BW Epic Kosan Ltd
(formerly known as Epic Gas Ltd)
and its subsidiaries

Registration Number: 202107190R

Consolidated Financial Statements
Years ended 31 December 2020 and 31 December 2019

Directors' statement

In the opinion of the directors:

(a) the consolidated financial statements of BW Epic Kosan Ltd (formerly known as Epic Gas Ltd) and its subsidiaries (the Group) as set out on pages FS1 to FS50 are drawn up so as to present fairly, in all material aspects, the consolidated financial position of the Group as of 31 December 2020 and 2019, and the results of their operations, changes in equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the Directors

Esben Sofren Poulsson
Director

Panaghis Nicholas Fotis Lykiardopulo
Director

6 April 2021

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Members of the Company
BW Epic Kosan Ltd
(formerly known as Epic Gas Ltd)

We have audited the accompanying consolidated financial statements of BW Epic Kosan Ltd (formerly known as Epic Gas Ltd) and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2020, and the related consolidated statement of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BW Epic Kosan Ltd and its subsidiaries as of 31 December 2020, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

The consolidated financial statements of BW Epic Kosan Ltd and its subsidiaries for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 April 2020.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2021

Consolidated statement of comprehensive income
Years ended 31 December 2020 and 31 December 2019

	Note	2020 US$	2019 US$
Revenue	4	183,470,554	170,634,322
Other income	5	1,635,386	1,739,909
Other losses	6	(5,045,351)	(94,685)
Expenses			
- Brokerage commissions		(3,499,761)	(3,122,152)
- Voyage expenses		(22,922,896)	(24,545,753)
- Bareboat charter hire expenses		(10,742,850)	(13,436,500)
- Time charter hire expenses		(6,913,623)	(5,671,128)
- Vessel operating expenses	7	(65,264,059)	(62,909,681)
- General and administrative expenses	8	(17,365,640)	(17,745,751)
- Finance expenses	9	(15,126,182)	(19,668,839)
- Depreciation	15	(32,085,959)	(30,611,051)
Total expenses		(173,920,970)	(177,710,855)
Profit/(loss) before income tax		6,139,619	(5,431,309)
Income tax expense	10	(220,286)	(303,282)
Profit/(loss) after tax		5,919,333	(5,734,591)
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	26	14,279	(3,243)
Cash flow hedges			
- Fair value losses	26	(5,859,311)	(1,717,117)
Other comprehensive loss		(5,845,032)	(1,720,360)
Total comprehensive income/(loss)		74,301	(7,454,951)

The accompanying notes form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2020 and 31 December 2019

	Note	2020 US$	2019 US$
ASSETS			
Current assets			
Cash and cash equivalents	11	47,465,599	41,982,325
Trade and other receivables, net	12	16,618,693	17,695,148
Inventories	13	2,488,450	4,863,240
Asset held for sale	29	8,563,500	–
Derivative financial instruments	22	322,444	–
Total current assets		75,458,686	64,540,713
Non-current assets			
Trade and other receivables, net	12	462,828	195,304
Restricted cash	14	8,600,000	8,400,000
Property, plant and equipment, net	15	567,041,966	606,272,393
Derivative financial instruments	22	–	137,413
Deferred income tax assets	23	102,856	78,101
Right-of-use assets	16	25,795,085	26,426,813
Total non-current assets		602,002,735	641,510,024
Total assets		677,461,421	706,050,737
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	18	17,214,776	23,511,830
Contract liabilities	19	9,624,103	10,357,980
Finance lease liabilities	20	2,760,174	2,562,526
Current income tax liabilities	10	196,008	205,656
Borrowings	21	31,264,023	30,843,996
Lease liabilities	16	13,556,980	12,390,496
Total current liabilities		74,616,064	79,872,484
Non-current liabilities			
Trade and other payables	18	72,170	–
Finance lease liabilities	20	7,452,630	10,212,804
Deferred income tax liabilities	23	100,354	100,354
Borrowings	21	282,016,760	306,930,736
Derivative financial instruments	22	6,300,953	256,611
Lease liabilities	16	11,353,981	13,448,676
Total non-current liabilities		307,296,848	330,949,181
Total liabilities		381,912,912	410,821,665

The accompanying notes form an integral part of these financial statements.

Consolidated balance sheet (continued)
As at 31 December 2020 and 31 December 2019

	Note	2020 US$	2019 US$
SHAREHOLDERS' EQUITY			
Share capital, par value US$0.01 per share (2019: US$0.01 per share)	24	1,066,163	1,066,163
Shares issued and outstanding 106,616,349 (2019: 106,616,349)			
Additional paid-in capital	24	398,832,567	398,832,567
Share option reserve	25	4,916,934	4,671,798
Accumulated other comprehensive losses	26	(6,156,904)	(311,872)
Accumulated losses		(103,110,251)	(109,029,584)
Total shareholders' equity		295,548,509	295,229,072
Total liabilities and shareholders' equity		677,461,421	706,050,737

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity
Years ended 31 December 2020 and 31 December 2019

	Share capital US$ (Note 24)	Additional paid-in capital US$ (Note 24)	Share option reserve US$ (Note 25)	Accumulated other comprehensive gains/(losses) US$ (Note 26)	Accumulated losses US$	Total equity US$
2020						
Beginning of financial year	1,066,163	398,832,567	4,671,798	(311,872)	(109,029,584)	295,229,072
Share based compensation	–	–	245,136	–	–	245,136
Net profit for the year	–	–	–	–	5,919,333	5,919,333
Other comprehensive income	–	–	–	(5,845,032)	–	(5,845,032)
End of financial year	1,066,163	398,832,567	4,916,934	(6,156,904)	(103,110,251)	295,548,509
2019						
Beginning of financial year	704,717	339,417,713	4,367,032	1,408,488	(103,294,993)	242,602,957
Issuance of shares	361,446	59,414,854	–	–	–	59,776,300
Share based compensation	–	–	304,766	–	–	304,766
Net loss for the year	–	–	–	–	(5,734,591)	(5,734,591)
Other comprehensive income	–	–	–	(1,720,360)	–	(1,720,360)
End of financial year	1,066,163	398,832,567	4,671,798	(311,872)	(109,029,584)	295,229,072

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows
Years ended 31 December 2020 and 31 December 2019

	Note	2020 US$	2019 US$
Cash flows from operating activities			
Profit/(loss) after tax		5,919,333	(5,734,591)
Adjustments for non-cash items:			
- Employee share option expenses		245,136	304,766
- Amortization of deferred finance costs	9	809,448	1,768,283
- Allowance for doubtful debts	8	138,321	–
- Depreciation	15	32,085,959	30,611,051
- Loss on disposal of property, plant and equipment	6	4,351,581	–
- Loss from asset held for sale	29	665,345	–
- Unrealized translation gains		–	(3,243)
- Exchange differences		(10,277)	15,359
		44,204,846	26,961,625
Changes in operating assets and liabilities, net of acquisition:			
- Decrease/(increase) in inventories		2,374,790	(1,517,307)
- Decrease/(increase) in trade and other receivables		670,610	(2,384,091)
- Increase in deferred income tax assets		(24,755)	(28,744)
- (Decrease)/increase in trade and other payables		(6,247,298)	5,032,475
- Decrease in current income tax liabilities		(9,648)	(66,889)
- (Decrease)/increase in contract liabilities		(733,877)	557,575
- Change in carrying amounts of right-of-use assets and lease liabilities		(281,124)	–
Net cash provided by operating activities		39,953,544	28,554,644
Cash flows from investing activities			
Additions to property, plant and equipment	15	(21,286,610)	(139,656,959)
Insurance proceeds received for damage to vessel		1,105,960	–
Proceeds from disposal of vessels		13,852,618	–
Net cash used in investing activities		(6,328,032)	(139,656,959)
Cash flows from financing activities			
Proceeds from borrowings	21	9,750,000	285,812,500
Repayment of long-term borrowings	21	(34,993,280)	(177,522,441)
Transaction costs related to borrowings	21	(136,431)	–
Principal payments on finance lease obligations		(2,562,527)	(34,741,029)
Proceeds from issuance of shares	24	–	59,776,300
Prepayment of lease expense		–	(603,000)
Net cash (used in)/provided by financing activities		(27,942,238)	132,722,330

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows (continued)
Years ended 31 December 2020 and 31 December 2019

	Note	2020 US$	2019 US$
Net increase in cash, cash equivalents and restricted cash		5,683,274	21,620,015
Cash, cash equivalents and restricted cash at beginning of year		50,382,325	28,762,310
Cash, cash equivalents and restricted cash at end of year		56,065,599	50,382,325
Supplementary cash flow information			
Cash items:			
- Cash paid for interest expenses	9	14,316,734	16,249,364
- Cash paid for income tax expenses	10	229,934	370,170
Non-cash investing and financing activities		–	–

Reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheet

	31 December 2020 US$	31 December 2019 US$
Cash and cash equivalents	47,465,599	41,982,325
Restricted cash	8,600,000	8,400,000
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	56,065,599	50,382,325

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

These notes form an integral part of the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 6 April 2021.

1 General information

The accompanying consolidated financial statements include the financial information of BW Epic Kosan Ltd (formerly known as Epic Gas Ltd) (the "Company") and its subsidiaries (collectively, the "Group").

The Company was incorporated and domiciled in the British Virgin Islands ("BVI") on 12 December 2012 and had its registered office at PO Box 173, Kingston Chambers, Road Town, Tortola, VG1110 British Virgin Islands.

On 1 March 2021, the Company was redomiciled to Singapore. The address of its registered office is 8 Eu Tong Sen Street #22-89, The Central, Singapore 059818.

The Group owns and operates a fleet of fully pressurized gas carriers providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals. The vessels serve leading oil majors and commodity trading houses throughout Southeast Asia, Europe, West Africa and the United States of America.

The principal activities of its significant subsidiaries are set out in Note 30 to the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

(a) Basis of preparation and management's plans

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated financial statements of the Group have been prepared on a going concern basis which assumes that the Group will be able to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, or restructuring of its operations or similar actions.

The operations of the Group require careful management of its cash and cash equivalents and its liquidity is affected by many factors including, among others, fluctuations in revenue, operating costs, as well as capital expenditures.

Management periodically reviews the liquidity position of the Group and will take actions, as necessary, to minimize the cash used in operations and retain sufficient liquidity, through its operating activities, to meet the Group's obligations.

(b) Principle of consolidation

The consolidated financial statements present the Group's financial position, results from operations and cash flows as of and for the years ended 31 December 2020 and 2019.

All significant transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation. In preparing the consolidated financial statements, transactions, balances and unrealized gains on transactions between group entities are eliminated. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect reported amounts. Such estimates include the assessment of useful lives and recoverability of property, plant and equipment, the assessment of allowance for doubtful accounts, discount factor, the assessment of the lease term, purchase and renewal option and share based compensation. Actual results could differ from those estimates.

(d) Segment reporting

The Group follows ASC 280 "Segment Reporting". The Group's chief operating decision-maker ("CODM"), who has been identified as the senior management team which includes its Chief Executive Officer and Chief Financial Officer, reviews the consolidated results when making decisions about allocating resources and assesses performance of the Group as a whole. Hence, the Group has only one reportable segment.

The CODM manages the Group as a single reportable segment which is primarily engaged in operation of fully pressurized gas carriers, providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals. Its core services are similar in nature and these are based on the same infrastructure.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is recognized as follows:

Charter hire income and voyage expense recognition

Revenues are generated from both time and voyage charters.

Revenue from time chartering is recognized on a straight-line basis over the period of hire in accordance with the ship charter hire agreement. Revenue from voyage chartering is recognized based on the percentage of completion of the voyage.

Contract liabilities relate to charter revenue received in advance. When the customer pays the consideration before the revenue is rendered, a contract liability will be recognized as advance from customer.

When the Group employs its vessels on time charter, it is responsible for all the vessel operating expenses, such as crew costs, stores, insurance, repairs and maintenance. In the case of voyage charter, the vessel is contracted only for a voyage between two or more ports, and the Group pays for all voyage-related expenses in addition to the vessel operating expenses. Voyage-related expenses consist mainly of port expenses and bunker (fuel) consumption. Port expenses are recognized as incurred.

Commissions are paid by the Group for both time charters and voyage charters and are recognized on a pro-rata basis. Address commissions payable to charterers are presented net of charter hire income whereas brokerage commissions are payable to brokers and are presented as operating expenses.

Demurrage income represents payments by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in a voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise, and is recognized when the right to receive payments is established.

Ship management service revenue

Fees from the provision of the Group's ship management services are recognized when the services have been rendered.

2.3 Employee compensation

(a) Defined contribution plans

The Group's contributions to defined contribution plans, including the Central Provident Fund, are recognized as employee compensation expense when the contributions are due.

(b) Share-based compensation

The Group has adopted ASC 718, "Compensation - Stock Compensation", for the accounting of share options and other share-based payments. The guidance requires that share-based compensation transactions be accounted for using a fair-value-based method. To determine the fair value of the unit awards as at the financial year end, the Group primarily used the discounted cash flow approach.

The Group operates an equity-settled, share-based compensation plan. Share-based compensation includes vested and non-vested share options granted to key management. The share options that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such share options is recognized as an expense under "General and administrative expenses" in the profit and loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognized over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognizes the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The Group is required to estimate forfeiture rates at the time of grant and revise such estimates, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation is recorded net of estimated forfeitures such that the expense is recognized only for those share-based awards that are expected to vest.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognized in the share option reserve are credited to share capital account when new ordinary shares are issued.

When non-vested options are forfeited, the cumulative fair value that was recognized in the share option reserve is reversed to profit or loss upon forfeiture. There is no reversal of expenses to profit or loss for options that have vested but were subsequently cancelled.

Where the terms of the share option plan are modified, the expense that is not yet recognized for the award is recognized over the remaining vesting period as if the terms had not been modified. Additional expense is recognized for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

2.4 Group accounting - subsidiaries

(a) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

(b) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

(c) Disposals

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognized. Amounts previously recognized in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognized in profit or loss.

2.5 Income taxes

Income taxes are accounted for under the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the periods that include the enactment date. A valuation allowance is recorded for loss carry forwards and other deferred income tax assets where it is more likely than not that such loss carry forwards and deferred income tax assets will not be realized.

In the ordinary course of business, there is inherent uncertainty in quantifying the Group's income tax positions. The Group assesses its income tax positions and record tax benefits for all periods subject to examination based upon evaluation of the facts, circumstances and information available at the reporting dates. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Group recognizes interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of general and administrative expenses.

2.6 Other comprehensive income

The Group follows the guidance in US GAAP regarding reporting comprehensive income which requires separate presentation of certain transactions, such as unrealized gains and losses from effective portion of cash flow hedges, which are recorded directly as components of shareholders' equity.

2.7 Inventories

Inventories comprise mainly victualing and bonded stores, lubricating oil and bunker remaining on board. Cost is determined on a first-in, first-out basis. These inventories will be used for the operation of vessels, therefore they are not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

2.8 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

2.9 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any cost that is directly attributable to bringing it to its working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over its estimated useful life. The estimated useful life from the date it is ready to be used is as follows:

	Estimated useful life
Vessels	30 years
Dry docking costs	2 - 5 years
Office equipment	4 years
Computers	4 years
Furniture and fittings	4 years
Office renovation	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognized in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognized in profit or loss within "Other (losses)/gains - net".

Dry docking costs relating to vessels owned by the Group are capitalized and amortized on a straight line basis over the estimated period to the next dry docking session.

The Group determines the estimated useful lives and related depreciation charges for its vessels and dry docking costs. The estimate is based on the historical experience of the actual useful lives of vessels and dry dockings of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will change the depreciation charge where the useful lives are different from previously estimated.

If the useful lives of the vessels are decreased by one year from management's estimate, the Group's profit before income tax for the year ended 31 December 2020 will decrease by approximately US$2,134,850 (2019: loss before income tax will increase by US$1,266,363).

Impairment of long-lived assets

Long-lived assets, such as vessels and vessels under construction, to be held and used, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, impairment reviews are performed to determine whether the carrying value of an asset group is impaired, based on comparison to the undiscounted expected future cash flows. If this comparison indicates that the carrying amounts exceeds the undiscounted cash flows, the impaired asset group is written down to the fair value and the difference is recorded as an impairment loss in the profit and loss. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date.

The carrying amounts of vessels and vessels under construction are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such an event occurs, the Group estimates the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition.

For vessels that the Group intend to dispose by sale, a loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell. For vessels that the Group intends to hold for use, if the total of the expected separately identifiable future undiscounted cash flows produced by the vessels is less than their carrying amount, a loss is recognized for the difference between the fair value less cost to sell against the carrying amount of the vessels. In assessing future undiscounted cash flows, the Group used cash flow projections for each vessel based on financial budgets approved by management and compared it to the vessel's carrying value. Management determined the budgeted cash flows by considering the revenue from existing charters for those vessels that have long term employment and where there is no charter in place, the budgeted cash flows are estimated based on past performance and its expectations of market development.

In assessing the fair value less cost to sell, the Group engaged independent valuation specialists to determine the fair value less cost to sell of the vessels as at 31 December 2020. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data.

2.10 Leases

The Group accounts for leases in accordance with Topic 842, Leases.

(a) When the Group is the lessee

Lessee – Operating leases

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognized a right-of-use asset and lease liability at the date when the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

  The amortisation of the right-of-use asset is calculated as the difference between the operating lease expense recorded under "Time charter hire expenses" and "Bareboat charter hire expenses" on a straight-line basis over the lease term and the accretion of interest on the lease liability each period.

- Lease liabilities

  For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

  Key estimates and judgments include how the Group determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

  Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Group cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Group generally uses its incremental borrowing rate as the discount rate for the lease. The Group's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

  The lease term for all the Group's leases includes the non-cancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that the Group is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments include the following:

- Fixed payment; and
- The exercise price of a purchase option if it is reasonably certain to exercise the option.

For leases of bareboat charter and time charter that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. If observable standalone prices are not readily available, the Group estimates the stand-alone prices maximizing the use of observable information. For leases of property, the Group has elected to not separate lease and non-lease maintenance components and account for these as one single lease component.

- Short-term and low-value leases

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value items based on the Group's capitalization threshold. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Lessee – Finance leases

Leases are classified as finance leases if they meet at least one of the following criteria: (i) the underlying asset automatically transfers title at the end of the lease term; (ii) the lease grant the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; (iii) the lease term forms a major part of the remaining estimated economic life of the underlying asset; or (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee, that is not otherwise included in the lease payments, forms substantially all of the fair value of the underlying asset. If none of the above criteria is met, the lease is accounted for as an operating lease.

(b) When the Group is the lessor

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the underlying asset arising from the head lease, rather than the right-of-use asset.

When the sublease is assessed as an operating lease, the Group recognizes lease income from sublease in profit or loss within "Other income" and "Revenue". The right-of-use asset relating to the head lease is not derecognized.

For contracts which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Impairment of Right-of-use assets

A right-of-use asset is a long-lived asset and is subject to the requirements of *Impairment or Disposal of Long-lived Assets* of ASC 360 and are evaluated for impairment whenever there is any objective evidence or indication that these assets may be impaired.

2.11 Non-derivative financial assets

Financial assets are presented as “Trade and other receivables, net” (Note 12), “Cash and cash equivalents” (Note 11) and “Restricted cash” (Note 14) on the balance sheet. They are initially recognized at their fair values plus transaction costs and subsequently carried at amortized cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognizes an allowance for impairment when such evidence exists. The allowance for doubtful accounts is the Group’s best estimate of the amount of credit losses in the Group’s existing financial assets. The allowance is determined on an individual receivable basis if it is probable that the Group will not collect all principal and interest contractually due. The Group considers significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments in determining their customers’ probability of default. The impairment is measured based on the present value of expected future cash flows discounted at the financial asset’s effective interest rate. The Group does not accrue interest when a financial asset is considered impaired. When ultimate collectability of the principal balance of the impaired financial asset is in doubt, all cash receipts on impaired financial assets are applied to reduce the principal amount of such financial asset until the principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Financial assets are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. The Group resumes accrual of interest when it is probable that the Group will collect the remaining principal and interest of an impaired financial asset. Financial assets become past due based on how recently payments have been received.

All these assets are presented as current assets except for those that are expected to be realized later than 12 months after the balance sheet date, which are presented as non-current assets.

2.12 Deferred finance costs

Debt issuance costs, including fees, commissions and legal expenses, are presented net of the related borrowings and are deferred and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included in interest expense.

When there is a modification of the existing debt, the remaining unamortized debt issuance costs, including fees, commissions and legal expenses are amortized over the modified liability’s remaining term.

Such costs are classified as non-current. The Group reclassifies the deferred finance costs in relation to the bank loan principal amounts to be paid due in the next twelve months as current.

When there is an extinguishment of the existing debt, the remaining unamortized debt issuance costs, including fees, commissions and legal expenses are expensed off immediately in profit or loss.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

2.14 Derivative financial instruments and hedging activities

The Group has entered into interest rate and bunker swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings and bunker price respectively.

The Group designates its derivatives based upon guidance on ASC 815, "Derivatives and Hedging" which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

(a) Cash flow hedge

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognized in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognized in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss.

Bunker swaps

The Group has entered into bunker swaps that are cash flow hedges for the Group's exposure to bunker price. These contracts entitle the Group to receive bunker at floating rates on notional principal amounts and oblige the Group to pay bunker at fixed rates on the same notional principal amounts, thus allowing the Group to raise bunker price at floating rates and swap them into fixed rates.

(b) *Other derivatives*

Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

2.15 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable and estimable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.17 Restricted cash

Restricted cash reflects deposits with certain banks that can only be used to pay the current loan instalments or which are required to be maintained as a certain minimum cash balance per mortgaged vessel. In the event that the obligation relating to such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets; otherwise they are classified as non-current assets.

2.18 Currency translation

(a) *Functional and presentation currency*

Foreign currency translation

The functional currency of the Company is US Dollar. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in US Dollar, which is the Group's presentation currency.

Transactions in other currencies are translated into the US Dollar using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities that are denominated in other currencies are translated into US Dollar at the prevailing exchange rates at the balance sheet dates. Resulting gains or losses are separately reflected in the accompanying consolidated statements of income. Foreign exchange gains or losses resulting from the translation process are reported in the consolidated financial statements.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognized in profit or loss.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the profit and loss within "Other (losses)/gains - net".

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;
(ii) shareholders' equity at historical rate of exchange;
(iii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iv) all resulting currency translation differences are recognized in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.20 Concentration of credit risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of cash and cash equivalents and trade and other receivables.

The Group has limited credit risk with its banks and financial institutions, which are leading and reputable and are assessed as having low credit risk. The Group has not had any loss arising from non-performance by these parties.

The Group has policies in place to assess the credit worthiness of customers to ensure vessels are chartered to customers with an appropriate credit history. Credit terms are not normally given to customers and payments are due upon the issue of invoices.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

2.21 Fair value of financial instruments

The estimated fair value of financial instruments, such as cash and cash equivalents, trade receivables, deposits, sundry deposits and trade and other payables approximate their individual carrying amounts as at the financial year end due to their short-term maturity. Derivative financial instruments are carried in the balance sheet at fair value.

2.22 Borrowing costs

Borrowing costs that are attributable to the acquisition and with production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss in the period in which they are incurred.

Borrowing costs are recognized using the effective interest method except for those costs that are directly attributable to a bank loan acquired specifically for the acquisition or construction of vessels.

The actual borrowing costs incurred during the acquisition or construction period is capitalized in the cost of the vessels.

2.23 Guidance on new accounting standards

Measurement of credit losses on financial instruments - In June 2016, the FASB issued accounting guidance to introduce a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new guidance will apply to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and other off-balance sheet credit exposures. The new guidance will also apply to debt securities and other financial assets measured at fair value through other comprehensive income. The FASB subsequently issued an accounting standard update in November 2019 with amendments to the expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables and financial assets secured by collateral maintenance provisions. The changes are effective for the Group for annual and interim periods in fiscal years beginning after December 15, 2022, with early adoption permitted for fiscal years beginning after December 15, 2018. The Group is in the process of evaluating the effect of the new guidance on the financial statements and has not early adopted such.

Income taxes: Simplifying the accounting for income taxes – In December 2019, the FASB issued an update on the accounting guidance for ASC 740, Income Taxes on simplifying the accounting for income taxes by removing certain exceptions such as the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for equity method investments, the ability to not recognize a deferred tax liability for a foreign subsidiary and the general methodology for calculating income taxes in an interim period. The new update is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. The Group is in the process of evaluating the effect of the new guidance on the financial statements and has not early adopted such.

3 Transactions with related parties

The Group provides remuneration and compensation to its key management personnel and its Directors in the amount of US$2,435,868 (2019: US$2,152,322), and the amount is included in the consolidated statement of comprehensive income under the caption "General and administrative expenses". The Group also receives insurance and risk management services of US$120,000 (2019: US$90,000) and bunker brokerage services of US$122,027 (2019: US$Nil) from related parties.

4 Revenue

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services in the following major revenue streams. All revenues are recognized over time.

	2020 US$	**2019 US$**
Revenue from:		
- Time charters	113,594,364	99,807,325
- Voyage charters	67,759,601	68,965,705
- Ship management services	227,303	771,036
- Others	1,889,286	1,090,256
	183,470,554	170,634,322

(b) Trade receivables from contracts with customers

	2020 US$	**2019 US$**
Current assets		
Trade receivables from contracts with customers	12,121,907	12,752,800
Less: Allowance for doubtful debts	(138,321)	–
	11,983,586	12,752,800

5 Other income

	2020 US$	2019 US$
Sundry income	567,118	485,750
Rental income	285,938	280,836
Insurance recoveries	621,636	–
Claims from charterer	–	727,697
Interest income from fixed deposits	160,694	245,626
	1,635,386	1,739,909

6 Other losses

	Note	2020 US$	2019 US$
Loss on disposal of property, plant and equipment		(4,351,581)	–
Loss from asset held for sale	29	(665,345)	–
Foreign currency exchange losses		(28,425)	(94,685)
		(5,045,351)	(94,685)

7 Vessel operating expenses

	2020 US$	2019 US$
Crew expenses	39,306,506	38,613,051
Messing and stores expenses	9,067,669	7,534,884
Insurance expenses	2,826,629	2,412,922
Maintenance and repairs expenses	6,982,425	8,996,183
Technical management fees	311,864	273,938
Vessel takeover and delivery expenses	73,867	92,646
Dry-docking costs/(reversal of overprovision for dry-docking costs)	(105,841)	(100,937)
Others	6,800,940	5,086,994
	65,264,059	62,909,681

8 General and administrative expenses

	Note	2020 US$	2019 US$
Staff costs		11,892,568	11,331,711
Directors' fees		160,000	100,659
Legal and professional fees		1,101,148	1,821,819
Information technology costs		1,028,803	768,005
Employee share option expenses		245,136	379,968
Rental and utilities expenses		1,352,605	1,403,911
Consultancy expenses		190,932	242,012
Travelling and entertainment expenses		227,386	707,850
Recruitment costs		16,637	10,561
Allowance for doubtful debts	12	138,321	–
Insurance		194,032	90,806
Others		818,072	888,449
		17,365,640	17,745,751

9 Finance expenses

	Note	2020 US$	2019 US$
Interest expense on finance leases		882,687	2,311,534
Interest expense on borrowings		13,434,047	13,937,830
Amortization of deferred finance costs	21	809,448	1,768,283
Termination fee on interest rate swaps		–	1,651,192
		15,126,182	19,668,839

10 Income taxes

The Company and each of its subsidiaries are taxed at the rates applicable within each respective company's jurisdiction. The composite income tax rate will vary according to the jurisdictions in which profits arise.

(a) Income tax expense

	2020 US$	2019 US$
Tax expense attributable to profit is made up of:		
- Current income tax	275,762	280,394
- Withholding tax	79,819	90,338
	355,581	370,732
Over provision in prior financial years		
- Current income tax	(110,540)	(38,992)
- Deferred income tax	(24,755)	(28,458)
	220,286	303,282

The Company is incorporated in the British Virgin Islands with a statutory tax rate of 0% (2019: 0%). The Group also has significant operations in Singapore with statutory tax rate of 17% (2019: 17%).

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using Singapore's standard rate of income tax as follows:

	2020 US$	2019 US$
Profit/(loss) before income tax	6,139,619	(5,431,309)
Tax calculated at statutory rate of 17% (2019: 17%)	1,043,735	(923,323)
Effects of:		
- Different tax rates in other countries	87,507	88,408
- Income not subject to tax	(31,433,746)	(28,417,185)
- Tax incentives	(13,180)	(12,920)
- Expenses not deductible for tax purposes	30,591,446	29,545,414
- Over-provision in prior financial years	(135,295)	(67,450)
- Withholding tax	79,819	90,338
Tax charge	220,286	303,282

The results of the Group are mainly derived from the operations of vessels registered in Singapore. Under the laws of the countries of the Company and its subsidiaries' incorporation and/or vessels' registration, the Group is subject to tax incentives on international shipping income.

(b) *Movement in current income tax liabilities*

	2020 US$	2019 US$
Beginning of financial year	205,656	272,545
Income tax paid	(229,934)	(370,170)
Tax expense	355,581	370,731
Over-provision in prior financial years	(135,295)	(67,450)
End of financial year	196,008	205,656

11 Cash and cash equivalents

	2020 US$	2019 US$
Cash at bank	46,949,645	41,408,023
Cash on board vessels	515,954	574,302
	47,465,599	41,982,325

12 Trade and other receivables, net

	2020 US$	2019 US$
Current		
Trade receivables from:		
- Non-related corporations	12,121,907	12,813,256
Less: Allowance for doubtful debts	(138,321)	–
Trade receivables, net of allowance	11,983,586	12,813,256
GST recoverable	323,296	285,855
Prepayments	2,093,581	1,808,036
Deposits	59,125	302,150
Sundry debtors	2,159,105	2,485,851
	16,618,693	17,695,148
Non-current		
Deposits	462,828	195,304

13 Inventories

	2020 US$	2019 US$
Bonded stores	67,657	70,537
Bunkers	2,319,596	3,169,066
Lubricating oil	–	1,500,343
Victualing	101,197	123,294
	2,488,450	4,863,240

14 Restricted cash

The restricted cash are fixed deposits placed and pledged with financial institutions as security for bank borrowings held by the Group. Such deposits can only be withdrawn upon the full repayment of the borrowings. The effective interest rate on these fixed deposits was 0.742% (2019: 1.045%) per annum. During the financial year, US$200,000 additional restricted cash was placed due to the additional loan drawn down by the Group to finance the acquisition of a vessel. In 2019, US$3,100,000 was released as part of the refinancing arrangement entered by the Group (Note 21).

15 Property, plant and equipment, net

	Vessels US$	Drydocking costs US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
2020							
Cost							
Beginning of financial year	708,256,034	28,674,616	187,323	2,365,714	417,191	1,332,881	741,233,759
Classified as held for sale	(11,430,652)	(733,687)	–	–	–	–	(12,164,339)
Additions	11,377,952	9,793,913	9,495	101,520	3,730	–	21,286,610
Disposals and write-offs	(25,344,019)	(7,475,972)	–	(2,087)	–	–	(32,822,078)
End of financial year	682,859,315	30,258,870	196,818	2,465,147	420,921	1,332,881	717,533,952
Accumulated depreciation							
Beginning of financial year	116,322,527	15,484,236	145,521	1,303,317	404,603	1,301,162	134,961,366
Classified as held for sale	(2,731,849)	(226,059)	–	–	–	–	(2,957,908)
Depreciation charge	25,464,332	6,238,922	23,443	310,572	7,778	40,912	32,085,959
Disposals and write-offs	(6,469,725)	(7,116,426)	–	(2,087)	–	–	(13,588,238)
Revaluation adjustment	–	–	–	–	–	(9,193)	(9,193)
End of financial year	132,585,285	14,380,673	168,964	1,611,802	412,381	1,332,881	150,491,986
Net book value							
End of financial year	550,274,030	15,878,197	27,854	853,345	8,540	–	567,041,966

	Vessels US$	Drydocking costs US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
2019							
Cost							
Beginning of financial year	576,523,164	27,007,736	162,815	2,013,297	405,420	1,332,881	607,445,313
Additions	131,732,870	7,535,393	26,975	352,417	9,304	–	139,656,959
Disposals and write-offs	–	(5,868,513)	–	–	–	–	(5,868,513)
Reclassification	–	–	(2,467)	–	2,467	–	–
End of financial year	708,256,034	28,674,616	187,323	2,365,714	417,191	1,332,881	741,233,759
Accumulated depreciation							
Beginning of financial year	93,191,147	14,259,864	122,356	1,110,699	389,257	1,145,505	110,218,828
Depreciation charge	23,131,380	7,092,885	23,422	192,618	15,089	155,657	30,611,051
Disposals and write-offs	–	(5,868,513)	–	–	–	–	(5,868,513)
Reclassification	–	–	(257)	–	257	–	–
End of financial year	116,322,527	15,484,236	145,521	1,303,317	404,603	1,301,162	134,961,366
Net book value							
End of financial year	591,933,507	13,190,380	41,802	1,062,397	12,588	31,719	606,272,393

(a) The vessels with carrying amount of US$495,679,404 (2019: US$523,028,610) have been pledged as collaterals for the borrowings described under Note 21 and the amortized dry-docking costs relating to these vessels are US$12,829,494 (2019: US$9,987,273).

(b) The carrying amount of vessels held under finance leases and their related amortized dry-docking costs was US$26,899,657 (2019: US$30,036,434) and US$1,779,365 (2019: US$382,713) respectively as at the balance sheet date. The amortisation of finance leases and their related dry-docking costs was US$2,030,821 (2019: US$2,120,493) and US$611,442 (2019: US$1,351,801) respectively as at the balance sheet date.

(c) In 2019, borrowing costs incurred to finance the vessels amounting to US$41,795 were capitalized at a rate of 4.06% per annum in the cost of the vessel. No borrowing costs were incurred during the year.

(d) On 12 July 2019, the Group took delivery of the vessels “Kahyasi” and “Kris Kin”, and the payments to take delivery of both vessels were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.

(e) On 26 July 2019 and 30 July 2019, the Group took delivery of the vessels “Kisber” and “Kingcraft”, and the payments to take delivery of both vessels were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.

(f) On 15 November 2019, the Group exercised the option to purchase an existing vessel “Epic Sicily”, that was under an operating lease for a lease term of five years and the payments for the acquisition were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.

(g) On 4 November 2020, the Group took delivery of a vessel “Epic Beata” and the payment to take delivery was satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.

16 Leases – The Group as a lessee

Nature of the Group’s leasing activities

Property

The Group leases office premises for the purpose of office operations.

Vessels

The Group leases vessels from non-related corporations under non-cancellable operating lease agreements. The leases have varying terms, options to purchase and extension rights.

Carrying amounts

Right-of-use assets

	2020 US$	**2019 US$**
Property	1,862,358	994,719
Vessels	23,932,727	25,432,094
	25,795,085	26,426,813

(a) *Lease expense not capitalized in lease liabilities*

	2020 US$	**2019 US$**
Lease expense – short-term leases*	142,959	3,212,695
Lease expense – low-value leases	17,249	13,911
Lease expense – non-lease component for vessel*	3,310,203	1,175,000
Lease expense – others	143,830	146,909
	3,614,241	4,548,515

* Included in bareboat and time charter hire expenses

(b) Total income from subleasing ROU assets in 2020 was US$9,505,540 (2019: US$9,171,158).

(c) Total cash outflow for all the leases in 2020 was US$19,421,795 (2019: US$23,705,387).

(d) Additions of ROU assets during the financial year 2020 was US$13,267,717 (2019: US$4,572,787).

(e) The weighted average remaining lease term and weighted average discount rate for its vessels is 3.25 (2019: 2.17) years and 3.90% (2019: 5.44%) respectively.

(f) Future cash outflow which are not capitalized in lease liabilities

i. Extension options

The leases for certain vessels contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimize operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

ii. Purchase options

The leases for the vessels contain purchase options, for which the exercise price had not been included in lease liabilities as the Group is not reasonably certain to exercise these purchase options. The Group considers market-based factors and any significant economic incentive to exercise the purchase options. The purchase options are exercisable by the Group according to the charter party agreements and are not obligatory.

iii. Short-term leases

Short-term leases that have lease terms of 12 months or less were not included in lease liabilities as the remaining lease term does not extend more than 12 months from the end of the previously determined lease term.

(g) The following table shows the maturity analysis of the undiscounted lease payments due after the reporting date:

	2020 US$	**2019 US$**
1st Year	14,273,943	13,480,641
2nd Year	4,817,508	11,461,900
3rd Year	1,839,100	2,427,150
4th Year	1,800,000	39,100
5th Year	1,800,000	–
Thereafter	1,632,150	–
	26,162,701	27,408,791
Less: Future finance charges	(1,251,740)	(1,569,619)
Lease liabilities	24,910,961	25,839,172
Current	13,556,980	12,390,496
Non-current	11,353,981	13,448,676
Lease liabilities	24,910,961	25,839,172

17 Leases – The Group as a lessor

Nature of the Group’s leasing activities – Group as a lessor

The Group leased out their vessels to non-related parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Undiscounted lease payments from the operating leases (excluding leases where the Group acts as an intermediate lessor) to be received after the reporting date are as follows:

	2020 US$	**2019 US$**
1st Year	52,601,301	52,091,927
2nd Year	12,273,131	6,000,833
3rd Year	2,359,333	–
	67,233,765	58,092,760

Revenue from charter hire services are disclosed in Note 4.

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangements in which it sub-leases out office premises and vessels to non-related parties for monthly lease payments. The sub-lease periods do not form a major part of the remaining useful lives of the underlying assets and accordingly, the sub-leases are classified as operating leases.

Income from subleasing the office premises and vessels recognized during the financial year 2020 was US$17,873,479 (2019: US$20,508,184).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	2020 US$	2019 US$
1st Year	5,440,146	10,547,091
2nd Year	176,616	75,625
Total undiscounted lease payments to be received	5,616,762	10,622,716

18 Trade and other payables

	2020 US$	2019 US$
Current		
Trade payables to:		
- Related corporations	14,859	–
- Non-related corporations	5,316,393	8,287,105
Non-trade payables to:		
- Non-related corporations	915,222	1,902,050
	6,246,474	10,189,155
Accrued operating expenses	9,213,788	11,708,421
Accrued staff costs	1,754,514	1,614,254
	17,214,776	23,511,830
Non-current		
Deposits	72,170	–

19 Contract liabilities

	2020 US$	2019 US$
Deferred income	9,624,103	10,357,980

(i) *Revenue recognized in relation to contract liabilities*

	2020 **US$**	**2019** **US$**
Revenue recognized in the current year that was included in the contract liabilities balance at the beginning of the year	10,357,980	9,800,405

Contract liabilities relate to charter revenue received in advance as at the financial year end. Revenue from time charter will be recognized on a straight-line basis over the period of hire in accordance with the ship charter hire agreement.

(ii) *Unsatisfied performance obligations*

As permitted under ASC 606, the aggregated transaction price allocated to unsatisfied contracts is not disclosed as the Group has a right to invoice their customers in an amount that corresponds on a straight-line basis over the period of hire, or the performance obligation is part of a contract that has an original expected duration of one year or less.

20 Finance lease liabilities

The Group leases vessels from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets.

	2020 **US$**	**2019** **US$**
Not later than one year	2,760,174	2,562,526
Between one and five years	7,452,630	10,212,804
	10,212,804	12,775,330

Current deferred finance costs of US$1,430 (2019: US$1,430) and non-current deferred finance costs of US$1,786 (2019: US$3,216) relating to legal and debt issuance costs directly related to the commencement of the finance lease liabilities are presented net of the lease liabilities. The amortization of these deferred finance costs are recognized as interest expenses in Note 8.

	2020 **US$**	**2019** **US$**
Minimum lease payments due		
- 1st Year	3,432,000	3,432,890
- 2nd Year	3,432,000	3,432,000
- 3rd Year	4,558,000	3,432,000
- 4th Year	–	4,558,000
	11,422,000	14,854,890
Less: Future finance charges	(1,205,980)	(2,074,914)
Present value of finance lease liabilities	10,216,020	12,779,976
Less: Deferred finance costs	(3,216)	(4,646)
Total	10,212,804	12,775,330

The exercise price of the purchase option is included in the computation of lease liabilities, as the Group is reasonably certain to exercise the purchase option at the end of the lease period.

Finance lease liabilities of the Group are secured over the leased vessels.

21 Borrowings

	2020 US$	2019 US$
Not later than one year	31,264,023	30,843,996
Between one and five years	282,016,760	306,930,736
	313,280,783	337,774,732

The movement of borrowings during the year was as follows:

	Note	2020 US$	2019 US$
Beginning of financial year		337,774,732	227,716,390
Additions		9,750,000	285,812,500
Repayments of long-term borrowings		(34,993,280)	(177,522,441)
Amortization of deferred finance costs	9	809,448	1,768,283
Transaction cost		(136,431)	–
Write off of deferred finance costs		76,314	–
End of financial year		313,280,783	337,774,732

Current deferred finance costs of US$816,085 (2019: US$799,912) and non-current deferred finance costs of US$2,567,867 (2019: US$3,333,376) for legal and debt issuance costs directly related to the issuance of the borrowings are presented net of borrowings. The amortization of these deferred finance costs are recognized as interest expenses in Note 9.

During the financial year, the Group sold a vessel which resulted in a write-off of unamortized finance costs of US$76,314 associated with the borrowings that were extinguished in profit and loss.

In 2019, the Group renegotiated its existing loan facilities to refinance vessels belonging to the Group. The refinancing resulted in a write-off of unamortized finance costs of US$1,014,426 associated with the borrowings that were extinguished in profit and loss within "Amortization of deferred finance costs" in Note 9.

On 24 October 2019, the Group had drawn down loans from a refinancing arrangement for facilities totalling US$175,437,500 for the purpose of refinancing 19 vessels belonging to the Group. On 15 November 2019, the Group had drawn down an additional loan from the facility, amounting to US$15,975,000, to finance the acquisition of a vessel. On 27 October 2020, the Group had drawn down an additional loan from the facility, amounting to US$9,750,000, to finance the acquisition of a vessel.

The key terms of the loan agreement are as follows:

Interest rate	:	2% per annum plus 3M-LIBOR
Payment term	:	20 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings are secured by the following:

(i) First priority mortgage on all vessels;
(ii) First priority general assignment of the insurances, earnings, charters and requisition compensation claims for each vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority account security deeds over the Earnings Account, the Retention Account and the Deposit Account;
(v) First priority charge or pledge of shares of the Borrowers;
(vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
(vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers; and
(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 5 September 2019, the Group had drawn down loans from two refinancing arrangements for a facility totalling US$30,500,000 for the purpose of refinancing 2 vessels belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	6.13% per annum
Payment term	:	10 years with purchase options exercisable for the first time after 5 years and subsequently on each anniversary of the delivery date, subject to a purchase obligation on the 10th anniversary of the delivery date

On 11 July 2019 and 23 July 2019, the Group had drawn down loans from a loan agreement for borrowings totalling US$63,900,000 to partially finance the acquisition of 4 vessels. The key terms of the loan agreement are as follows:

Interest rate	:	1.95% per annum plus 3M-LIBOR
Payment term	:	28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings are secured by the following:

(i) First priority mortgage on all vessels;
(ii) First priority general assignment of the insurances, earnings, charters and requisition compensation claims for each vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority account security deeds over the Earnings Account and the Retention Account;
(v) First priority charge of shares of the Borrowers;

(vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
(vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers; and
(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 18 October 2018, the Group had drawn down loans from a refinancing arrangement for a facility totalling US$14,700,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	6% to 7.69% per annum depending on the period when the purchase option is exercised
Payment term	:	11 years with purchase options exercisable for the first time after 6 years and subsequently on each anniversary of the delivery date, subject to a purchase obligation on the 11th anniversary of the delivery date

The borrowings are secured by the following:

(i) First priority mortgage on all vessels;
(ii) First priority general assignment of the earnings and requisition compensation claims for each vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for all Vessels;
(v) First priority assignment of Time Charter(s);
(vi) First priority pledge of shares of the Borrowers;
(vii) Pledge over the Charterer Account, the Earnings Account, Retention Account and the Deposit Account;
(viii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers; and
(ix) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other security customary documents deemed necessary.

On 2 July 2018, the Group had drawn down loans from a refinancing arrangement for facilities totalling US$34,000,000 for the purpose of refinancing 5 vessels belonging to the Group. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate	:	3.15% per annum plus 3M-LIBOR
Payment term	:	20 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings were secured by the following:

(i) First priority mortgage on all vessels;
(ii) First priority general assignment of the earnings and requisition compensation claims for each vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for all Vessels;
(v) First priority assignment of Time Charter(s);
(vi) First priority pledge of shares of the Borrowers;
(vii) Pledge over the Charterer Account, the Earnings Account, Retention Account and the Deposit Account;
(viii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers; and
(ix) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other security customary documents deemed necessary.

On 26 April 2018, the Group had drawn down loans from a loan agreement for borrowings totalling US$1,644,307 resulting from the finance lease restructures of 3 vessels belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	1.95% per annum
Payment term	:	42 fixed consecutive monthly instalments

On 28 March 2018, the Group had drawn down a loan from a refinancing arrangement for a facility totalling US$15,000,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	6.05% per annum
Payment term	:	10 years with purchase options exercisable for the first time after 5 years and subsequently on each anniversary of the delivery date to purchase the vessel at the end of the term

On 7 September 2017, the Group had drawn down a loan from a refinancing arrangement for a facility totalling US$29,000,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	4.80% per annum
Payment term	:	10 years with purchase options exercisable for the first time after 3 years and subsequently on each anniversary of the delivery date

The borrowings are secured by the following:

(i) First priority mortgage on the vessel;
(ii) First priority general assignment of the earnings and requisition compensation claims for the vessel;

(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for the vessel;
(v) First priority assignment of Time Charter(s);
(vi) First priority pledge of shares of the Borrower;
(vii) Pledge over the Charterer Account, the Earnings Account, the Retention Account and the Deposit Account;
(viii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;
(ix) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower; and
(x) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 13 June 2017, the Group had drawn down a loan from a loan agreement for a borrowing totalling US$8,500,000 to partially finance the acquisition of 1 vessel. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate	:	3.40% per annum plus 3M-LIBOR
Payment term	:	19 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings were secured by the following:

(i) First priority mortgage on the vessel;
(ii) First priority general assignment of the earnings and requisition compensation claims for the vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for the vessel;
(v) First priority assignment of Time Charter(s);
(vi) First priority pledge of shares of the Borrower;
(vii) Pledge over the Charterer Account, the Earnings Account, the Retention Account and the Deposit Account;
(viii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;
(ix) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower; and
(x) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 31 March 2017, the Group had drawn down loans from a refinancing arrangement for facilities totalling US$89,925,000 to refinance 14 vessels. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate	:	3.50% per annum plus 3M-LIBOR
Payment term	:	28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings were secured by the following:

(i) First priority mortgage on all vessels;
(ii) First priority general assignment of the earnings and requisition compensation claims for each vessel;
(iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
(iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for all Vessels;
(v) First priority assignment of Time Charter(s);
(vi) First priority pledge of shares of the Borrowers;
(vii) Pledge over the Charterer Account, the Earnings Account, the Retention Account and the Deposit Account;
(viii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
(ix) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers; and
(x) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 21 October 2016, the Group had drawn down a loan from a refinancing arrangement for a facility totalling US$29,750,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate	:	3.98% per annum
Payment term	:	7 years with a purchase option exercisable any time after 5 years

For the period from February 2016 to December 2016, the Group had drawn down loans from a loan agreement for facilities totaling US$120,300,000 to partially finance the acquisition of an additional 7 vessels. On 15 March 2017, the Group had drawn down additional loans from the facility, amounting to US$17,850,000, to finance the acquisition of a vessel. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate	:	3.25% per annum plus 3M-LIBOR
Payment term	:	28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings were secured by the following:

(i) First and second priority cross-collateralized mortgages over the vessels;
(ii) First and second priority assignment of the vessels' earnings, insurances and requisition compensation;
(iii) Share charges creating security over the share capital of the borrowing entities;
(iv) Account security deeds creating security over the accounts of the borrowing entities;
(v) Intra-Group loan assignments creating security over intercompany loans;
(vi) First and second priority undertakings of the commercial and technical managers of the vessels; and
(vii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers; and
(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd and Epic Gas Opco II Pte Ltd. and the borrowing entities covering all amounts outstanding under the loan agreements.

The respective maturity dates of the borrowings (excluding deferred finance charges) as at the financial year end are:

Issue date	Maturity date	2020 US$	2019 US$
21 October 2016	21 October 2023	15,835,948	16,987,454
07 September 2017	07 August 2027	16,767,567	17,795,253
28 March 2018	28 March 2028	12,118,673	13,192,285
26 April 2018	31 October 2021	401,731	875,278
18 October 2018	31 Oct 2029	12,025,406	12,876,689
11 July 2019	01 July 2026	27,454,910	47,055,978
23 July 2019	01 July 2026	43,155,978	15,727,717
05 September 2019	05 September 2029	14,427,717	29,530,771
24 October 2019	24 October 2024	150,422,791	172,052,159
15 November 2019	24 October 2024	14,515,656	15,814,436
27 October 2020	24 October 2024	9,538,360	–
		316,664,737	341,908,020

The weighted-average interest rates on the above outstanding borrowings were 4.07% (2019: 4.34%) per annum.

Some of the Group's loan agreements are subjected to financial covenant clauses whereby the Group is required to meet certain financial ratios. The banks are contractually entitled to request for immediate payment of the outstanding borrowings in an event where financial covenants required under the terms of the loan agreements are not fulfilled and not cured. As at 31 December 2020 and 2019, the Group was in compliance with all of its financial covenants.

As of 31 December 2020, all borrowing facilities have been drawn (2019: US$10,000,000 undrawn).

As at the financial year end, the fair values of non-current borrowings approximate their carrying amounts.

The annual principal repayments to be made for the borrowings (excluding deferred finance charges) as set out above, after the financial year ends are as follows:

	2020 US$	**2019 US$**
1st Year	35,277,746	31,544,274
2nd Year	31,243,801	31,784,403
3rd Year	44,000,430	31,716,098
4th Year	124,474,878	44,472,725
5th Year	12,024,537	120,722,635
6th Year	38,839,772	12,024,531
7th Year	15,728,682	38,839,772
8th Year	7,439,777	15,728,683
9th Year	7,635,114	7,439,777
10th Year	–	7,635,122
	316,664,737	341,908,020

22 Derivative financial instruments

	Contract notional amount US$	**Fair value asset US$**	**Fair value liability US$**
2020			
Derivatives held for hedging			
Cash flow hedges			
- Interest rate swaps	173,458,373	–	6,300,953
- Bunker swaps	4,806,700	322,444	–
Total		322,444	6,300,953
Less: Current portion		(322,444)	–
Non-current portion		–	6,300,953
2019			
Derivatives held for hedging			
Cash flow hedges			
- Interest rate swaps	126,279,254	137,413	256,611
Total		137,413	256,611
Less: Current portion		–	–
Non-current portion		137,413	256,611

Interest rate swaps are transacted to hedge variable quarterly interest payments on borrowings. Bunker swaps are transacted to hedge the exposure of bunker prices due to variability of the prices.

Fair value gains and losses on the interest rate swaps recognized in the other comprehensive income are reclassified to profit or loss as part of interest expense over the period of the borrowings.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides temporary optional guidance for a limited time to ease the potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (LIBOR). The ASU was effective upon issuance on March 12, 2020. The Group applied certain of the practical expedients as of March 12, 2020 to continue its cash flow hedging relationships that reference forecasted transactions based on LIBOR. Optional expedients in Topic 848 are generally available until December 31, 2022. The adoption of ASU 2020-04 did not have a material effect on the Company's consolidated financial statements.

In 2019, the Group renegotiated its existing loan facilities to refinance vessels belonging to the Group. The refinancing resulted in a termination fee on interest rate swaps for its existing loan facilities of US$1,651,192 presented in profit and loss within "Finance expenses" (Note 9).

23 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities is as follows:

Deferred income tax assets

	Accelerated depreciation US$	Provisions US$	Total US$
2020			
Beginning of financial year	–	78,101	78,101
Charged to profit or loss	–	24,755	24,755
End of financial year	–	102,856	102,856
2019			
Beginning of financial year	–	49,357	49,357
Charged to profit or loss	–	28,744	28,744
End of financial year	–	78,101	78,101

Deferred income tax liabilities

	Accelerated depreciation US$	Provisions US$	Total US$
2020			
Beginning and end of financial year	101,378	(1,024)	100,354
2019			
Beginning and end of financial year	101,378	(1,024)	100,354

24 Share capital

	Issued no. of ordinary shares	Amount	
		Share capital US$	**Additional paid-in capital US$**
Group and Company			
2020			
Beginning and end of financial year	106,616,349	1,066,163	398,832,567
2019			
Beginning of financial year	70,471,771	704,717	339,417,713
Issuance of shares	36,144,578	361,446	59,414,854
End of financial year	106,616,349	1,066,163	398,832,567

The Company's share capital comprise fully paid-up 106,616,349 (2019: 106,616,349) ordinary shares at par value of US$0.01, amounting to a total of US$1,066,163 (2019:US$1,066,163).

The holders of the shares are entitled to one vote on all matters submitted to a vote of shareholders and to receive all dividends, if any.

On 17 May 2019, the Group issued and allocated 36,144,578 ordinary shares at a subscription price of NOK14.5 (equivalent to US$1.66 at prevailing exchange rate) which amounted to US$60,000,000, as part of the purchase consideration paid to the seller of the newly acquired vessel. The total expenses directly attributable to the issuance of shares amounted to US$223,700.

The shares issued in 2019 rank pari passu in all respects with the previously issued shares.

25 Share option reserve

	2020 US$	2019 US$
Beginning of financial year	4,671,798	4,367,032
Epic Gas Ltd Share Option Plan		
- Value of employee services	245,136	379,968
- Share options forfeited	–	–
- Reversal of share options	–	(75,202)
End of financial year	4,916,934	4,671,798

Employee share options

Pursuant to the Epic Gas Ltd Share Option Plan, the Company granted share options to key management personnel and employees who are in service at the date of grant.

The vesting schedule for the share options is as follows:

40% on the Second anniversary of the Grant Date;
20% on the Third anniversary of the Grant Date;
20% on the Fourth anniversary of the Grant Date; and
20% on the Fifth anniversary of the Grant Date.

Modification of share-based payment arrangements

On 26 June 2019, the Company modified the Epic Gas Ltd Share Option Plan.

The details of modification of share option plan is as follows:

- Cancelled the share options granted in March 2013 and December 2013

- Decreased the vesting period for the employee share options granted in January 2016, January 2017 and August 2017 from five to three years and reduced the exercise price from US$2.25 to US$2.05

- Decreased the vesting period for the employee share options granted in January 2018 from five to three years and reduced the exercise price from US$1.85 to US$1.79

- Decreased the vesting period for the employee share options granted in January 2019 from five to three years and reduced the exercise price from US$1.75 to US$1.72

Once vested, the options are exercisable during the contractual option term of six years from grant date.

Prior to delivery of the shares (as evidenced by the entry in the shareholders' register), no right to vote or receive dividends or any rights as a shareholder shall exist with respect to the options, notwithstanding the exercise of the option.

Movements in the number of unissued common shares under option and their exercise prices are as follows:

	Number of ordinary shares under award					
	At the beginning of the year	Granted during the year	Forfeited/ expired during the year	Cancelled during the year	At the end of the year	Exercise price US$
2020						
January 2016 Awards	2,623,201	–	–	–	2,623,201	2.05
January 2017 Awards	310,702	–	–	–	310,702	2.05
August 2017 Awards	33,333	–	–	–	33,333	2.05
January 2018 Awards	339,177	–	–	–	339,177	1.79
January 2019 Awards	280,078	–	–	–	280,078	1.72
Total	3,586,491	–	–	–	3,586,491	
2019						
March 2013 Awards	286,340	–	–	(286,340)	–	–
December 2013 Awards	880,800	–	–	(880,800)	–	–
January 2016 Awards	2,689,868	–	–	(66,667)	2,623,201	2.05
January 2017 Awards	357,368	–	–	(46,666)	310,702	2.05
August 2017 Awards	33,333	–	–	–	33,333	2.05
January 2018 Awards	355,393	–	–	(16,216)	339,177	1.79
January 2019 Awards	–	297,220	–	(17,142)	280,078	1.72
Total	4,603,102	297,220	–	(1,313,831)	3,586,491	

The number of options vested and exercisable as at 31 December 2020 was 2,967,234 (2019: 2,760,814).

	2020 US$	**2019 US$**
Number of share options to be vested		
- 1st Year	339,177	206,422
- 2nd Year	280,078	339,177
- 3rd Year	–	280,078
	619,255	825,677

The Company estimated the fair value of the share options using the Binomial Option pricing model, which incorporated subjective assumptions including expected volatility, expected term and interest rates.

The expected volatility was based on the historical volatility and trading history of the shares of comparable companies in similar industry over the most recent years that commensurate with the estimated expected term of the share options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

Expected terms for the above options were determined by the simplified method.

In 2019, the assumptions used for the estimation of fair value of the share options at grant date are as follows:

	2019
Weighted average expected term	6.78 years
Dividend yield	0%
Risk-free interest rate	1.77 - 2.12%
Weighted average volatility	40.17%

There were no share options granted during the year.

The fair value of the options granted in 2019 was estimated to be US$5,275,835 under Level 3 fair value inputs. The amount of unvested awards to be recognized on a straight-line basis over the vesting period is US$57,513 (2019: US$528,845).

26 Accumulated other comprehensive losses

(a) Composition:

	2020 US$	**2019 US$**
Currency translation reserve	(178,395)	(192,674)
Hedging reserve	(5,978,509)	(119,198)
	(6,156,904)	(311,872)

(b) Movements:

(i) Currency translation reserve

	2020 US$	2019 US$
Beginning of financial year	(192,674)	(189,431)
Net currency translation differences of financial statements of foreign subsidiaries	14,279	(3,243)
End of financial year	(178,395)	(192,674)

(ii) Hedging reserve

	2020 US$	2019 US$
Beginning of financial year	(119,198)	1,597,919
Fair value gains/(losses)	(5,859,311)	(1,717,117)
End of financial year	(5,978,509)	(119,198)

27 Fair value measurements

The Group applies ASC 820, "Fair Value Measurements", with respect to fair value measurements of (a) all financial assets and liabilities and (b) non-financial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually). Under ASC 820, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

ASC 820 specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability. ASC 820 requires the use of observable market data if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

(a) Valuation technique

Level 1 - Inputs are unadjusted quoted prices for identical assets and liabilities in active markets. Level 1 assets and liabilities include equity securities and derivative contracts that are traded in an active market.

Level 2 - Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category includes the majority of government debt securities, corporate debt securities and derivative contracts.

Level 3 - One or more significant inputs are unobservable. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset or liability. This category primarily includes certain private equity investments and certain hybrid financial instruments not classified within Level 1 or 2.

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized based upon the lowest level of significant input to the valuations as of 31 December 2020:

		Fair value measurements using		
	Fair value US$	**Quoted prices in active markets for identical assets (Level 1) US$**	**Significant other observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**
As of 31 December 2020				
Assets				
Derivative financial instruments	322,444	–	322,444	–
Total	322,444	–	322,444	–
Liabilities				
Derivative financial instruments	6,300,953	–	6,300,953	–
Total	6,300,953	–	6,300,953	–
As of 31 December 2019				
Assets				
Derivative financial instruments	137,413	–	137,413	–
Total	137,413	–	137,413	–
Liabilities				
Derivative financial instruments	256,611	–	256,611	–
Total	256,611	–	256,611	–

Interest rate swaps are valued using a discounted cash-flow method based on market-based LIBOR swap yield curves. LIBOR swap rates are observable at commonly quoted intervals for the full term of the swaps and therefore, these derivative instruments are classified within Level 2.

The fair values of bunker swaps are determined using forward commodity indices at the balance sheet date. Bunker prices are observable at commonly quoted intervals for the full term of the swaps and therefore, these derivative instruments are classified within Level 2.

(b) *Financial instruments*

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximated their fair values due to their short-term nature.

The fair value of the restricted cash approximates it’s fair value due to the market interest rate received on such fixed deposits.

For non-current bank borrowings and notes payables, the fair value is estimated based on current interest rates available to the Group for issuance of debts of similar terms and remaining maturities.

Apart from the derivative financial instruments, the Group does not have financial instruments carried at fair value as of 31 December 2020 and 2019.

28 Immediate holding corporation

The Company’s immediate holding corporation is BW Group Limited, incorporated in Bermuda.

On 18 March 2019, BW Group Limited entered into an agreement to acquire 54.7% of the outstanding shares of the Company from certain existing shareholders. In 2019, BW Group Limited acquired an additional 28.63% of the outstanding shares, holding a total of 83.33% shareholdings of the Company. As a result, BW Group Limited became the Company’s immediate holding corporation.

29 Events occurring after the balance sheet date

On 23 December 2020, the Group announced a transaction agreement with Lauritzen Kosan A/S to combine their fleet and business activities and create BW Epic Kosan. The transaction was subsequently completed on 11 March 2021.

On 1 January 2021, the Group signed an agreement to sell and deliver "Epic Corsica", hence the vessel has been reclassified as "asset held for sale" in the financial statements. A loss of US$665,345 for write-downs of the asset to the lower of its carrying amount and its fair value has been included in the profit and loss. On 4 February 2021, the vessel has been delivered to the buyer.

On 11 February 2021, the Group declared a first interim dividend of US$0.14069 per ordinary share in cash, amounting to an aggregate dividend of approximately US$14,999,854 based on the issued share capital of 106,616,349 ordinary shares for the financial year ending 31 December 2020.

On 1 March 2021, Epic Gas Ltd is redomiciled from the British Virgin Islands to Singapore. The registration number in Singapore is 202107190R.

On 24 March 2021, Epic Gas Ltd is renamed to BW Epic Kosan Ltd.

30 Listing of significant subsidiaries in the Group

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2020 %	Equity holding 2019 %
Epic Gas Opco I Pte. Ltd. [(a)] [(e)]	Investment Holding	Singapore	100	100
Epic Gas Opco II Pte. Ltd. [(a)] [(e)]	Investment Holding	Singapore	100	100
Epic Gas (UK) Limited [(b)] [(g)]	Provision of Commercial and Technical Management Services	United Kingdom	100	100
Epic Ship Management Pte. Ltd. [(a)] [(f)]	Provision of Technical Management Services	Singapore	100	100
Epic Ship Management GmbH [(c)]	Provision of Technical Management Services	Germany	100	100
Botany Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Elba Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Bali Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Baluan Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Barbados Pte Ltd. [(a)] [(e)]	Vessel owning and chartering	Singapore	100	100
Epic Beata Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2020 %	Equity holding 2019 %
Epic Bonaire Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Borinquen Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Borneo Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Boracay Pte. Ltd. [(a) (e)]	Vessel owning and chartering	Singapore	100	100
Epic Caledonia Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Camelot Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Curacao Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Gas Echo Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Gas Chartering Ltd. [(c)]	Vessel chartering	British Virgin Islands	100	100
Epic Gas Chartering Pte. Ltd. [(a)]	Vessel chartering	Singapore	100	100
Epic Wave Two Pte. Ltd. [(h)]	Vessel owning and chartering	Singapore	100	100
Epic Madeira Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Manhattan Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Salina Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Samos Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Sardinia Pte. Ltd. [(a)]	Vessel chartering	Singapore	100	100
Epic Sentosa Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Shikoku Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Sicily Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic St Agnes Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic St Croix Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic St George Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic St Ivan Pte. Ltd. [(a) (e)]	Vessel owning and chartering	Singapore	100	100
Epic St Thomas Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Super League Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Vessels (Singapore) Pte. Ltd. [(a)]	Vessel chartering	Singapore	100	100

Name of significant subsidiaries	**Principal activities**	**Country of business/ incorporation**	**Equity holding 2020 %**	**Equity holding 2019 %**
Epic York Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Epic Borkum Pte. Ltd. [(a) (e)]	Vessel owning and chartering	Singapore	100	100
Epic Bermuda Pte. Ltd. [(a) (e)]	Vessel owning and chartering	Singapore	100	100
Epic Barnes Pte. Ltd. [(a) (e)]	Vessel owning and chartering	Singapore	100	100
St. Kitts Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
St. Lucia Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
St. Martin Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
St. Vincent Shipping Pte. Ltd. [(a)]	Vessel owning and chartering	Singapore	100	100
Navi One Pte. Ltd. [(i)]	Vessel owning and chartering	Singapore	0	100
Navi Two Pte. Ltd. [(i)]	Vessel owning and chartering	Singapore	0	100

(a) Audited by KPMG LLP, Singapore
(b) Audited by local accounting firm
(c) Not required to be audited under the laws of the country of incorporation
(d) Incorporated during the financial year
(e) Redomiciled to Singapore on 1 October 2020
(f) Subsequently renamed as BW Epic Kosan Maritime Pte. Ltd. on 29 January 2021
(g) Subsequently renamed as BW Epic Kosan (UK) Limited on 25 March 2021
(h) Subsequently renamed as BW Epic Kosan Vessels Pte. Ltd. on 22 January 2021
(i) Dissolved on 4 February 2020