



AVANCE GAS HOLDING LTD

CONSOLIDATED FINANCIAL STATEMENTS

As of November 30, 2013

AVANCE GAS HOLDING LTD
TABLE OF CONTENTS AND PURPOSE

Consolidated Income Statement for the years ended November 30, 2013 and 2012	3
Consolidated Statement of Comprehensive Income (Loss) for the years ended November 30, 2013 and 2012	4
Consolidated Balance Sheet as of November 30, 2013 and 2012	5
Consolidated Statement of Shareholders' Equity for the years ended November 30, 2013 and 2012	6
Consolidated Statement of Cash Flows for the years ended November 30, 2013 and 2012	7
Notes to the Consolidated Financial Statements	8
Responsibility Statement	26
Independent Auditors' Report to the Directors of Avance Gas Holding Ltd	27

AVANCE GAS HOLDING LTD
CONSOLIDATED INCOME STATEMENT

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Operating Revenue (Note 17)	\$ 115,000	\$ 97,559
Operating Expenses (Note 18)	(87,702)	(84,135)
Gross Profit	27,298	13,424
Administrative and general expenses (Note 19)	(4,125)	(3,749)
Operating Profit	23,173	9,675
Non-Operating Income (Expenses):		
Finance expense (Note 20)	(12,623)	(9,918)
Finance income	25	—
Loss on early extinguishment of debt (Note 20)	(1,205)	—
Other non-operating income	1,881	—
Foreign currency exchange gain	251	49
Profit (Loss) before Income Tax	11,502	(194)
Income tax expense (Note 21)	—	(88)
Net Profit (Loss)	\$ 11,502	\$ (282)
Earnings per Share:		
Net profit (loss)		
Basic	\$ 0.73	\$ (0.02)
Diluted	\$ 0.73	\$ (0.02)

Notes 1 to 24 are integral part of these consolidated financial statements.

AVANCE GAS HOLDING LTD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	<u>For the Years Ended November 30,</u>	
	<u>2013</u>	<u>2012</u>
	(in thousands)	
Net profit (loss)	\$ <u>11,502</u>	\$ <u>(282)</u>
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(50)</u>	<u>(37)</u>
Other comprehensive loss	<u>(50)</u>	<u>(37)</u>
Total comprehensive income (loss)	\$ <u>11,452</u>	\$ <u>(319)</u>

Notes 1 to 24 are integral part of these consolidated financial statements.

AVANCE GAS HOLDING LTD
CONSOLIDATED BALANCE SHEET

	As of November 30,	
	2013	2012
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 199,883	\$ 30,232
Restricted cash (Note 3)	10,798	9,082
Receivables (Note 4)	4,213	4,875
Related party receivable balances (Note 11)	450	1,771
Prepaid expenses (Note 5)	7,737	10,339
Other current assets	1,119	306
Total Current Assets	224,200	56,605
Property, plant and equipment (Note 6)	378,711	529,160
Goodwill (Notes 2 and 6)	1,886	1,886
Total Non-current Assets	380,597	531,046
Total Assets	\$ 604,797	\$ 587,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 9)	\$ 69,218	\$ 310,939
Accounts payable (Note 8)	1,952	3,336
Related party payable balances (Note 11)	399	1,214
Accrued voyage expenses	2,095	2,983
Accrued expenses	3,787	1,262
Put option liability	—	54,822
Other current liabilities	1,237	2,244
Total Current Liabilities	78,688	376,800
Long-term debt (Note 9)	133,744	—
Shareholder loans (Note 10)	—	98,646
Total Non-current Liabilities	133,744	98,646
Shareholders' Equity		
Common shares (Note 13)	30,384	15,000
Paid-in surplus	354,781	156,279
Put option (Note 7)	—	(54,822)
Paid-in surplus (Note 13)	354,781	101,457
Retained earnings (deficit)	7,303	(4,199)
Other components of equity	(103)	(53)
Total Shareholders' Equity	392,365	112,205
Total Liabilities and Shareholders' Equity	\$ 604,797	\$ 587,651

Notes 1 to 24 are integral part of these consolidated financial statements.

AVANCE GAS HOLDING LTD
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Common Shares</u>	<u>Paid-in Surplus</u>	<u>Retained Earnings (Deficit)</u> (in thousands)	<u>Foreign Currency Reserve ^(a)</u>	<u>Total</u>
Balance, November 30, 2011	\$ 10,000	\$ 106,087	\$ (3,917)	\$ (16)	\$ 112,154
Comprehensive loss:					
Net loss	—	—	(282)	—	(282)
Other comprehensive loss:					
Translation adjustments, net	—	—	—	(37)	(37)
Total other comprehensive loss	—	—	—	(37)	(37)
Total comprehensive loss	—	—	(282)	(37)	(319)
Transactions with shareholders:					
Issuance of shares	5,000	50,192	—	—	55,192
Put option	—	(54,822)	—	—	(54,822)
Total transactions with shareholders	5,000	(4,630)	—	—	370
Balance, November 30, 2012	\$ 15,000	\$ 101,457	\$ (4,199)	\$ (53)	\$ 112,205
Comprehensive income:					
Net profit	—	—	11,502	—	11,502
Other comprehensive loss:					
Translation adjustments, net	—	—	—	(50)	(50)
Total other comprehensive loss	—	—	—	(50)	(50)
Total comprehensive income (loss)	—	—	11,502	(50)	11,452
Transactions with shareholders:					
Issuance of 11,883 shares	11,883	156,628	—	—	168,511
Conversion of shareholders' loans (Note 13)	8,501	91,645	—	—	100,146
Compensation expense for share options (Note 15)	—	51	—	—	51
Exercise of put option (Note 7)	(5,000)	5,000	—	—	—
Total transactions with shareholders	15,384	253,324	—	—	268,708
Balance, November 30, 2013	\$ 30,384	\$ 354,781	\$ 7,303	\$ (103)	\$ 392,365

(a) Other components of equity on the balance sheet of \$103,000 and \$53,000 at November 30, 2013 and 2012, respectively, are composed of the foreign currency reserve.

Notes 1 to 24 are integral part of these consolidated financial statements.

AVANCE GAS HOLDING LTD
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Cash generated from operations (Note 22)	\$ 48,750	\$ 22,130
Interest paid	(12,790)	(7,566)
Debt issuance costs	(260)	(2,493)
Income taxes paid	—	(28)
Net cash generated by operating activities	<u>35,700</u>	<u>12,043</u>
Cash flows used in investing activities:		
Capital expenditures (Note 6)	(6,124)	(234,077)
Sale of assets (Note 7)	132,880	—
Net cash provided by (used in) investing activities	<u>126,756</u>	<u>(234,077)</u>
Cash flows from financing activities:		
Issuance of long-term debt (Note 9)	—	157,600
Repayment of long-term debt (Note 9)	(109,833)	(14,584)
Issuance of shareholders' loan (Note 10)	64,879	83,882
Repayment of shareholders' loans (Note 10)	(63,379)	—
Issuance of shares (Note 13)	168,511	—
Repurchase of shares (Note 13)	(52,941)	—
Net cash from financing activities	<u>7,237</u>	<u>226,898</u>
Effect of exchange rate changes on cash	(42)	(42)
Net increase in cash and cash equivalents	<u>169,651</u>	<u>4,822</u>
Cash and cash equivalents at beginning of period	<u>30,232</u>	<u>25,410</u>
Cash and cash equivalents at end of period	<u>\$ 199,883</u>	<u>\$ 30,232</u>

Notes 1 to 24 are integral part of these consolidated financial statements.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income (loss), consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated statement of cash flow, and the basis of preparation, accounting policies and related notes of Avance Gas Holding Ltd (the "Company" or "AGHL"), a Bermuda company and its subsidiaries (collectively, the "Group").

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

The Group is engaged in the transportation of Liquefied Petroleum Gas ("LPG").

The Company was incorporated on January 29, 2010 by Stolt-Nielsen Gas Ltd. ("SNGL") and purchased the shares of Avance Gas Ltd on November 24, 2010 from Stolt-Nielsen Limited ("SNL") for \$56.7 million plus working capital contributions of \$1.4 million. Avance Gas Ltd was engaged in the transportation of LPG through the use of two Very Large Gas Carriers ("VLGC") and one medium sized gas carrier. The acquisition of Avance Gas Ltd was accounted for as a business combination, resulting in the recognition of property, plant and equipment, working capital balances and goodwill.

On December 2, 2010, AGHL acquired three ships owned by Sungas Holdings Ltd ("Sungas") for \$211.4 million plus working capital contributions of \$1.4 million. As the ships had associated charter contracts and ship management contracts, these acquisitions were also accounted for as a business combination. The consideration was paid partly in cash and partly in shares. AGHL issued to Sungas common shares worth \$58.1 million for a 50% ownership in AGHL.

On July 3, 2012, AGHL acquired two VLGC (the "Transpetrol Ships") from Transpetrol Shipping Limited ("Transpetrol") for a consideration of 5 million shares (equal to one-third of shares outstanding after such issuance) plus a cash consideration. The share purchase resulted in Transpetrol becoming an equal shareholder with SNGL and Sungas. As discussed further in Note 7 below, Transpetrol repurchased the Transpetrol Ships and AGHL repurchased Transpetrol's 5.0 million shares on August 19, 2013.

On August 22, 2013, AGHL announced that an agreement had been entered into with Frontline 2012 Ltd. ("Frontline 2012") whereby Frontline 2012 would become a shareholder of AGHL along with SNGL and Sungas. The transaction was finalized on October 2, 2013 with Frontline 2012 acquiring 37.5% of AGHL for \$70.7 million in a new share issuance by AGHL.

On October 16, 2013, SNGL, Sungas and Frontline 2012 each converted \$33.4 million of shareholder loans to AGHL into equity, each receiving 2.8 million shares of AGHL stock at a price of \$11.78 per share.

On October 17, 2013, Frontline 2012 distributed 12.5% of the shares in a dividend to its shareholders, retaining a share in AGHL of 25%. On the same day, the AGHL shares were registered with the Norwegian Over-the-Counter ("N-OTC") registry and began trading.

On November 19, 2013, AGHL completed the subscription of a private placement of 5.9 million new shares at a price of \$17.00 per share, representing approximately \$100 million in proceeds, prior to issuance and other costs of \$2.1 million.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

On November 19, 2013, AGHL agreed terms to purchase Frontline 2012's eight 83,000 cbm VLGC newbuildings. The agreed purchase price is \$75.0 million per ship or \$600.0 million. AGHL paid \$139.2 million of the purchase price on January 31, 2014, with the balance of \$460.8 million (\$57.6 million per ship) to be paid upon delivery. Delivery of the first ship is scheduled for October 2014, with the subsequent seven ships coming at two to three month intervals thereafter.

On March 25, 2014, a loan agreement was entered to finance \$200.0 million of the capital commitments for four of the eight newbuildings (see further details provided in Note 24). The remaining \$30.4 million relating to those four ships will be funded using equity and cash generated from operations. Negotiations are in the advanced stages to obtain a further \$200.0 million of debt financing on the remaining four newbuildings which are expected to be delivered from March 2015 onwards. Management is confident

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

that financing will be secured in the foreseeable future for the remaining four ships, prior to such time as the commitments fall due on the delivery of each ship.

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

2. Significant Accounting Policies

Critical Accounting Estimates and Judgements

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

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

Carrying value of ships

The Group records the value of the ships at cost less accumulated depreciation and any impairment charges. The group owned six ships as at November 30, 2013. *Avance Gas* was acquired from SNL in a business combination and therefore the cost upon initial recognition was the ship's market value at the acquisition date.

The *Iris Glory*, *Thetis Glory* and *Venus Glory* were acquired from Sungas as part of a business combination and therefore the cost upon initial recognition was the ships' market values at the acquisition date.

The *Promise* and *Providence*, were acquired for cash. As these ships were acquired without any associated contracts, this was accounted for as an asset acquisition.

The market value of the first four ships was estimated with reference to newbuild prices for similar specification VLGCs less accumulated depreciation. Accumulated depreciation was estimated for each ship based upon the ship's age, using a useful economic life of 25 years and a residual value of approximately \$7.0 million.

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

The Group tests its fleet of ships for impairment on a fleet basis as that is the lowest level in which the cash flows are independent of other cash-generating units. No impairment of the fleet has been recognised in these consolidated financial statements.

Judgement or uncertainty

The carrying values of the ship may not represent their fair market value at any point in time since the market prices of second-hand ships tend to fluctuate with changes in freight rates and the cost of new buildings. Both charter rates and new building costs tend to be cyclical in nature.

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

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Effect if actual results differ from assumptions

If actual results are not consistent with the estimates and assumptions used in estimating future cash flows and asset fair values while evaluating impairment, then the Group may be exposed to future losses that could be material.

Impairment tests have been carried out in 2013. Given the volatility in the LPG market, the Company assessed impairment with reference to externally obtained broker valuations and other evidence available. No impairment was required for the AGHL fleet.

As further discussed in Note 6, a reasonably possible deterioration in the expected future rates or volumes in the LPG market would not result in a material impairment being required.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 and balances are eliminated in full on consolidation.

Business combinations

Business combinations are accounted for using the purchase accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Operating segments

The Group only operates in the LPG segment as described in Note 1. All but an immaterial amount of freight revenue was generated in the Middle East for the years ended November 30, 2013 and 2012, when based on the region in which the cargo is loaded. For time charter revenue, while the Group is aware that the chartered ships have docked in geographic regions other than the Middle East, such as the US Gulf, the Group is unaware of the geographic location from which the ships generated their revenue.

Non-current assets by country are not reportable for the Group as the VLGCs operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not necessary to allocate the assets of these operations to specific countries. The total non-current assets of the Group amounted to \$380.6 million and consisted of property, plant and equipment and goodwill.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, which are subject to an insignificant risk of changes in value.

Restricted cash

Cash is considered to be restricted if it is required to be held separately for a specific purpose and not available for immediate use.

Accounts receivable and Accounts payable

Accounts receivable and accounts payable are initially valued at their fair value and subsequently at amortised cost. Accounts receivable are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use.

Generally, ships drydock every five years. After a ship is fifteen years old a shipping society classification intermediate survey is performed between the second and third year of the five-year drydocking period. The Group capitalises a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey based upon the estimated life of each component of the drydocking. The Group expenses costs related to routine repairs and maintenance incurred during drydocking that do not improve or extend the useful lives of the ships. If the drydock results in an extension of the life of a ship, then the estimated useful life of the ship is changed accordingly.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

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.

Impairment of tangible assets

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.

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

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

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

Interest-bearing 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.

Put option arrangements

The potential cash payments related to put options issued by the Group are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amount that may become payable under the option on exercise is initially recognised at the net present value of the redemption amount in Other current liabilities with a corresponding charge directly to Paid-in surplus.

Such options are subsequently remeasured with the corresponding change shown in Paid-in surplus.

Foreign currency

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.

Equity capital stock

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

Operating revenue

Freight revenue is recognised using the percentage of completion method, based on an estimate on a pro-rated day basis for the results of voyages in progress at the balance sheet date. Other revenue from services such as demurrage, is recognised when incurred. Time charter revenue is recognised on a straight-lined basis over the term of the time charter arrangement.

Expenses

(i) Operating expenses

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

(ii) Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and receivable are recognised in the income statement on a straight-line basis over the lease term as an integral part of the total lease expense.

(iii) Finance expenses

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

(iv) Share-based payments

The fair value at the grant date of options granted to employees is recognised as an employee expense, with a corresponding increase in equity over the vesting period. The fair value of the options is measured using the Black-Scholes-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.

New IFRSs and IFRSs issued but not yet effective at November 30, 2013

The significant accounting policies used in the preparation of these consolidated financial statements are given below. The accounting policies listed below have been updated for standards which became effective during the current year. These include:

IAS 12 (Amendment), Income Taxes, effective for periods beginning after January 1, 2012.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IAS 1 (Amendment), Presentation of Financial Statements, effective for periods beginning after July 1, 2012

The above did not have a material impact on the financial statements of the Group other than disclosure.

The following new or amendments to standards and interpretations have been issued and become effective in 2014 and beyond, assuming European Union adoption. The Group is evaluating the impact of these changes on the financial statements of the Group:

- IFRS 9, Financial Instruments, effective for periods beginning after January 1, 2017
- IFRS 10, Consolidated Financial Statements, effective for periods beginning after January 1, 2014
- IFRS 11, Joint Arrangements, effective for periods beginning after January 1, 2014
- IFRS 12, Disclosure of Involvement with other Entities, effective for periods beginning after January 1, 2014
- IFRS 13, Fair Value Measurement, effective for periods beginning after January 1, 2013
- IAS 19 (Amendment), Employee Benefits, effective for periods beginning after January 1, 2013
- IAS 27, Separate Financial Statements, effective for periods beginning after January 1, 2014
- IAS 28 (Amendment), Investment in Associates and Joint Ventures, effective for periods beginning after January 1, 2014
- IAS 32 (Amendment), Financial Instruments: Presentation, Amendments, effective for periods beginning after January 1, 2014
- IAS 36 (Amendment), Impairment of Assets, effective for periods beginning after January 1, 2014
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement, effective for periods beginning after January 1, 2014

3. Cash and Cash Equivalents

	As of November 30,	
	2013	2012
	(in thousands)	
Cash and cash equivalents	\$ <u>199,883</u>	\$ <u>30,232</u>
Restricted cash	<u>10,798</u>	<u>9,082</u>

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

At November 30, 2013 and 2012, respectively, \$10.8 million and \$9.1 million were recorded as restricted cash for debt service of the Group's long-term debt.

4. Receivables

	As of November 30,	
	2013	2012
	(in thousands)	
Customer trade receivables	\$ 2,538	\$ 1,594
Time charter receivable	714	311
Demurrage receivable	823	2,906
Insurance receivable	206	—
Other	<u>16</u>	<u>219</u>
	<u>4,297</u>	<u>5,030</u>
Allowance for doubtful accounts	<u>(84)</u>	<u>(155)</u>
	<u>\$ 4,213</u>	<u>\$ 4,875</u>

See Note 12 for an analysis of the credit risk of receivables.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Prepaid Expenses

	As of November 30,	
	2013	2012
	(in thousands)	
Voyage prepayments and bunker inventory	\$ 7,398	\$ 9,774
Prepaid time charter expenses	—	544
Ship management fees	295	—
Other	44	21
	\$ 7,737	\$ 10,339

6. Property, Plant and Equipment and Goodwill

	Ships	Furniture and Fixtures	Drydocking	Total
	(in thousands)			
Cost:				
Balance at December 1, 2011	\$ 268,463	\$ 37	\$ 212	\$ 268,712
Additions	286,448	6	2,027	288,481
Net foreign exchange differences	—	1	—	1
Balance at November 30, 2012	554,911	44	2,239	557,194
Additions	—	26	6,099	6,125
Sale of Transpetrol Ships	(139,171)	—	(733)	(139,904)
Net foreign exchange differences	—	(4)	—	(4)
Balance at November 30, 2013	\$ 415,740	\$ 66	\$ 7,605	\$ 423,411

	Ships	Furniture and Fixtures	Drydocking	Total
	(in thousands)			
Accumulated Depreciation:				
Balance at December 1, 2011	\$ 11,427	\$ 12	\$ 97	\$ 11,536
Depreciation expense	16,376	16	106	16,498
Balance at November 30, 2012	27,803	28	203	28,034
Depreciation expense	22,418	5	1,244	23,667
Sale of Transpetrol Ships	(6,998)	—	—	(6,998)
Net foreign exchange differences	—	(3)	—	(3)
Balance at November 30, 2013	43,223	30	1,447	44,700
Net Book Value:				
November 30, 2012	\$ 527,108	\$ 16	\$ 2,036	\$ 529,160
November 30, 2013	\$ 372,517	\$ 36	\$ 6,158	\$ 378,711

See Note 7 for further details related to the sale of the Transpetrol Ships.

On November 19, 2013, AGHL agreed terms to purchase Frontline 2012's eight 83,000 cbm VLGC newbuildings to be built at Jiangnan Shipyard, China. Delivery of the first ship is scheduled for October 2014, with the subsequent seven ships coming at two to three month intervals thereafter.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The agreed purchase price is \$75.0 million per ship or \$600.0 million delivered ex-yard. Avance paid \$139.2 million of the purchase price on January 31, 2014, with the balance to be paid upon delivery of each ship. Frontline 2012 will retain responsibility for newbuilding supervision until delivery.

Goodwill Impairment Testing

Goodwill was tested for impairment on an annual basis based upon the cash-generating unit which is considered to be the entire Group. The impairment test was based upon the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. The Group prepared a formal five year management plan which was used in the calculation. The five year plan was based upon historical experience, financial forecasts and expectations of industry trends and conditions. Assumptions in the model include freight rate per ton, growth in freight rate per ton, timing and quantum of future capital expenditures, expected waiting time, long-term growth rates and discount rates. Discount rate of 7.5% was based upon the Group's weighted average cost of capital, adjusted for the assets' risk profile.

An increase of 2% in the weighted average cost of capital used in the present value calculation would result in the decrease in the present value of the Group by approximately \$58.4 million which would not result in an impairment.

A decrease of freight rate per ton of 5% used in the present value calculation would result in the decrease in the present value of the Group by approximately \$21.4 million which would not result in an impairment.

7. Transpetrol Call and Put Options

On July 3, 2012, at the same time as Transpetrol purchased 33 1/3% ownership in AGHL and AGHL purchased the Transpetrol Ships, AGHL entered into a put and a call option with Transpetrol. Under the call option, Transpetrol could repurchase the Transpetrol Ships and at the same time trigger a put option requiring AGHL to repurchase the shares owned by Transpetrol. At July 3, 2012, AGHL recognised a liability and a reduction in paid-in surplus for the redemption value of the put option.

On July 3, 2013, Transpetrol exercised the above call and put options and withdrew from AGHL, effective August 19, 2013. This resulted in Transpetrol paying AGHL \$136.6 million for the Transpetrol Ships plus related inventory and financing costs. AGHL repurchased the shares owned by Transpetrol for \$52.9 million and repaid Transpetrol's shareholder loans and interest of \$33.6 million. A net amount of \$51.7 million was paid by Transpetrol at closing and a liability has been recorded for the net amount owed. The value of the shares being repurchased is in the process of being finalised (see Note 23). At the same time, AGHL repaid \$85.3 million in full repayment on a term loan which had been secured by the Transpetrol Ships and SNGL and Sungas provided an additional \$15.0 million each of shareholder loans. As a result of the exercise of the put option, a gain of \$1.9 million was recorded in Non-operating income for the difference between the original liability recorded and the amount for which AGHL repurchased the shares.

8. Accounts Payable

	As of November 30,	
	2013	2012
	(in thousands)	
Trade payables	\$ 1,836	\$ 3,275
Other	116	61
	\$ 1,952	\$ 3,336

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Long-term Debt

Long-term debt at November 30, 2013 and 2012 consisted of the following:

	As of November 30,	
	2013	2012
	(in thousands)	
Ship variable rate mortgages	\$ 202,962	\$ 310,939
Less: Current portion of long-term debt	(69,218)	(310,939)
Long-term debt	\$ 133,744	\$ —

On August 8, 2012, AGHL entered into and drew down on a secured term loan for \$64 million. The loan was secured on the two ships purchased from Maran Gas Maritime Inc. The interest on the loans is based on LIBOR plus a margin and ranged from 3.90% to 4.01% for the year ended November 30, 2013 and averaged 3.94% for the period. It was 3.95% to 4.01% from the period from August 8, 2012 to November 30, 2012 and averaged 3.98% for the period. The loan will be repaid in 8 quarterly instalments, with a balloon payment totalling \$52.4 million on July 31, 2014. The Group is in the process of refinancing the loan.

On July 3, 2012, the Group obtained financing for \$93.6 million which was used to acquire the two VLGCs from Transpetrol. As discussed in Note 7 above, on August 19, 2013, the Group fully repaid the loan when the Transpetrol Ships were sold. The interest ranged from 3.78% to 3.86% for the period from December 1, 2012 to August 19, 2013 and averaged 3.80% for the period. Interest ranged from 3.86% to 3.96% from the period from July 3, 2012 to November 30, 2012 and averaged 3.91% for the period. Unamortised debt issuance costs of \$1.2 million remaining on the loan were expensed upon the early extinguishment of the debt.

On June 24, 2011, AGHL completed a secured term loan and drew down the full amount of \$175.0 million on July 6, 2011 for which \$35.0 million was refinanced on July 3, 2012. The interest rate on this facility is based on LIBOR plus a margin and ranged from 3.15% to 3.26% and 3.26% to 3.48% for the years ended November 30, 2013 and 2012, respectively, and averaged 3.19% and 3.37% for 2013 and 2012, respectively. The loan will be repaid in 20 quarterly instalments, with a balloon payment along with the 20th instalment totalling \$90.0 million on June 30, 2016.

The margin on the \$35.0 million loan ranged from 3.75% to 3.86% and 3.26% to 3.48% for the years ended November 30, 2013 and 2012, respectively, and averaged 3.83% and 3.37% for 2013 and 2012, respectively. The loan will be repaid in 20 quarterly instalments, with a balloon payment along with the 20th instalment totalling \$23.1 million on June 30, 2016.

The term loans contain various financial covenants, which, if not complied with, could result in the acceleration of repayment of amounts due. Financial covenants include requiring the Group to have Shareholders' equity to Assets greater than 30% and Earnings before interest, depreciation and taxes plus excess cash of greater than 110% of debt service for four full quarters.

As of November 30, 2013, the Group was in compliance with its financial covenants. As of November 30, 2012, the Group was not in compliance with its financial covenants as the ratio of its Shareholders equity to Assets was less than 30% as a result of reducing paid-in surplus for the redemption value of the put option. Therefore, all long-term debt was shown as current in the 2012 financial statements.

The debt is collateralised by mortgages on all of the Group's ships with a net carrying value of \$372.5 million as of November 30, 2013.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Shareholders' Loans

On May 29, 2013, \$1.5 million was loaned to AGHL by the shareholders and as discussed in Note 7 an additional \$30.0 million of shareholder loans were provided by SNGL and Sungas to partially repay Transpetrol for its shareholder loan on August 19, 2013. The \$30.0 million was repaid when Frontline 2012 loaned AGHL \$33.4 million upon acquiring 37.5% of AGHL on October 2, 2013.

On October 16, 2013, SNGL, Sungas and Frontline 2012 agreed to convert each of their shareholder loans outstanding to equity at \$11.78 per share. AGHL issued 2.8 million shares to each shareholder.

Interest paid to the shareholders was \$2.0 million and \$0.6 million for the years ended November 30, 2013 and 2012, respectively.

11. Related Party Transactions

The Group entered into a service agreement with SNGL for office support services and procurement of a CEO for AGHL for the year end November 30, 2013 and 2012. In addition, for the year ended November 30, 2012, SNGL provided technical management and crewing services and operating services (see Note 18). A subsidiary of SNL provided insurance coverage to the Group for which the expenses were \$0.6 million and \$0.4 million for the years ended November 30, 2013 and 2012, respectively.

See Note 7 and Note 10 for discussion of the Shareholder loans and equity transactions, Note 6 for details on acquisition of newbuildings from Frontline 2012 and Note 1 for discussion of the set-up on the inception of the Group.

Board of Directors and Key Management Compensation

Key management consists of the Chief Executive Officer of the Group. Total compensation and benefits of the Key Management were as follows:

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Salary and benefits	\$ 498	\$ 541
Profit sharing	88	20
Long-term incentives	—	69
Pension cost	61	124
Total compensation and benefits	\$ 647	\$ 754

Board fees of \$55,890 and \$50,000 were accrued to the Board Members for the years ended November 30, 2013 and 2012, respectively. At the end of 2013 and 2012 the Board of Directors consisted of 6 members.

Accounts Receivable from related parties

	As of November 30,	
	2013	2012
	(in thousands)	
Stolt-Nielsen Gas Ltd	\$ 89	\$ 876
Transpetrol	—	639
Stolt-Nielsen A.S.	347	241
Stolt-Nielsen Australia Pacific	14	14
Stolt-Nielsen USA Inc.	—	1
Total	\$ 450	\$ 1,771

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounts Payable to related parties

	As of November 30,	
	2013	2012
	(in thousands)	
Stolt-Nielsen M.S. Ltd	\$ 269	\$ 1,044
Sungas	—	150
Stolt-Nielsen Japan Co., Ltd	—	8
Marlowe	118	—
Stolt-Nielsen M.S. Ltd (UK)	2	2
Stolt-Tankers B.V.	10	10
Total	\$ 399	\$ 1,214

12. Financial Risk Factors

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's activities 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.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables, accounts payable, accrued expenses and shareholder loans are a reasonable estimate of their fair value, due to the short maturity thereof.

Concentration of Credit Risk

Trade receivables are from customers of the Group's business. The Group extends credit to its customers in the normal course of business. The maximum exposure to credit risk is the Accounts Receivable balance of \$4.2 million and \$4.9 million for the years ended November 30, 2013 and 2012, respectively. The Group regularly reviews its accounts receivable 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 accounts receivable reports. The majority of trade receivables are in U.S. dollars.

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

<u>November 30, 2013</u>	Not Impaired		Impaired	
	(in thousands)			
Up to 30 days past due	\$ —	\$ —	—	—
31 to 60 days past due	93	—	—	—
61 to 90 days past due	—	—	—	—
Greater than 91 days past due	29	—	84	—
	\$ 122	\$ —	\$ 84	\$ —

<u>November 30, 2012</u>	Not Impaired		Impaired	
	(in thousands)			
Up to 30 days past due	\$ 271	\$ —	—	—
31 to 60 days past due	49	—	—	—
61 to 90 days past due	1,980	—	—	—
Greater than 91 days past due	626	—	155	—
	\$ 2,926	\$ —	\$ 155	\$ —

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Excluded from the above are \$4.0 million and \$1.9 million of accounts receivable that were not past due as of November 30, 2013 and 2012, respectively.

No collateral is held on impaired accounts receivable.

The allowance for doubtful accounts changed as follows:

	As of November 30,	
	2013	2012
	(in thousands)	
Beginning of the period	\$ 155	\$ —
Charged against revenue	(71)	155
	\$ 84	\$ 155

Financial Risk Factors

Risk management is carried out by the SNL central treasury department under policies approved by the Board of Directors. SNL treasury identifies, evaluates and hedges financial risks in close co-operation with the Group. 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.

Fair Value of Financial Instruments

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

	As of November 30, 2013		As of November 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial Assets:				
Cash and cash equivalents	\$ 199,883	\$ 199,883	\$ 30,232	\$ 30,232
Restricted cash	10,798	10,798	9,082	9,082
Receivables	4,213	4,213	4,875	4,875
Related party receivable balances	450	450	1,771	1,771
Financial Liabilities:				
Accounts payables	1,952	1,952	3,336	3,336
Related party payable balances	399	399	1,214	1,214
Accrued expenses and accrued voyage expenses	5,882	5,882	4,245	4,245
Put option liability	—	—	54,822	54,822
Long-term debt including current maturities	205,056	205,056	314,894	314,894

The carrying amount of cash and cash equivalents, receivables, accounts payable, accrued expenses and put option liabilities are a reasonable estimate of their fair value, due to the short maturity thereof. The estimated value of the Group's long-term debt equals its carrying value as of November 30, 2013 and 2012 as it is variable-rated. Long-term debt in the table above excludes debt issuance costs of \$2.1 million and \$4.0 million for the year ended November 30, 2013 and 2012, respectively.

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

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maturity of Financial Liabilities

For the Year Ended November 30, 2013	Less than 1 yr	2-3 yrs	4-5 yrs	Total
	(in thousands)			
Contractual obligations:				
Accounts payable	\$ 1,952	\$ —	\$ —	\$ 1,952
Related party payable balances	399	—	—	399
Accrued expenses and accrued voyage expenses	5,882	—	—	5,882
Long-term debt	70,681	134,375	—	205,056
Interest on long-term debt	6,115	6,507	—	12,622
Total contractual obligations	\$ 85,029	\$ 140,882	\$ —	\$ 225,911

For the Year Ended November 30, 2012	Less than 1 yr	2-3 yrs	4-5 yrs	Total
	(in thousands)			
Contractual obligations:				
Accounts payable	\$ 3,336	\$ —	\$ —	\$ 3,336
Related party payable balances	1,214	—	—	1,214
Accrued expenses and accrued voyage expenses	4,245	—	—	4,245
Put option liability	54,822	—	—	54,822
Long-term debt	314,894	—	—	314,894
Interest on long-term debt	10,695	16,940	3,979	31,614
Total contractual obligations	\$ 389,206	\$ 16,940	\$ 3,979	\$ 410,125

Long-term debt subsequent to waiver

	26,651	99,848	188,395	314,894
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Long-term debt in the table above excludes debt issuance costs of \$2.1 million and \$4.0 million for the year ended November 30, 2013 and 2012, respectively.

Fair Value Estimation

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

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

The Group's option liability of \$54.8 million as of November 30, 2012 was measured using inputs that are not based on observable market data (level 3).

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Capital Shares and Paid in Surplus

	Common shares
Balance at December 1, 2011	10,000
Transpetrol acquisition of shares	5,000
	15,000
Balance at November 30, 2012	
Reacquisition of Transpetrol shares	(5,000)
Frontline 2012 purchase of shares	6,000
Conversion of shareholder loans	8,501
Sale of shares in Private Placement	5,883
Balance at November 30, 2013	30,384

The Group's authorised share capital consists of 200.0 million and 15.0 million Common shares, par value of \$1 per share as of November 30, 2013 and 2012, respectively. See Note 7 on reacquisition of the Transpetrol shares.

On October 2, 2013, 6.0 million shares of capital stock were issued to Frontline 2012 for \$70.7 million for a 37.5% interest in AGHL. Frontline 2012 gave a dividend to their shareholders of 12.5% of the holdings.

On October 16, 2013, SNGL, Sungas and Frontline 2012 each received 2.8 million shares of capital stock upon conversion of their shareholder loans in common shares.

On November 19, 2013, AGHL successfully completed the subscription of a private placement of 5.9 million new shares at a price of \$17.00 per share, representing \$100.0 million in proceeds (the "Private Placement") before underwriting and other fees. The Private Placement was directed towards international and Norwegian institutional investors and was oversubscribed. The Private Placement closed on November 27, 2013.

At November 30, 2013, AGHL had 30.4 million shares issued and outstanding, of which Sungas and Stolt-Nielsen owned approximately 25.78% each and Frontline 2012 owned approximately 22.58%.

14. Restrictions on Payment of Dividends

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

- (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) The realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

15. Share-based Compensation

The Group has set up a share option plan (the "Plan") covering 1.0 million shares and granted 160,000 options on October 15, 2013. The Plan is administered by the Board of Directors and the exercise price is set at the market rate on the day that the Board of Directors approved the awards. The options granted on October 15, 2013 were based on the share price of the most recent equity transaction with Frontline 2012 as there were no shares being traded on October 15, 2013. Options granted under the Plan vest 25% on the first anniversary of the grant date, with an additional 25% vesting on each subsequent anniversary of continuing employment. Options may be exercisable within five years from the date of vesting. Options are forfeited by employees upon termination of employment in most circumstances. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share based expense for the year ended November 30, 2013 and 2012 was \$51,000 and nil, respectively.

There were 160,000 options outstanding at November 30, 2013 with an exercise price of \$11.78 per share of which none were exercisable. There were no exercised or forfeited shares for the period from October 15, 2013 (date of grant) to November 30, 2013. The remaining average contractual life (in years) of the options was 7.4 years.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was \$5.14 per option. The significant inputs into the model were weighted average share price of \$11.78 per share, an expected option life of five years, and an annual risk-free rate of 1.45%. The volatility was measured based on the weekly average freight rates for the last three years.

16. Earnings per Share

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

	For the years ended November 30,	
	2013	2012
	<small>(in thousands, except per share data)</small>	
Net profit (loss) attributable to Common shareholders	\$ 11,502	\$ (282)
Basic weighted average shares outstanding	15,787	12,047
Dilutive effect of share options	6	—
Diluted weighted average shares outstanding	15,793	12,047
Basic profit per share	\$ 0.73	\$ (0.02)
Diluted profit per share	0.73	(0.02)

17. Operating Revenue

	For the Years Ended November 30,	
	2013	2012
	<small>(in thousands)</small>	
Freight revenue	\$ 100,511	\$ 94,284
Time charter revenue	14,489	3,275
	\$ 115,000	\$ 97,559

For the years ended November 30, 2013 and 2012, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were \$24.6 million and \$25.5 million for the year ended November 30, 2013 and \$33.6 million and \$11.2 million for the year ended November 30, 2012.

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Operating Expenses

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Bunkers	\$ 32,427	\$ 29,780
Depreciation expenses	23,667	16,498
Time charter hire	—	13,007
Crewing costs	13,020	9,338
Port charges	6,248	4,938
Commissions	2,551	1,512
Maintenance and repairs	2,971	2,705
Insurance	859	1,513
Ship supplies and provisions	1,534	927
Ship management fee	1,646	1,239
Other	2,779	2,678
	\$ 87,702	\$ 84,135

Of the ship management fees, nil and \$0.1 million relates to technical management and crewing services from SNGL for the year ended November 30, 2013 and 2012, respectively.

The Group had no long-term operating lease obligations outstanding at November 30, 2013 or 2012.

19. Administrative and General Expenses

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Employee benefit expenses	\$ 2,523	\$ 2,043
Information systems	8	8
Professional fees	586	955
Office fees	156	125
Travel and entertainment expenses	279	160
Communication expenses	48	40
Share option compensation expense	51	—
Management fee from SNGL	348	352
Other	126	66
	\$ 4,125	\$ 3,749

See Note 11 for discussion of the Management fee from SNGL.

Auditors' remuneration to PricewaterhouseCoopers LLP was \$60,000 and \$23,000 for the years ended November 30, 2013 and 2012, respectively. The average number of employees for the year ended November 30, 2013 and 2012 was 6.

20. Finance Expenses and Loss from Extinguishment of Debt

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Interest on long-term debt	\$ 10,945	\$ 8,839
Interest on shareholders' loans	1,678	1,079
	\$ 12,623	\$ 9,918
Loss on early retirement of debt	\$ 1,205	\$ —

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Income Tax Expense

The following tables present the components of the income tax expense for the period ended November 30, 2013 and 2012, respectively:

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Current income tax expense	\$ —	\$ 88
Total income tax expense	\$ —	\$ 88

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

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Profit (loss) before income tax expense	\$ 11,502	\$ (194)
Tax at the Bermuda statutory tax rate	—	—
Differences between the Bermuda and other tax rates	—	88
Total income tax expense	\$ —	\$ 88

22. Reconciliation of Net Profit (Loss) to Cash Generated from Operations

	For the Years Ended November 30,	
	2013	2012
	(in thousands)	
Net profit (loss)	\$ 11,502	\$ (282)
Adjustments to reconcile net profit (loss) to net cash from operating activities:		
Depreciation of property, plant and equipment	23,667	16,498
Finance expense	12,623	9,918
Loss on early extinguishment of debt	1,205	—
Compensation expense	51	—
Gain on exercise of put option	(1,881)	—
Income taxes	—	88
Changes in assets and liabilities:		
Decrease in receivables	1,959	1,999
Decrease (increase) in prepaid expenses, restricted cash and other current assets	73	(4,983)
(Decrease) increase in accounts payable	(2,194)	1,526
Increase (decrease) in accrued expenses	1,742	(2,636)
Other, net	3	2
Cash generated from operations	\$ 48,750	\$ 22,130

23. Commitments and Contingencies

At November 30, 2013, the Group had capital expenditure commitments of \$600.0 million on the eight VLGC newbuildings discussed in Note 6. Of that total commitment, a \$139.2 million down payment plus \$57.6 million for one newbuilding being delivered in fiscal year 2014 is due within one year from November 30, 2013. On March 25, 2014, a loan agreement was entered to finance \$200.0 million of the capital commitments outstanding for four on the eight newbuildings (see further detail provided in Note 24). The remaining \$30.4m relating to those four ships will be funded using equity and cash generated from operations. Negotiations are in the advanced stages to obtain a further \$200.0 million of debt

AVANCE GAS HOLDING LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

financing on the remaining four newbuildings which are expected to be delivered from March 2015 onwards.

Whilst the legal separation of Transpetrol from AGHL is completed, there are still ongoing discussions around the equity value and the amount of any balancing payment due from AGHL to Transpetrol. AGHL expected the liability to be \$1.7 million. Transpetrol has submitted a calculation in the amount of \$3.1 million which AGHL believes is too high. After year end, the Group has made a payment to Transpetrol for \$1.7 million as a final settlement with Transpetrol.

The Group has a \$0.1 million tax liability related to certain voyages that included ports of call in the United States. Such voyages were made when the ships were being time chartered to external parties and future voyages could result in additional tax liabilities; it is anticipated that they are not likely to be significant. The tax liability is computed as 2% of the time charter revenue, pro-rated for the days spent in the United States, on both AGL, the entity that entered into the time charter agreement, and the owner of the ship.

24. Subsequent Events

On March 25, 2014, the Group entered into a \$450.0 million credit facility which comprised a \$200.0 million term loan facility to be used to refinance the existing long-term debt, a \$50.0 million revolving credit facility and a \$200.0 million term loan facility to finance the first four newbuildings to be built at Jiangnan Shipyard, China. The facility is to be repaid in full no later than 72 months after the drawdown of the debt. Interest will be at LIBOR plus a margin of 2.5%.

On January 31, 2014, AGHL paid Frontline 2012 \$139.2 million as down payment for eight 83,000 cbm VLGC newbuildings to be built at Jiangnan Shipyard, China. See Note 6.

AVANCE GAS HOLDING LTD
RESPONSIBILITY STATEMENT


We confirm, to the best of our knowledge, that the consolidated financial statements for the year ended November 30, 2013 have been prepared in accordance with IFRS and gives a true and fair view of the Group's assets, liabilities, financial position and profit 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 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.

Bermuda

Signed for and on behalf of the Board of Directors



Niels G. Stolt-Nielsen
Director
March 26, 2014



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Independent auditors' report to the members of Avance Gas Holding Limited

To the shareholders and Board of Directors of Avance Gas Holding Limited.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Avance Gas Holding Limited and its subsidiaries which comprise the consolidated balance sheet as at 30 November 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law in Bermuda and International Financial Reporting Standards as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law in Bermuda and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

This report, including the opinion, 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 the opinion, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Opinion on financial statements

In our opinion the financial statements:

- present fairly, in all material respects the state of the group's affairs as at 30 November 2013 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London

Date *26 March 2014*