AVENIR LNG LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

Avenir LNG Limited
Consolidated financial statements

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

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Operating revenue	**3**	**2,321**	1,058
Operating expenses	**4**	**(1,796)**	(936)
Depreciation	**10**	**(632)**	(289)
Administrative and general expenses	**5**	**(6,590)**	(7,718)
Other operating expense		**(152)**	(87)
Operating loss		**(6,849)**	(7,972)
Non-operating (expenses)/income:			
Finance expense	**6**	**(296)**	(852)
Finance income		**62**	868
Foreign currency exchange gain/(loss)		**965**	(32)
Loss before income tax		**(6,118)**	(7,988)
Income tax credit	**7**	**1,602**	—
Net loss		**(4,516)**	(7,988)
Loss per share	**22**		
Basic		**(0.03)**	(0.07)
Diluted		**(0.03)**	(0.07)

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, 2020	**Year ended December 31, 2019**
Net loss	**(4,516)**	(7,988)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**3,694**	(432)
Other comprehensive income/(loss)	**3,694**	(432)
Total comprehensive loss	**(822)**	(8,420)

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)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current Assets:			
Cash and cash equivalents	**8**	**8,025**	21,237
Trade and other receivables	**9**	**8,484**	4,473
Other current assets		**843**	489
Total Current Assets		**17,352**	26,199
Property, plant and equipment	**10**	**93,934**	28,019
Newbuilding deposits	**10**	**59,173**	43,997
Investment in joint venture	**11**	**10**	10
Deferred tax asset	**12**	**1,602**	—
Other assets		**137**	142
Goodwill	**13**	**70**	70
Total Non-current Assets		**154,926**	72,238
Total Assets		**172,278**	98,437
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term debt	**14**	**2,497**	—
Current portion of finance lease liability	**15**	**225**	187
Trade and other creditors	**16**	**9,701**	3,052
Related party payable	**23**	**8,894**	5,297
Total Current Liabilities		**21,317**	8,536
Long-term debt	**14**	**23,782**	—
Finance lease liability	**15**	**1,167**	641
Total Liabilities		**46,266**	9,177
Shareholders' Equity			
Share capital	**21**	**147,500**	110,000
Contributed capital		**(1,475)**	(1,549)
Retained deficit		**(23,016)**	(18,500)
Foreign currency reserve		**3,003**	(691)
Total Shareholders' Equity		**126,012**	89,260
Total Liabilities and Shareholders' Equity		**172,278**	98,437

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

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

	Share Capital	Retained Deficit	Contributed Capital	Foreign Currency Reserve	Total
Balance, January 1, 2019	**110,000**	**(10,512)**	**(1,605)**	**(259)**	**97,624**
Net loss	—	(7,988)	—	—	(7,988)
Other comprehensive loss	—	—	—	(432)	(432)
Total comprehensive loss	**—**	**(7,988)**	**—**	**(432)**	**(8,420)**
Transactions with shareholders:					
Share options	—	—	56	—	56
Balance, December 31, 2019	**110,000**	**(18,500)**	**(1,549)**	**(691)**	**89,260**
Net loss	—	(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	37,500	—	—	—	37,500
Share options	—	—	74	—	74
Balance, December 31, 2020	**147,500**	**(23,016)**	**(1,475)**	**3,003**	**126,012**

The above consolidated statement of shareholders' 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, 2020	Year ended December 31, 2019
Net loss		**(4,516)**	(7,988)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation	**10**	**632**	289
Amortization of deferred charges	**6**	**41**	—
Finance expense/(income), net		**193**	(16)
Share options expense	**19**	**74**	56
Foreign exchange (gain)/loss		**(965)**	32
Income tax credit	**7**	**(1,602)**	—
Changes in assets and liabilities:			
Increase in receivables		**(3,046)**	(3,278)
Increase in other current assets		**(349)**	(466)
Increase in related party payables		**3,597**	3,280
Increase in payables		**353**	3,267
Net cash used in operating activities		**(5,588)**	(4,824)
Cash flows used in investing activities:			
Additions to property, plant and equipment	**10**	**(53,862)**	(20,961)
Newbuilding deposits	**10**	**(19,006)**	(28,509)
Grant proceeds		—	2,218
Investment in joint venture		—	(10)
Net cash used in investing activities		**(72,868)**	(47,262)
Cash flows from / (used in) financing activities:			
Proceeds from borrowings	**14**	**26,706**	—
Payment of deferred financing fees		**(468)**	—
Finance lease payments		**(199)**	(61)
Issuance of shares	**21**	**37,500**	—
Net cash from / (used in) financing activities		**63,539**	(61)
Net decrease in cash and cash equivalents		**(14,917)**	(52,147)
Effect of exchange rate changes on cash		**1,705**	(186)
Cash and cash equivalents at beginning of the year		**21,237**	73,570
Cash and cash equivalents at end of the year		**8,025**	21,237

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

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 object 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. 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 is in the process of building a terminal and distribution facility in the port of Oristano, Sardinia.

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

In October 2020, the Group took delivery of its first vessel, *Avenir Advantage*. The vessel was delivered to her charterer following her delivery.

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, 2020, the Group's structure is as follows:

Name	Place of incorporation	Principal activity
100%-owned Subsidiaries:		
Stolt-Nielsen Gas BV	Netherlands	Vessel-owning 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
80%-owned subsidiary:		
Higas SRL	Italy	Terminal-owning company
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 as adopted by the European Union ("IFRS") and interpretations issued by the IFRS interpretations Committee. 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, 2020, the Group's current liabilities exceeded its current assets by $3.9 million (2019: $17.7 million positive working capital). In considering going concern, management has reviewed the Group's future cash requirements, covenant compliance, earning projections and incorporated the on-going impact of the COVID-19 pandemic.

2. Summary of Significant Accounting Policies (continued)

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 procure that financing is available to meet the Group's capital expenditure commitments and working capital needs.

The Group has recently obtained credit approval for the financing of its four remaining vessels due from the second half of 2021 for up to $133 million. Management expects to close the facility by July 2021. The shareholders have also committed to invest an additional $34.5 million to fulfil the Group's capital commitments of which $28 million has been injected to date. In the absence of committed financing for these vessels, the final instalment payments under the shipbuilding contracts will be covered by virtue of the letters of comfort that are in place.

Management have considered the challenging market conditions brought about by the on-going coronavirus pandemic in performing its going concern assessment. Management believes that these sources of funds 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, are included.

Basis of consolidation

Control exists where either a parent entity is exposed, 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 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

2. Summary of Significant Accounting Policies (continued)

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 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.

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 estimated at 25 years. 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.

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

2. Summary of Significant Accounting Policies (continued)

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 12 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.

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.

(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

2. Summary of Significant Accounting Policies (continued)

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
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.

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.

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 Creditors

Trade creditors 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.

Foreign currency

(i) Foreign currency transactions

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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 when it transfers control over a product or service to a customer. Currently, the Group purchases LNG which it transports and stores 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, 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.

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.

2. Summary of Significant Accounting Policies (continued)

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, 2020

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 at the year ended December 31, 2020

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	**2020**	2019
Revenue from the sale of LNG and rendering of services	**1,066**	1,058
Shipping revenue	**1,255**	—
	2,321	1,058

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. Shipping revenue represents the hire income generated from the bareboat charter of the vessel in Malaysia.

4. Operating Expenses

USD in thousands	**2020**	2019
LNG purchases	**658**	496
Transportation expenses	**265**	345
Other	**873**	95
	1,796	936

Included in other operating expenses are \$0.6 million of liquidated damages settled with one of the Group's customers relating to the delay in the delivery of the vessel. This amount was settled in January 2021. The Group received a corresponding amount of \$1.2 million from the shipyard and was offset against the cost of the vessel.

5. Administrative and General Expenses

USD in thousands	2020	2019
Personnel expenses	**3,049**	2,042
Professional fees	**2,426**	4,163
Other office expenses	**1,115**	1,513
	6,590	7,718

Auditors' remuneration to PricewaterhouseCoopers LLP was $228,000 and $225,000 for the years ended December 31, 2020 and 2019, respectively. All fees relate to the audits of the Group and its subsidiaries, as applicable.

6. Finance Expense

USD in thousands	2020	2019
Interest payable on parent guarantees	**2,039**	1,643
Interest payable on bank loans (Note 14)	**235**	—
Amortization of deferred finance cost	**41**	—
Commitment fee	**—**	762
Other	**20**	90
Capitalised interest	**(2,039)**	(1,643)
	296	852

The interest payable on parent guarantees for the year ended December 31, 2020 and December 31, 2019 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. The interest payable on parent guarantees has been capitalized and added to the cost of the vessel.

7. Income Tax

USD in thousands	2020	2019
Current income tax	**—**	—
Deferred income tax	**(1,602)**	—
Total income tax credit	**(1,602)**	—

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

USD in thousands	2020	2019
Loss from continuing operations before income tax	**(6,118)**	(7,988)
Tax at the Bermuda statutory tax rate	**—**	—
Recognition of deferred tax asset on tax losses	**(1,602)**	—
Total income tax credit	**(1,602)**	—

8. Cash and cash equivalents

USD in thousands	2020	2019
Cash and cash equivalents	**8,025**	21,237

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

9. Trade and other receivables

USD in thousands	2020	2019
Trade receivables	**1,000**	180
VAT receivables	**7,484**	4,279
Other receivables	**—**	14
	8,484	4,473

See Note 18 for an analysis of the credit risk of receivables. At December 31, 2020 and 2019, there is no expected credit loss so no impairment has been recorded.

10. Property, Plant and Equipment and Newbuilding Deposit

USD in thousand	Land	Right-of-Use Asset	Other Property plant and equipment	Vessels	Construction in Progress	Total
Cost						
Balance at January 1, 2019	**2,771**	**—**	**632**	**—**	**3,707**	**7,110**
Additions	215	—	306	—	20,424	20,945
Grant receipt	—	—	—	—	(2,218)	(2,218)
Transfer from prepaid expenses	—	—	—	—	1,789	1,789
Recording right-of-use asset	—	859	—	—	—	859
Net foreign exchange differences	(58)	30	18	—	(149)	(159)
Balance at December 31, 2019	**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**
Accumulated depreciation						
Balance at January 1, 2019	**—**	**—**	**13**	**—**	**—**	**13**
Depreciation expense	—	169	120	—	—	289
Net foreign exchange difference	—	8	(3)	—	—	5
Balance at December 31, 2019	**—**	**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**
Net Book Value						
Balance at December 31, 2019	**2,928**	**712**	**826**	**—**	**23,553**	**28,019**
Balance at December 31, 2020	**3,190**	**1,282**	**1,407**	**41,737**	**46,318**	**93,934**

The Group took delivery of its first vessel in October 2020. The vessel was delivered subsequently to her charterer.

Drydocking costs of $1.0 million and $nil are included in the vessel cost above as at December 31, 2020 and 2019, respectively.

The vessel is mortgaged as security for the loan facility, refer to Note 14.

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 15).

Newbuilding Deposits

The Newbuilding deposits were $59.2 million and $44.0 million for the years ended December 31, 2020 and 2019, respectively. The newbuilding deposits represent the scheduled payments made to the shipyards for the newbuildings to be built by Keppel Singmarine and Sinopacific Offshore Engineering. Interest costs capitalized in connection with the newbuilds for the years ended December 31, 2020 and 2019 were $2.0 million and $1.6 million, respectively.

11. 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, 2020, there is no material movement in the joint venture.

12. Deferred Taxes 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:

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**

As at December 31, 2020, the total deferred tax assets of $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 2021 onwards. The losses can be carried forward indefinitely and have no expiry date.

13. 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.

14. Borrowings

An analysis of borrowings is as follows:

USD in thousands	2020	2019
Bank loans	**26,706**	—
Total	**26,706**	—
Less: Deferred financing costs	**(427)**	—
	26,279	—
Presented in the financial statements as:		
Non-current portion of debt, net of deferred finance cost	**23,782**	—
Current portion of debt, net of deferred finance cost	**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 and is repayable in quarterly instalments over a term of three years with a final balloon payment at maturity.

15. Leases

During 2019, the Group entered into an office lease agreement in January 2019 for five years. The initial liability recorded for the future finance lease liability was $0.9 million.

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 total initial liability recorded for the future finance lease liability was $1.1 million. The incremental borrowing rate is 3.81%.

Maturity analysis is as follows:

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

USD in thousands	Office Lease	Jetty Lease	Total 2019
Contractual undiscounted cash flows:			
Less than one year	236	—	236
From two to five years	707	—	707
From five years and beyond	—	—	—
	943	—	943
Less: Future finance charges	(115)	—	(115)
	828	—	**828**
Presented in the financial statements as:			
Current maturities			187
Non-current maturities			641
			828

16. Trade and other creditors

USD in thousands	2020	2019
Trade payables	**4,038**	439
Other creditors	**2,875**	—
Deferred revenue	**578**	—
Other accrued expenses	**2,210**	2,613
	9,701	3,052

Included in trade payables balance was $3.9 million relating to the instalment payment for one of the Group's newbuildings. The invoice was paid in January 2021.

Included in other creditors were $0.6 million of liquidated damages settlement agreed with the customer. The amount was paid in January 2021.

See Note 18 for an analysis of the credit risk of payables. At December 31, 2020 and 2019, there is no expected credit loss, so no impairment has been recorded.

17. Restrictions on Payment of Dividends

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

17. Restrictions on Payment of Dividends (continued)

(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 2020.

18. 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 and accrued expenses are a reasonable estimate of their fair value, due to the short maturity thereof.

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, 2020, 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 $0.3 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.

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 $1.0 million at December 31, 2020 (2019: $4.5 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.

Financial Risk Factors

Risk management is carried out by the SNL central treasury department under policies approved by the Avenir 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:

18. Financial Risk Factors (continued)

USD in thousands	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	**8,025**	**8,025**	21,237	21,237
Trade and other receivables, excluding VAT receivables	**1,000**	**1,000**	180	180
Financial Liabilities:				
Trade and other creditors	**6,913**	**6,913**	439	439
Related party payable balances	**8,894**	**8,894**	5,297	5,297
Finance lease liabilities	**1,392**	**1,392**	828	828
Long-term debt	**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 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 finance 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.

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, 2020				
Contractual obligations:				
Trade and other creditors	6,913	—	—	6,913
Related party payable balances	8,894	—	—	8,894
Finance lease liability	225	584	583	1,392
Finance lease interest	62	156	238	456
Long-term debt	2,497	23,782	—	26,279
Total contractual obligations	**18,591**	**24,522**	**821**	**43,934**

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2019				
Contractual obligations:				
Trade and other creditors	439	—	—	439
Related party payable balances	5,297	—	—	5,297
Finance lease liability	187	641	—	828
Finance lease interest	49	66	—	115
Total contractual obligations	5,972	707	—	6,679

19. 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.

19. Share options (continued)

In USD except share data	Shares	2020 Weighted Average Exercise Price	Shares	2019 Weighted Average Exercise Price
For the years ended December 31,				
Common share options				
Outstanding at beginning of year	**2,120,000**	**1.10**	620,000	1.00
Issued	**100,000**	**1.46**	1,500,000	1.14
Forfeiture	**(1,150,000)**	**1.09**	—	—
Outstanding at end of year	**1,070,000**	**1.14**	2,120,000	1.10
Exercisable at end of year	**520,000**	**1.00**	470,000	1.00
Weighted average fair value per share of options granted		**1.33**		1.32
Risk-free rate		**2.12%**		2.16%
Volatility		**52.06%**		46.15%

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 by the Group for $0.1 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively. The Company has recorded a corresponding increase in its Contributed Capital account.

20. Commitments and Contingencies

Asset pledged

USD in thousands	**2020**	2019
Book value of vessels secured against long-term debt	**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. As of December 31, 2020, following the delivery of the Group's first vessel, five vessels remain to be delivered. All five vessels are scheduled to be delivered in 2021. As of December 31, 2020, $171.5 million remains to be paid in respect of these vessels.

LNG storage and distribution terminal

The Group entered into an Engineering, Procurement and Construction agreement ("EPC") in October 2018 for the construction of the Group's LNG storage and distribution terminal in Sardinia with Gas and Heat. As of December 31, 2020, the Group has commitments to Gas and Heat relating to the EPC agreement for approximately $1.8 million. The terminal is expected to be completed in the first half of 2021.

21. Share Capital

The Group's authorised share capital consists of 500 million common shares as of December 31, 2020 and 2019. There were 147.5 million and 110.0 million shares issued and outstanding as of December 31, 2020 and 2019, respectively. The Group issued a further 37.5 million shares at $1 per share in several tranches during the year.

21. Share Capital (continued)

	Common Shares, par value $1 per share
Balance at December 31, 2018 and 2019	110,000,000
Issuance of shares	37,500,000
Balance at December 31, 2020	**147,500,000**

22. Loss per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted losses per share calculation.

USD in thousands except share data	2020	2019
Net loss	**(4,516)**	(7,988)
Basic and dilutive weighted average shares outstanding	**129,205**	110,000
Basic loss per share	**(0.03)**	(0.07)
Diluted loss per share	**(0.03)**	(0.07)

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of the share options discussed in Note 19 and the warrants discussed in Note 23 was anti-dilutive.

23. Related Party Transactions

SNL Transactions

USD in thousands	2020	2019
Transactions with SNL:		
Site team services costs, capitalised to newbuildings	**2,573**	1,688
Support services	**377**	683
Finance expense, capitalised to newbuildings	**2,039**	1,643

During 2019, the Group entered into three service agreements with subsidiaries of SNL for (a) newbuilding site team services, (b) accounting, finance, treasury and other support services and (c) the procurement of a chief executive officer of Avenir. In 2020, the Group's own chief executive officer was employed by the Company.

SN LNG, Golar and Höegh have agreed to guarantee the outstanding newbuilding commitments with the shipyards for a 1% commitment fee, equaling $2.0 million and $1.6 million for the years ended December 31, 2020 and 2019, respectively**.**

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	2020	2019
Salary and benefits	**1,048**	630
Pension cost	**105**	47
Share-based compensation	**77**	18
Total compensation and benefits	**1,230**	695

The Board of Directors consists of 4 members for the years ended December 31, 2020 and 2019. The Board of Directors did not receive any remuneration for the years ended December 31, 2020 and 2019.

23. Related Party Payable (continued)

Accounts Payable to related parties

USD in thousands	2020	2019
Stolt-Nielsen group companies	**6,957**	4,295
Golar	**980**	433
Höegh	**957**	433
Other	—	136
Total	**8,894**	5,297

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	2020	2019
Hire	**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. The outstanding balance with Future Horizon as of December 31, 2020 is $0.8 million.

Höegh Transactions

USD in thousands	2020	2019
Professional fees	**19**	—

In 2020, the Group entered into a contract with Höegh for the provision of engineering services.

24. Subsequent events

Subsequent to the year end, the Group completed an equity raise of $25.0 million and $3.0 million at $1 per share in January 2021 and April 2021, respectively. The funds were raised from its founding shareholders.

In March 2021, the Group drew down on its finance facility for $26.5 million to take delivery of its second vessel, *Avenir Accolade*, from Keppel Singmarine. She has subsequently been delivered to her charterer, LNG Power Limited, to commence her three-year bareboat charter. LNG Power Limited is a subsidiary of Hygo Energy Transition Ltd, which is a joint venture of Golar.

In April 2021, the Group commenced the commissioning phase of its LNG storage and distribution terminal in Sardinia. The Group expects the full completion and handover of the terminal in the first half of 2021.

Avenir LNG Limited
Responsibility Statement

We confirm, to the best of our knowledge, that the consolidated Group and Company financial statements for the year ended December 31, 2020 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 3 to 24 and 29 to 44 were approved and signed on behalf of the Board of Directors.

Bermuda
April 23, 2021

Signed for and on behalf of the Board of Directors

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's 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 2020 and of the group's and 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 2020; the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the company Income Statement and Statement of Comprehensive Income, the consolidated and company Statements of Cash Flows and the consolidated and company Statements of Shareholders' 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 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.

Independent auditors' report to the members of Avenir LNG Limited (continued)

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 25, 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 group/industry, we identified that the principal risk 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 made by management in the selection and application of significant accounting judgments and estimates, in particular in relation to testing management's assessment of the recoverability of Property Plant and Equipment.
- 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.

Independent auditors' report to the members of Avenir LNG Limited (continued)

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
23 April 2021

(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

AVENIR LNG LIMITED

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

Avenir LNG Limited
Financial statements

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

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Administrative and general expenses	**3**	**(1,266)**	(3,004)
Operating loss		**(1,266)**	(3,004)
Non-operating (expenses)/income:			
Finance expense from related parties	**4**	**—**	(691)
Finance expense	**4**	**(7)**	—
Finance income from related parties	**4**	**1,701**	1,313
Finance income	**4**	**61**	868
Foreign currency exchange gain/(loss)		**262**	(4)
Net income/(loss) and Total comprehensive income/ (loss)		**751**	(1,518)

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

Avenir LNG Limited

Balance Sheet

(In thousands of U.S. Dollars)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current Assets:			
Cash and cash equivalents	**5**	**5,592**	19,171
Prepaid expenses		**37**	9
Related party receivable	**10**	**55,569**	5,943
Other receivables		—	10
Total Current Assets		**61,198**	25,133
Property, plant and equipment	**6**	**1,173**	608
Newbuilding deposits	**6**	**23,490**	11,745
Investment in subsidiaries	**7**	**23,568**	23,494
Investment in joint venture	**8**	**10**	10
Long-term related party receivable	**10**	**36,406**	42,418
Total Non-current Assets		**84,647**	78,275
Total Assets		**145,845**	103,408
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Trade and other creditors	**9**	**4,008**	1,305
Related party payable	**10**	**3,689**	2,280
Total Current Liabilities		**7,697**	3,585
Shareholders' Equity			
Share capital	**14**	**147,500**	110,000
Contributed capital		**430**	356
Retained deficit		**(9,782)**	(10,533)
Total Shareholders' Equity		**138,148**	99,823
Total Liabilities and Shareholders' Equity		**145,845**	103,408

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

Avenir LNG Limited
Statement of Shareholders' Equity
(In thousands of U.S. Dollars)

	Share Capital	Retained Deficit	Contributed Capital	Total
Balance, January 1, 2019	**110,000**	**(9,015)**	**300**	**101,285**
Net loss	—	(1,518)	—	(1,518)
Total comprehensive loss	**—**	**(1,518)**	**—**	**(1,518)**
Transactions with shareholders:				
Share options	—	—	56	56
Balance, December 31, 2019	**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**

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)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Net income/(loss)		**751**	(1,518)
Adjustments to reconcile net income/ (loss) to net cash used in operations:			
Finance income, net	**4**	**(1,755)**	(1,490)
Foreign exchange (gain)/loss		**(262)**	4
Changes in assets and liabilities:			
Increase in related party balances		**(4,640)**	(2,372)
Increase in prepaid expenses		**(28)**	(10)
(Decrease)/increase in payables		**(948)**	1,509
Net cash used in operating activities		**(6,882)**	(3,877)
Cash flows used in investing activities:			
Additions to property, plant and equipment	**6**	**(565)**	(608)
Newbuilding deposits	**6**	**(7,830)**	(11,745)
Investment in joint venture	**8**	—	(10)
Net cash used in investing activities		**(8,395)**	(12,363)
Cash flows generated from/(used in) financing activities:			
Advances to subsidiary		**(35,802)**	(36,317)
Issuance of shares	**14**	**37,500**	—
Net cash generated from/(used in) financing activities		**1,698**	(36,317)
Net decrease in cash and cash equivalents		**(13,579)**	(52,557)
Effect of exchange rate changes on cash		—	(5)
Cash and cash equivalents at beginning of the year		**19,171**	71,733
Cash and cash equivalents at end of the year		**5,592**	19,171

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"), which is in the process of building a terminal and distribution facility in the port of Oristano, Sardinia.

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

2. Significant Accounting Policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and interpretations issued by the IFRS interpretations Committee. 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.

The Company has recently obtained credit approval for the financing of its two remaining vessels due from the second half of 2021 for up to $54.8 million. Management expects to close the facility by July 2021. The shareholders have also committed to invest an additional $34.5 million to fulfil both the Group's and the Company's capital commitments of which $28.0 million has been injected to date. In the absence of committed financing for these vessels, the final instalment payments under the shipbuilding contracts will be covered by the virtue of the letters of comfort that are in place.

Management have considered the challenging market conditions brought about by the on-going coronavirus pandemic 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.

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

2. Significant Accounting Policies (continued)

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 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.

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.

2. Significant Accounting Policies (continued)

(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.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Taxes

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

IFRS effective in the year ended December 31, 2020

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 at the year ended December 31, 2020

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	**2020**	2019
Professional fees	**1,134**	2,885
Other office expenses	**132**	119
	1,266	3,004

4. Finance Income and Expense

USD in thousands	**2020**	2019
Finance income from related parties	**1,701**	1,313

The interest for the year ended December 31, 2020 and December 31, 2019 related to the related party loan with Stolt-Nielsen Gas B.V.

USD in thousands	**2020**	2019
Interest on cash deposits with financial institutions	**61**	868

USD in thousands	**2020**	2019
Finance interest with related parties	**624**	1,199
Capitalised interest	**(624)**	(508)
	—	691

The interest for the year ended December 31, 2020 and December 31, 2019 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	**2020**	2019
Cash and cash equivalents	**5,592**	19,171

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

6. Property, Plant and Equipment and Newbuildings Deposits

	Construction in Progress
Balance at January 1, 2019	—
Additions	608
Balance at December 31, 2019	**608**
Additions	565
Balance at December 31, 2020	**1,173**

Newbuilding Deposits

The Newbuilding deposits were $23.5 million and $11.7 million for the years ended December 31, 2020 and 2019, respectively. The newbuilding deposits represent the scheduled payments made to the shipyards for the newbuildings to be built by Sinopacific Offshore Engineering.

7. Investment in Subsidiaries

The Company holds the following direct investments:

USD in thousands	Stolt-Nielsen Gas BV	Avenir LNG M.S. Ltd	Total
Direct investments:			
Balance at January 1, 2019	23,138	300	23,438
Additions	—	56	56
Balance at December 31, 2019	23,138	356	23,494
Additions	—	74	74
Balance at December 31, 2020	**23,138**	**430**	**23,568**

The Company has an 80% ownership in HiGas through SN Gas BV.

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, 2020, there is no material movement in the joint venture.

9. Trade and Other Creditors

USD in thousands	2020	2019
Trade creditors	**3,915**	—
Other creditors	**93**	1,305
	4,008	1,305

10. Related Party Transactions

SNL Transactions

USD in thousands	2020	2019
Transactions with SNL:		
Site team services costs, capitalised to newbuildings	**392**	—
Support services	**124**	103
Finance expense, capitalised to newbuildings	**624**	—

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

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

10. Related Party Transactions (continued)

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, 2020 and 2019. The Board of Directors consists of 4 members for both years.

Amounts due from Group Undertakings

USD in thousands	2020	2019
Stolt-Nielsen Gas B.V.	**83,743**	43,960
Avenir LNG MS Ltd	**7,656**	3,904
Avenir (L) Pte Ltd	**567**	—
Total	**91,966**	47,864

Amounts due to Related Parties

USD in thousands	2020	2019
Stolt-Nielsen Group	**1,734**	1,275
Golar	**980**	254
Höegh	**965**	254
Total	**3,679**	1,783

SN Gas BV entered into two long-term related party receivables with the Company. The first loan, which is being used to fund the HiGas' terminal construction contract, has an outstanding balance of $43.5 million and $24.1 million at December 31, 2020 and 2019, respectively. It has a due date of September 30, 2020 and shown as current. The second loan is being used to fund newbuilding yard payments and has a due date of September 30, 2022. The amount outstanding was $36.4 million and $18.3 million at December 31, 2020 and 2019. Both loans bear interest at LIBOR plus a margin.

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. 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.

In consideration of the above, the Company has not proposed a dividend distribution in 2020.

12. Financial Risk Factors

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.

12. Financial Risk Factors (continued)

Fair Value of Financial Instruments

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

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 $55.6 million for the year ended December 31, 2020 (2019: $5.9 million).

Financial Risk Factors

Risk management is carried out by the SNL central treasury department under policies approved by the Avenir Board of Directors. SNL treasury identifies, evaluates and hedges financial risks in close co-operation with the Company. 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 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	**2020**		**2019**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets:				
Cash and cash equivalents	**5,592**	**5,592**	19,171	19,171
Other Receivables	—	—	10	10
Related party receivable	**55,569**	**55,569**	5,943	5,943
Long-term related party receivable	**36,406**	**36,406**	42,418	42,418
Financial Liabilities:				
Trade and other creditors	**4,008**	**4,008**	1,305	1,305
Related party payable balances	**3,689**	**3,689**	2,280	2,280

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

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

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, 2020				
Contractual obligations:				
Trade and other creditors	4,008	—	—	4,008
Related party payable balances	3,689	—	—	3,689
Total contractual obligations	**7,697**	—	—	**7,697**

12. Financial Risk Factors (continued)

USD in thousands	Less than 1 year	From 2 to 5 years	From 5 years and beyond	Total
As of December 31, 2019				
Contractual obligations:				
Trade and other creditors	1,305	—	—	1,305
Related party payable balances	2,280	—	—	2,280
Total contractual obligations	**3,585**	—	—	**3,585**

13. Commitments and Contingencies

In 2019, the Company entered into newbuilding contracts for the construction of two 7,500 cbm LNG carriers for a total cost of approximately $78.4 million. The two vessels are scheduled to be delivered in 2021. As of December 31, 2020, $55.2 million remains to be paid in respect of these vessels.

14. Share Capital

The Company's authorised share capital consists of 500 million Common shares as of December 31, 2020 and 2019. There were 147.5 million and 110 million shares issued and outstanding as of December 31, 2020 and 2019, respectively. The Company issued a further 37.5 million shares at $1 per share in several tranches during the year.

	Common Shares, par value $1 per share
Balance at January 1, 2020	**110,000,000**
Issuance of shares	37,500,000
Balance at December 31, 2020	**147,500,000**

15. Share Option Plan

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	2020 Weighted Average Exercise Price	Shares	2019 Weighted Average Exercise Price
For the years ended December 31,				
Common share options				
Outstanding at beginning of year	**2,120,000**	**1.10**	620,000	1.00
Issued	**100,000**	**1.46**	1,500,000	1.14
Forfeiture	**(1,150,000)**	**1.09**	—	—
Outstanding at end of year	**1,070,000**	**1.14**	2,120,000	1.10
Exercisable at end of year	**520,000**	**1.00**	470,000	1.00

	2020	2019
Weighted average fair value per share of options granted (in USD)	**1.33**	1.32
Risk-free rate	**2.12%**	2.16%
Volatility	**52.06%**	46.15%

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

15. Share Option Plan (continued)

Share-based compensation expense has been recorded by the Company for $0.1 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively. The Company has recorded a corresponding increase in its Investment in subsidiaries.

16. Subsequent events

Subsequent to the year end, the Company completed an equity raise of $25.0 million and $3.0 million at $1 per share in January 2021 and April 2021, respectively. The funds were raised from its founding shareholders.