and other receivables and cash and cash equivalents.
- Fair value through other comprehensive income (FVTOCI): Assets that are held for collection of contractual cash flows and for future sales the financial assets, where the assets' cash flows represent solely payments of principal and interest and dividends, are measured at fair value through other comprehensive income.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss.

Impairment

As required by IFRS 9, the Company adopted an "expected credit loss model", as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each year end or half year end date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses are calculated as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive. Expected credit losses are the sum of all possible credit losses, weighted by their probability of occurrence.

The "12 month expected credit losses" approach is applied to all financial assets with the exception of trade receivables. For this asset, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, net of any allowance losses. The allowance loss measurement is determined by applying a simplified approach equalling the lifetime expected credit losses.

Under the simplified approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within administrative and general expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Equity capital stock

The company's capital comprises equity capital stock. Equity capital stock is measured based upon net proceeds.

2. Significant Accounting Policies (continued)

Share-based compensation

The fair value of options as of the date granted to employees is recognised on a straight-line basis as an employee expense, with a corresponding increase to equity over the vesting period. The fair value of the options granted is measured using the Black-Scholes-Merton option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Administrative and general expenses

Administrative and general expenses include professional fees and management service fees from related parties.

Taxes

The Company is incorporated in Bermuda, which is a non-taxable jurisdiction.

IFRS effective in the year ended December 31, 2021

All IFRS standards and amendments that became effective in the current year are not relevant to the Company or are not material with respect to the Company's financial statements.

IFRS not yet effective for the year ended December 31, 2021

At the date of authorization of these consolidated financial statements, the following standard relevant to the company was in issue but not yet effective:

In January 2020, the IASB issued a narrow-scope amendment to IAS 1 Presentation of Financial Statements, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also defines the "settlement" of a liability as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. The amendment will be effective for annual periods beginning on or after January 1, 2022 and should be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. Management anticipates that this amendment will not have a material impact on the company's financial statements. The impact of all other IFRS standards and amendments issued but not yet adopted is not expected to be material with respect to the Company's financial statements.

3. Administrative and General Expenses

USD in thousands	**2021**	2020
Professional fees	**425**	1,134
Management service fee	**2,838**	—
Other office expenses	**24**	132
	3,287	1,266

4. Finance Income and Expense

USD in thousands	**2021**	2020
Finance income from related parties	**1,607**	1,701
Interest on cash deposits with financial institutions	**7**	61
Finance expense to related parties - RCF	**(394)**	—
Other interest expenses	**(5)**	(7)
Finance interest with related parties - guarantee	**(459)**	(624)
Capitalised interest	**459**	624
	1,215	1,755

The finance income from related parties for the years ended December 31, 2021 and 2020 related to the related party loan with Stolt-Nielsen Gas B.V.

The finance expense to related parties - RCF for the year ended December 31, 2021 related to RCF interest and commitment fee payable to SNL, Golar and Höegh.

4. Finance Income and Expense (continued)

The finance interest with related parties - guarantee for the year ended December 31, 2021 and 2020 related to the newbuilding guarantee agreement with SN LNG, Golar and Höegh. The interest rate on the related party loan was 1% of outstanding commitments. See note 10.

5. Cash and Cash Equivalents

USD in thousands	2021	2020
Cash and cash equivalents	**35,073**	5,592

Cash and cash equivalents comprise cash and short-term time deposits held by the Company.

6. Property, Plant and Equipment and Newbuildings Deposits

USD in thousands	Construction in Progress
Balance at January 1, 2020	608
Additions	565
Balance at December 31, 2020	**1,173**
Additions	1,227
Transferred to subsidiaries	(2,400)
Balance at December 31, 2021	—

In October 2021, the Group has undertaken a group restructuring wherein the shipbuilding contracts held by the Company were novated to group subsidiaries.

The Newbuilding deposits were $nil and $23.5 million as at December 31, 2021 and 2020, respectively. The Newbuilding deposits represent the scheduled payments made to the shipyards for the newbuildings being built by Sinopacific Offshore Engineering.

7. Investment in Subsidiaries

The Company holds the following direct investments:

USD in thousands	Stolt-Nielsen Gas BV	Avenir (L) Pte. Ltd*	Avenir LNG M.S. Limited	Avenir LNG (UK) Limited	Total
Direct investments:					
Balance at January 1, 2020	23,138	—	356	—	23,494
Additions	—	—	74	—	74
Balance at December 31, 2020	23,138	—	430	—	23,568
Additions	—	—	24	132,904	132,928
Transferred	(23,138)	—	—	23,138	—
Balance at December 31, 2021	—	—	**454**	**156,042**	**156,496**

In October 2021, the Group undertook a restructuring wherein the Company's certain intercompany loans and investments were novated and converted into equity of a directly owned subsidiary.

*The Company's investment in Avenit (L) Pte.Ltd was $100 as at December 31, 2021 and 2020.

8. Investment in Joint Venture

In December 2019, the Company contributed $9,800 for 49% ownership in Future Horizon (L) Pte. Ltd., a joint venture with MISC Berhad. The joint venture entered into a three-year time charter with Petronas, upon delivery of the Company's first vessel in October 2020. Equity method accounting is applied to this joint venture. For the year ended December 31, 2021, there is no material movement in the joint venture.

9. Trade and Other Payables

USD in thousands	2021	2020
Trade payables	**2,769**	3,915
Accruals	**141**	93
Total	**2,910**	4,008

10. Related Party Transactions

Board of Directors and Key Management Compensation

The Company has no employees as all services are performed by employees of its subsidiaries. Board Members did not charge any costs for the years ended December 31, 2021 and 2020. The Board of Directors consists of 4 members for both years.

Transactions with SNL, Golar and Höegh

USD in thousands	2021	2020
Site team services costs - capitalised to newbuildings/recharged to subsidiaries	**1,206**	392
Support services	**48**	124
Finance expense - capitalised to newbuildings/recharged to subsidiaries	**459**	624
Finance expense - RCF interest and commitment	**382**	—

The Company has entered into two service agreements with subsidiaries of SNL for (a) newbuilding site team services for the Company and its subsidiary, SN Gas BV and (b) accounting, finance, treasury and other support services.

SN LNG, Golar and Höegh have agreed to guarantee the outstanding newbuilding commitments with the shipyards for a 1% commitment fee.

In 2021, SNL, Golar and Höegh have agreed to guarantee the financed amount for one of its vessels from the secured term loan facility that the Group entered into in 2021 for a 1% guarantee fee.

Revolving Credit Facility

During 2021, the group entered into a revolving credit facility agreement with SNL, Golar and Höegh for $21.0 million for one year. The facility bears a fixed interest rate of 5.0% per annum and a commitment fee on undrawn amount at 2.0% per annum.

As at December 31, 2021, the Group has drawn down an amount of $10.6 million from this facility.

Management service fee

During 2021, the Company received management services from one subsidiary and was charged $2.8 million management service fee (2020: $nil).

10. Related Party Transactions (continued)

Amounts due from Group Undertakings

USD in thousands	2021	2020
Stolt-Nielsen Gas B.V.	**9,689**	83,743
Avenir Supply & Trading Limited	**3,449**	—
Avenir Accolade Limited	**579**	—
Avenir Aspiration Limited	**1,375**	—
Avenir Ascension Limited	**24**	—
Avenir Achievement Limited	**1,314**	—
Avenir LNG M.S. Limited	**13,528**	7,656
Avenir (L) Pte. Ltd	**626**	567
Total	**30,584**	91,966

The 2020 balance with SN GAS BV related to two long-term related party receivables used to fund the Higas terminal construction and ship newbuilding contracts. In October 2021, the Company novated these long-term related party loans and subsequently converted these balances to equity.

The rest of the amounts due from group undertakings are unsecured, interest free and repayable on demand.

Amounts due to Related Parties

USD in thousands	2021	2020
Stolt-Nielsen Group	**1,313**	1,734
Golar	**1,448**	980
Höegh	**1,327**	975
Group undertakings	**33,617**	—
Total	**37,705**	3,689

Borrowings from Related Parties

USD in thousands	2021
Borrowings from SNL, Golar and Höegh	
Borrowings	**10,607**
Interest charged	**358**
Commitment fees charged	**36**
End of year	**11,001**

Warrants

Concurrent with the Framework and Shareholders Agreement, the Company issued warrants to SNL for the right to acquire up to 14,560,000 shares for $1/share (the "Warrants"). The Warrants shall be exercisable in tranches of 25% of the total number of Warrants when the price of Avenir's shares have been traded on the Norwegian OTC for 20 successive days at a price which is 25%, 50%, 75% and 100% above the first equity offering price of $1/share. The expiration date is October 1, 2023. No warrants have been exercised.

11. Financial Risk Factors

Risk management is carried out by the Avenir Group Finance team under policies approved by the Avenir Board of Directors. Avenir Group Finance team identifies, evaluates and hedges financial risks in close co- operation with the Company. The Board provides written principles for overall risk management, as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

11. Financial Risk Factors (continued)

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

Concentration of Credit Risk

Receivables are from subsidiaries of the Company or from related parties. The maximum exposure to credit risk is the related party receivable balance of $30.6 million for the year ended December 31, 2021 (2020: $92.0 million).

Fair Value of Financial Instruments

The following estimated fair value amounts of financial instruments have been determined by the Company, 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:

USD in thousands	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	**35,073**	**35,073**	5,592	5,592
Other Receivables	**18**	**18**	—	—
Related party receivable	**30,584**	**30,584**	55,569	55,569
Long-term related party receivable	—	—	36,406	36,406
Financial Liabilities:				
Trade and other payables	**2,910**	**2,910**	4,008	4,008
Related party payable balances	**48,706**	**48,706**	3,689	3,689

The carrying amounts of cash and cash equivalents, other receivables, trade and other payables and related party balances are reasonable estimates of their fair values, due to the short maturity thereof.

The cash and cash equivalents meet Level 1 classification. There were no financial instruments in Level 3 and no transfers between Levels 1, 2 or 3 during the periods presented. The definitions of the levels provided by IFRS 13 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

11. Financial Risk Factors (continued)

Maturity of Financial Liabilities

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2021				
Contractual obligations:				
Trade and other payables	2,910	—	—	2,910
Related party payable balances	48,706	—	—	48,706
Total contractual obligations	**51,616**	—	—	**51,616**

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2020				
Contractual obligations:				
Trade and other payables	4,008	—	—	4,008
Related party payable balances	3,689	—	—	3,689
Total contractual obligations	**7,697**	—	—	**7,697**

12. Commitments and Contingencies

Newbuilding contracts

In 2019, the Company entered into newbuilding contracts for the construction of two 7,500 cbm LNG carriers for a total cost of approximately $78.3 million. The first vessel was delivered in October 2021 and the second vessel was delivered in January 2022. As of December 31, 2021, $27.6 million remains to be paid in respect of the second vessel by one of its subsidiaries following the novation of the ship building contract.

13. Capital management

The Group manages capital by safeguarding their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

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

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

(b) The realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In consideration of the above, the Company has not proposed a dividend distribution in 2021(2020: $nil).

14. Share Capital

The Group's authorised share capital consists of 500 million common shares as of December 31, 2021 and 2020. There were 182.0 million and 147.5 million shares issued, outstanding and fully paid as of December 31, 2021 and 2020, respectively. During the year ended December 31, 2021, the Group issued a further 34.5 million shares at $1 per share in several tranches.

	Common Shares, par value $1 per share
Balance at January 1, 2021	**147,500,000**
Issuance of shares	34,500,000
Balance at December 31, 2021	**182,000,000**

15. Share Options

The Company's Board of Directors approved the Avenir LNG Limited Share Option Plan 2018 in October 2018. Options are to be granted in consideration of services to the Company and its subsidiaries.

In USD except share data	Shares	2021 Weighted Average Exercise Price	Shares	2020 Weighted Average Exercise Price
For the years ended December 31,				
Common share options				
Outstanding at beginning of year	**1,070,000**	**1.04**	2,120,000	1.10
Issued	**225,000**	**1.00**	100,000	1.46
Forfeiture	**(350,000**	**1.00**	(1,150,000)	1.18
Outstanding at end of year	**945,000**	**1.05**	1,070,000	1.04
Exercisable at end of year	**595,000**	**1.02**	520,000	1.00

	2021	2020
Weighted average fair value per share of options granted (in USD)	**0.31**	1.33
Risk-free rate	**0.36%**	2.12%
Volatility	**67.48%**	52.06%

The volatility was measured based on the share price development of four companies within the LNG industry for the last ten years.
Share-based compensation expense has been recorded in Avenir LNG M.S. Limited for $24 thousands and $0.1 million for the years ended December 31, 2021 and 2020, respectively. The Company has recorded a corresponding increase in its Investment in Avenir LNG M.S. Limited.

16. Subsequent events

There were no material events subsequent to December 31, 2021 and up until the approval of the Company's financial statements.

Responsibility Statement

We confirm, to the best of our knowledge, that the consolidated Group and Company financial statements for the year ended December 31, 2021 have been prepared in accordance with IFRS and gives a true and fair view of the Group and Company's assets, liabilities, financial position and loss as a whole. In preparing these financial statements, we are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group. We are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. We highlight that legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Financial Statements on pages 1 to 44 were approved and signed on behalf of the Board of Directors.

Bermuda
April 27, 2022

Signed for and on behalf of the Board of Directors

N.G. Stolt-Nielsen

Niels G. Stolt-Nielsen
Director

Independent auditors' report to the members of Avenir LNG Limited

Report on the audit of the financial statements

Opinion

In our opinion, Avenir LNG Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit, the company's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Consolidated Financial Statements (the "Annual Report"), which comprise: The consolidated and company Balance Sheets as at 31 December 2021; the consolidated Income Statement, the consolidated and company Statement of Comprehensive Income, the consolidated and company Statements of Cash Flows and the consolidated and company Statements of Changes in Equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Responsibility Statement set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to a potential failure to comply with applicable bribery and anti-corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed included:

- Reviewing minutes of meetings of those charged with governance.
- Discussions with the Chief Financial Officer and General Counsel, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud.
- Challenging assumptions and judgements made by management in connection with significant accounting estimates.
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
28 April 2022

(a) The maintenance and integrity of the Avenir LNG Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.