365

days delivering under pressure

Annual Report 2021

BW Epic Kosan

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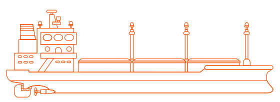
Year at a glance

365 days of delivering under pressure.



Merger of Lauritzen Kosan and Epic Gas to create BW Epic Kosan (BWEK).

DEC 2020

FEB 2021

First dividend payment made.

Re-domiciliation from British Virgin Islands to Singapore.

Partner with BW LPG to provide first ever at sea refuelling of LPG-powered very large gas carriers.

Completion of merger and refinancing (US$155m) of LK fleet.

MAR 2021

APR 2021

Rebranding completed as BW Epic Kosan with new brand colours and website.

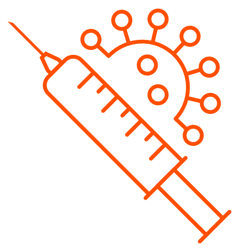
%

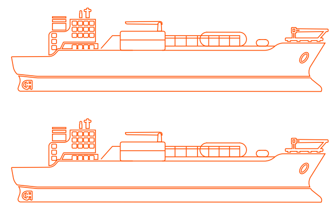
Dividend policy published.

MAY 2021

MAY 2021

Commenced Covid-19 vaccination roll out for our seafarers.





Agreement to acquire Bow Gallant and Bow Guardian from Odfjell.

AUG 2021

NOV 2021

Financing arranged for purchase of Epic Sardinia.

14

Dry-dockings

>3,000

Crew changes completed in 2021.

DEC 2021

Strategy

Financial highlights

Increased fleet capacity combined with effective cost management led to increased revenues and EBITDA. BW Epic Kosan was able to return US$15 million to its shareholders during the year while maintaining a solid capital structure.

Revenue

US$329.1m	**US$95.5m**
2021	Q4 2021
+79.6%	**+116.1%**
US$183.2m	US$44.2m
2020	Q4 2020

EBITDA

US$92.7m	**US$25.6m**
2021	Q4 2021
+58.5%	**+79.0%**
US$58.5m	US$14.3m
2020	Q4 2020

Net profit (before/after non-recurring items)

US$19.2m/0.4m	**US$5.0m/-13.7m**
2021	Q4 2021
+76.1%	**+61.3%**
US$10.9m/5.9m	US$3.1m/1.7m
2020	Q4 2020

EPS (before/after non-recurring items)

US$0.13/0.00	**US$0.03/-0.09**
2021	Q4 2021
+30%	**+0%**
US$0.10/0.06	US$0.03/0.02
2020	Q4 2020

Strategy

Chairman and CEO's statement

Andreas Sohmen-Pao
Chairman

"We are working on a dual objective: delivering vital commodities for today while finding sustainable solutions for tomorrow."

Charles Maltby
Chief Executive Officer

"We aim to improve returns by focusing on customers and operations, while shaping an appropriate fleet for the future."

This year has been one of growth and resilience.

The most significant growth event was the merger of Epic Gas and Lauritzen Kosan to form BW Epic Kosan. Combined with other transactions, this added 34 ships and resulted in the creation of the world's largest fleet in its segment, with 78 gas vessels. With the Covid-19 pandemic still raging, the team demonstrated considerable resilience. We are proud of the determination displayed both ashore and afloat, as team members continued to deliver vital commodities to developing economies and truly embodied one of our core beliefs: delivering under pressure.

Performance and results

The increased scale of our fleet, combined with improving market conditions and effective cost management, has helped us deliver an 80% improvement in revenue to US$329 million, and a full year net profit before non-recurring items of US$19.2 million. This represents a 76% year-on-year increase. We took a non-cash impairment / loss on sale of vessels of US$18.7 million. Our ROE is at 4.6% before non-recurring items: an increase on prior years, albeit with room for improvement. In February we paid our first dividend, amounting to US$0.14069 per share (US$15 million), and announced our future dividend policy thereafter.

Our time charter earnings (TCE) per calendar day for the full year increased by 11% year-on-year to US$11,126 per day (+US$1,073 per day). This was achieved by improving markets and through the change in our fleet mix, which now includes pressurised, semi-refrigerated and ethylene-capable vessels. Our underlying operational expenses (OPEX) costs increased by 16% to US$4,975 per day (+US$699 per day). This was impacted by Covid-19 costs and the change in our fleet to include the semi-refrigerated and ethylene vessels, which have higher running costs. Our overheads are reducing as we benefit from economies of scale, with final quarter costs down by more than 7% year-on-year.

Strategy
Chairman and CEO's statement (cont.)

Over the course of 2021 we have benefited from lower finance and insurance costs, due to the economies of scale associated with operating a larger fleet. We ended the year with total debt and finance leases of US$472 million, on a total balance sheet of over US$1 billion including US$58 million cash, equivalent to net leverage of 48%. We have hedged 76% of our bank debt via interest rate swaps at a weighted average of 1.135%.

Corporate matters

We are committed to strong corporate governance, sound internal controls, transparency, and accountability to all stakeholders.
We thank Mr Christopher Buttery, a founder of the Company, and Mr Billy Chiu, who both stepped down from the Board in March. We welcomed Mr Tommy Thomsen and Mr Kristian Mørch. Mr Charles Maltby continued in his capacity as Chief Executive Officer. Subsequent to the year-end, Mrs Rita Granlund joined the Board, including as a member of the Audit Committee.

Safety, operations and ESG

We tragically lost two colleagues at sea during the year. One case was Covid-19 related. The other was the result of an accident, and we have implemented measures to prevent any recurrence. Our Loss Time Injury Frequency (LTIF) deteriorated to 0.82 days per million hours worked, and this highlights the need to continue focusing on zero harm, safety, and the successful delivery of necessary improvements in working practices.

Our teams are working to align the processes of the combined organisation, while ensuring continuity of operations and a strong customer focus. We completed over 3,000 crew movements, but the environment created by Covid-19 has presented ongoing challenges. Our technical team completed a record 14 routine dry docks over the period, in spite of local Covid-19 lockdowns that impacted shipyards, the supply of key workers, and the delivery of spares.

Our operating costs have been impacted by the first signs of supply chain inflation in areas such as crewing and marine lubricant oils. Covid-19 OPEX increases related primarily to crew change expenses and freight forwarding costs for spares, as well as increased off hire for our fleet as we positioned vessels to facilitate crew changes and meet quarantine requirements. We are grateful to our seafarers for their loyalty and perseverance.
Our fleet trades globally, with 12 vessels in the Americas, 36 in the EMEA belt, and 30 in Asia. The last-mile nature of many of our cargo operations means we perform an average of five load operations across our fleet every day, and more than 4,000 cargo operations annually, transporting over 5.5 million tonnes between over 200 different ports worldwide. Our cargo commodity is split about 44:56 between LPG and petrochemicals such as ethylene, propylene, butadiene and VCM. This diversity in geography and commodity provides flexible options for our fleet.

We realise that success in sustainability requires actions today to deliver on long-term outcomes. Our year-on-year emissions have increased by 1.8%, with an AER of 23g of CO_2/dwt-tm as a result of increased utilisation and fuel consumption in our larger fleet. This has been partially offset by investments in emissions reduction, such as silicon paints and other energy saving initiatives.

There is more work to do in this area. We are committed to lowering our emissions further, while also addressing other environmental, social and governance targets. Our active approach is rooted in our Vision, Mission, and Values, governed by our policies and systems, and illustrated in the ESG section of this report.

Ukraine

The situation in Ukraine and the wider region is unclear. Our immediate focus is to support our crew from the region, who account for 5% of our total seafarers, and their families. Apart from the tragic human impact, this is likely to affect global crewing and logistics. We expect limited direct impact on our business as none of our vessels are currently chartered to Russian companies or trade in either Russia or Ukraine. We will, of course, continue to monitor the fast-evolving situation.

Looking ahead

Our strategy remains to focus on the LPG, petrochemicals and speciality gases shipping sector, to grow the average size of our fleet, and to maintain an attractive average age, so that we can provide safe transportation in a lower carbon world. We believe that LPG will continue to serve as a cleaner form of energy than many alternatives – especially in the residential sector, where it is a growing source of fuel in developing economies. Alongside LPG, we are optimistic for growth opportunities in adjacent sectors such as ammonia and carbon dioxide (CO_2) shipping. We are working alongside industry partners on projects that support wider decarbonisation, such as shipping related to carbon capture and storage. Many of our vessels are capable of carrying future clean fuels including ammonia, and with modest investment, other speciality gases such as CO_2.

The year 2022 has begun with good signs for growth in residential LPG demand, increasing Asian and US petrochemical exports, and increased activity in European refining and petrochemical plants. We anticipate a 2.9% growth in LPG seaborne trade over 2022, while the smaller gas vessel fleet is expected to grow by 1.9% before scrapping. This should translate to positive earnings momentum, and positive value creation for shareholders and for our broader stakeholders.

Andreas Sohmen-Pao
Chairman

Charles Maltby
Chief Executive Officer

Strategy at a glance

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Our Vision, Mission and Values

Vision

We aspire to be our customers' partner of choice for transportation of Liquefied Petroleum Gas (LPG), petrochemicals and speciality gases in a lower carbon world, recognised for our leading service and operational standards.

Mission

We work to improve our service continuously with safe high quality gas carriers at a competitive price, by investing in our people, with a focus on efficiency and long-term sustainability.

Values (CARE)

Collaborative

We engage our customers to find solutions together.

We interact positively and constructively with our colleagues.

We are open and authentic in everything we do.

Ambitious

We recognise that to be our customers' first choice we must be responsive and excel in what we do.

We strive for operational excellence, challenging our own performance and goals, as individuals and as teams, seeking to continuously simplify and improve.

We give and we value honest and respectful feedback.

Reliable

We deliver on our promises to customers and colleagues.

We recognise that accountability and reliability are essential for success.

We act with integrity and uphold high ethical standards, target zero harm, care for our people with a focus on health, safety and security.

Enduring

We serve our customers with a long-term perspective.

We apply ourselves with a commitment to sustainability and to make a positive impact.

We are attuned to the changes around us, and adapt to stay relevant.

We believe in:

1. Delivery of a healthy return on shareholder equity through the cycle.
2. The long-term supply, and demand for commodities for gas carriers, including growth in ammonia and CO_2.
3. The use of our scale to provide long-term cost effective safe transportation for our customers.

Strategy

Strategy at a glance (cont.)

Applying our Vision, Mission and Values to our everyday work:

1. Our customer focus and service

Ashore and afloat, we build and sustain long-term customer relationships.

We have a differentiated product in terms of fleet, sourcing, duration, contract type and rates.

Our safe, high quality fleet and technical management ensures superior performance with no off hire. We have a strict Zero Harm policy.

2. A large fleet of safe, high quality, long-term controlled versatile ships

Our world leading fleet of 78 × 3300-12000 cbm vessels is focused on the smaller gas sector.

The scale of our fleet and interchangeable nature of our high quality ships facilitates service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation.

Our focus on fleet quality and cost enables us to deliver superior performance to stakeholders through the market cycle.

3. Strong corporate and financial profile

Our goal is to grow the business and make the right decisions through the market cycle, achieving low and flexible financing costs.

We present a long-term high-quality business to our preferred/blue chip customers, suppliers and partners.

We strive for best-in-class internal and external reporting, transparency and corporate stewardship.

Our Oslo Bors Euronext Growth listing, scale and balance sheet facilitate access to capital.

We aim to reduce the environmental footprint of the business, especially the emissions of the fleet, and the sustainability of assets and operations in line with our UN SDG commitments.

We uphold strong corporate governance and sound internal controls in line with our commitments as a member of the Oslo Bors.

4. Organisation providing global access, with cost management over the long-term

We are a fully integrated organisation with experienced commercial and technical staff dedicated to improved customer service around the world.

We attract, enable and retain the best possible talent pool ashore and afloat within a culture of care and wellness.

Being global in our operations and outlook facilitates comprehensive market intelligence, cargo opportunities, optional trading and positioning of our fleet, and first-class service to our customers.

Built for long-term improvement not short-term gain, we aim for bottom tier platform and OPEX costs.

We invest in the business, including digitisation, technical management, crewing, training, maintenance and smart systems basis a long-term commitment, with the aim to improve efficiency, safety and customer service.

Strategy
Market review
Resilience in a disrupted market

The LPG trade was resilient in 2021 despite the continued impact of the Covid pandemic.

LPG prices remained high during 2021, and demand from the petrochemical sector was affected by reducing margins. In some developing nations, residential demand was affected as some communities have switched back to coal and firewood. Nonetheless, Drewry's latest research has estimated that seaborne LPG trade in 2021 increased by 3.6% from last year to 110.6 million tonnes, and a further 3.8% increase to 114.8 million tonnes is expected in 2022.

Demand driven by Asia

China, India, Japan, and South Korea remain the main drivers of demand, importing over 60 million tonnes of LPG in 2021 according to Facts Global Energy – a year-on-year increase of 8.6%. China's LPG demand is driven by their expanding petrochemical sector, and imports from the US are expected to be the primary growth driver. Indian LPG imports have grown modestly and are driven by demand from the residential and retail sectors.

USA LPG exports crossed another milestone with seaborne LPG exports exceeding 48.5 million tonnes in 2021, a 5.7% gain from the previous record year in 2020 – approximately 58% of this volume is bound for Asia. Ethane exports from the USA have also been steadily increasing with China and India accounting for 64% of the 6 million tonnes exported in 2021 according to Kpler's research platform. The Middle East exported 38.6 million tonnes of LPG during the year, down by 5.6% YOY, impacted by oil production cuts in the region.

In the petrochemical trade, ethylene exports out of the USA made a comeback in the last quarter to finish the year 1% higher than 2020. 54% of the cargoes went to Europe, and most of the balance to Asia. Propylene and Butadiene prices in the West remained relatively higher than in the East and continued to provide a home for Asian product.

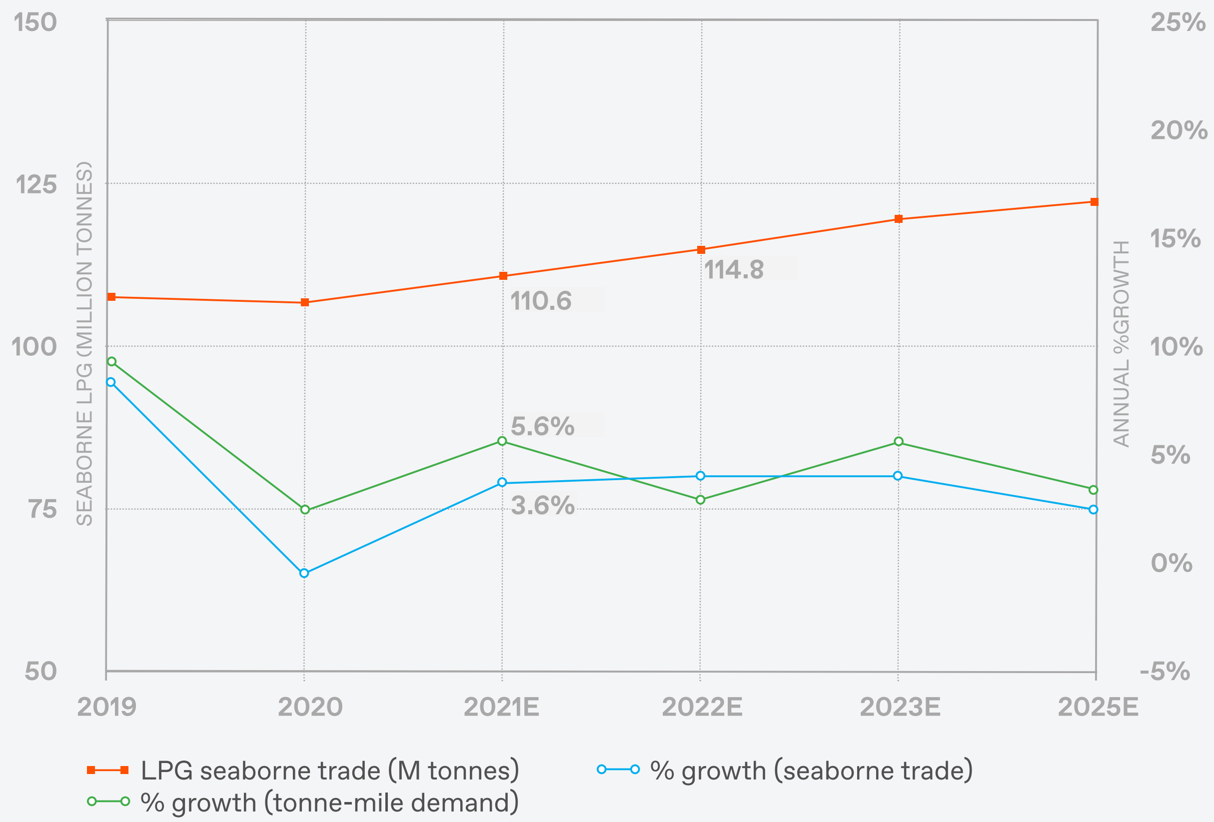
Shipping supply continues to rise

The small gas carrier market enjoyed a positive year following the recovery in intra-regional LPG and petrochemical trades in Europe and Asia. LPG exports from the USA increased by over 17% YOY to approximately 930,000 tonnes. The Caribbean and Central American countries continued to account for over 75% of USA-origin cargoes, with the balance heading across the Atlantic to ports in West Africa. In the East, LPG imports into Bangladesh increased by 8% QOQ and 16% YOY, and imports into the Philippines remained healthy. China's ethylene and propylene imports in 2021 were around 2.0 million tonnes and 2.5 million tonnes respectively, a modest YOY gain of 4.5% for ethylene and flat for propylene. West-bound propylene cargoes were fixed in Asia due to ongoing favourable pricing which helped vessels reposition and improve earnings with backhauls. The semi ref/ethylene shipping market tightened in the last quarter on account of delays in NE Asian ports. With reduced operating rates and lower consumption in China and in the region, surplus volumes were available for long haul export, creating incremental tonne-mile demand. The butadiene seaborne trade saw a 7% YOY gain following a subdued 2020. Tightness in the European market eased, and contractual exports flowed towards the US Gulf while some additional cargoes were also exported to Asia.

Global demand

Global LPG seaborne trade 2021 est. 110.6m tonnes (+3.6% YOY) / tonne-miles (+5.6% YOY)

(Source: Drewry Nov 2021)



Summary

- Global LPG / Olefins seaborne trade expected to increase by 3.8% / 3.9% to 114.8 / 15.8 million tonnes in 2022.
- Asia's lead importers of LPG increased demand by 8.6% year-on-year during the 4th quarter, driven by Chinese Petchem and Indian ResCom demand.
- US-China trade 8.3 million tonnes, approx. +70% YOY, primary growth driver in 2022.
- Rising prices of propylene and butadiene in the West provided a market for Asian tonnes, which benefited both small- and large-sized ships.
- Overall demand growth expected to exceed modest fleet growth.

Strategy

Market review (cont.)
Resilience in a disrupted market

There are a total of 342 pressure vessels (non-Chinese flagged over 3,000cbm) on the water. The international pressure vessel order book has ten newbuilds scheduled to be delivered in 2022, seven in 2023 and one in 2024, a total of 120,500cbm. This represents a 6.7% increase in the existing 1.79 million cbm fleet capacity. There are two 7,500cbm CO_2 carrier newbuilds scheduled for delivery in 2024, which are being specifically built for a Carbon Capture Utilisation and Storage (CCUS) project in North-West Europe. Seven pressure ships, average age 27.6 years and totalling 28,144cbm, have been sold for scrap since the beginning of the year. If we consider the existing older tonnage, there are 15 ships totalling 49,800cbm that are aged 30 years and older, which are potential scrapping candidates, representing 2.8% of existing fleet capacity.

The smaller-sized semi-ref fleet that can compete with the pressure vessels has a total order book of four vessels, one of which is scheduled for delivery in 2022 and the other three in 2023. This newbuild capacity of 24,100cbm equates to a 4.9% increase in existing semi-ref fleet capacity. There are three 7,200cbm dual-fuel ethylene vessels that have been recently ordered for delivery in 2023 – 2024, which represents a 2.3% increase in existing fleet capacity.

There are five non-ethylene vessels and two ethylene vessels that are aged 30 years and older, which may be scrapped, equivalent to 2.8% of existing fleet capacity. The present combined small gas carrier fleet has a forecast total expected net fleet growth before any further scrapping of 1.9% for 2022 and 2.4% for 2023.

Business model

Thinking big and small – a global business, with a regional focus on last tonne-mile delivery.

LPG supply chain

Extraction | Refinement | Storage

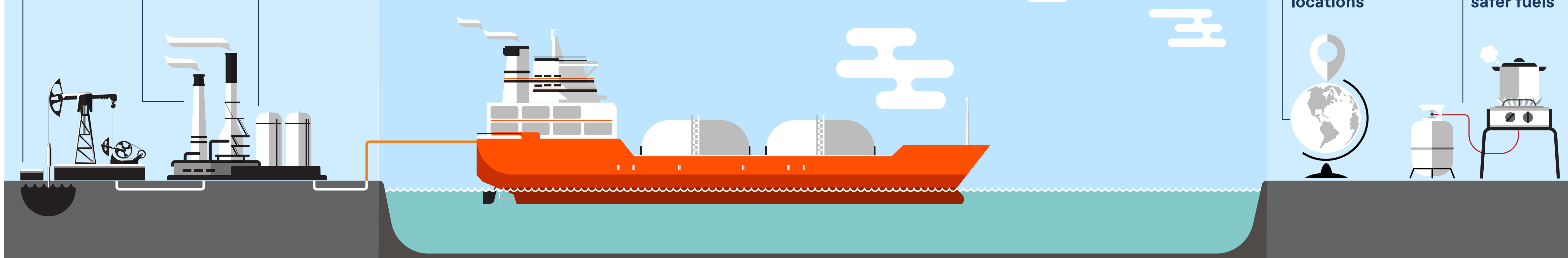
BW Epic Kosan's role in the supply chain

We transport LPG around the world on behalf of oil & gas companies and commodities traders

Benefits for wider society

Delivery of cleaner fuels to remote locations

Transition to cleaner, safer fuels



LPG is a by-product of oil and gas production and refining

We have significant resources to safely and efficiently transport LPG and other gases to where they are needed

1 Scale: a flexible fleet of 78 modern vessels
We own and operate the world's largest fleet by number of vessels. We provide seaborne services of gas carriers for the transportation of liquefied petroleum gas and other speciality gases.

2 Global network of offices
We have a presence across the world with a network of five offices in Europe and Asia.

3 Inhouse team of trained experts
We employ a large and highly skilled team of seafarers and staff ashore in a culture that is focused on the safety and wellbeing of employees and the needs of our customers.

4 Track record of safety and innovation
We strive for excellence and operate to the highest standards of safety, health and environmental care. This involves the innovative use of technology and information.

5 Long-term relationships across the oil and gas/ commodities sectors
We value long-term relationships with our clients for whom we deliver the best solutions by consistently meeting deadlines and honouring our agreements.

6 Efficient scalable platform
As a fully integrated company, BW Epic Kosan has significant commercial and technical capability across pressurised, semi-refrigerated, refrigerated gas and petrochemical transportation.

Outputs for BW Epic Kosan

Secure supply of energy and speciality gases
We supply safe and sustainable LPG energy around the world – primarily for cooking and heating in developing economies - where it replaces more dangerous and environmentally damaging fuels.

Stable returns to shareholders
We aim to deliver strong and stable returns to our shareholders across the economic cycle.

Commitment to Sustainability Development Goals
We deliver low carbon solutions for our customers transportation needs as part of our commitment to the UN Sustainable Development Goals.

See page 15 for further information

Strategy
Key performance indicators

We use key performance indicators (KPIs) to assess performance against our strategic and operating objectives.

ROE (before non-recurring items)	SIRE (observations/inspection)	PSC (observations/inspection)	Earnings
Return on Equity	Ship Inspection Report Programme	Detentions	Daily TCE / Voyage days
4.6%	3.2	1.3	US$11,673
FY 2021	FY 2021	FY 2021	FY 2021
3.7%	3.7	1.2	US$10,380
FY 2020	FY 2020	FY 2020	FY 2020

LTIF	Operational Utilisation	Annual Efficiency Ratio (AER)	Fleet's Carbon Intensity Indicator (CII)
Lost Time Incident Frequency	Fleet Operational Utilisation	CO_2/DWT-nm (Carbon Intensity)	Rating A/B/C/D/E
0.82	91.7%	< 23.91	49/21/14/6/10(%)
FY 2021	FY 2021	FY 2021	FY 2021
0.16	93.6%	24.37	Not recorded
FY 2020	FY 2020	FY 2020	FY 2020

Strategy

Financial review
Economies of scale through consolidation

Financial highlights

BW Epic Kosan delivered a net profit of US$19.2 million before an US$18.7 million non-cash impairment/loss on sale of vessels, leading to a US$0.4 million final result.

The increased scale of our fleet combined with improving market conditions and effective cost management has helped us deliver an 80% improvement in revenue and a 59% improvement in EBITDA.

TCE revenues increased by 62% to US$260 million, reflecting the increased fleet calendar days, the higher earnings generated by semi-refrigerated and ethylene vessels and the improved market. Our TCE earnings per calendar day were US$11,126, 11% up from the US$10,053 we achieved in 2020.

Vessel operating expenses increased from US$65 million to US$112 million year over year, reflecting the increased fleet calendar days and higher cost of running semi-refrigerated and ethylene vessels. Opex were impacted by Covid-19-related expenses, but remain competitive at US$4,975 per calendar day (US$4,276 in 2020).

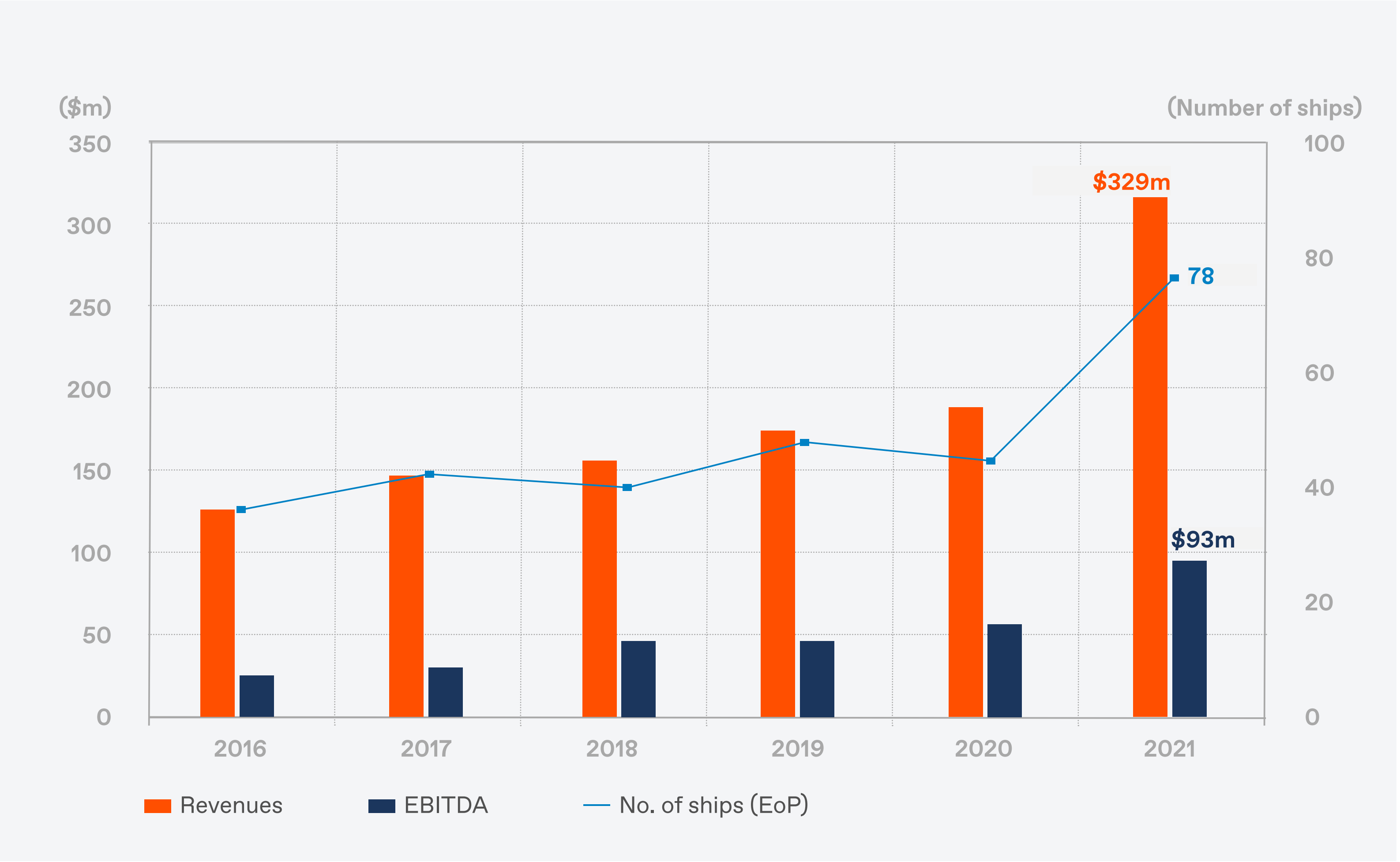
Following the dividend payment of US$0.14069 per share in February (amounting to US$15 million), the Board has confirmed a dividend policy, subject to annual approval, based on a pay-out ratio of 50% of annual net profits after tax, adjusted for extraordinary items.

Financial position

BW Epic Kosan's total assets increased from US$678 million in 2020 to US$1,008 million in 2021 as a result of the business combination with Lauritzen Kosan, adding 34 ships to our existing fleet of 43 gas carriers as of completion date.

Total debt, excluding lease liabilities, as of 31 December 2021 was US$472 million. Including the cash position of US$58 million, the net debt is US$414 million dollars or 48% of book value.

US$285 million was hedged via interest rate swaps at a weighted average rate of 1.135%, covering 76% of our bank debt in an environment with rising interest rates.



Environment, social, governance

Sustainability – our commitment to continual improvement.

BW Epic Kosan's role in safely and efficiently delivering clean LPG fuel makes it an integral player in the transition to a more sustainable energy future. We support this transition and the communities in which we operate in three main ways: delivering clean energy, employing and nurturing individuals, and reducing emissions.

In our continued effort to improve our ESG (environmental, social and governance) performance, we have placed safety, inclusive growth, innovation, and environment conservation at the core of our business.

A belief in long-term positive change for the environment and wider society is central to our purpose as a business and is integrated throughout our activities and processes. Our commitment to using resources efficiently, mitigating environmental risks in our operations, and lowering vessel emissions goes way beyond compliance.

Our stakeholders are individuals, groups and organisations that are directly or indirectly impacted by our business activities. BW Epic Kosan has identified seven stakeholder groups – employees, customers, investors, business partners, suppliers, government and industry bodies, and local communities. We value the long-term trusting relationships that we have formed with these groups and strongly believe that understanding their concerns and engaging with them in an exchange of knowledge, resources and best practices is key to achieving our sustainability goals.

Integration with UN Sustainable Development Goals

We support the principles of the UN Sustainable Development Goals (SDGs) and are increasingly integrating the underlying guidance into our decision-making and investment processes. We believe that our actions will have the most significant impact on the following five SDGs:

GOAL 8

Decent work and economic growth

We are committed to promoting safe and secure working environments and providing productive employment to a diverse workforce with equal pay for work of equal value.

GOAL 3

Good health and wellbeing

We commit to improving the health and wellbeing of all our people by actively promoting and providing access, guidance and support to health-focused lifestyle changes, and quality health care.

GOAL 13

Climate action

We aim to actively reduce our carbon footprint by integrating climate change measures and green initiatives into our strategies, policies, planning and operations, whilst raising awareness on the impact of climate change within our community.

GOAL 7

Affordable and clean energy

We will join hands with stakeholders and relevant national and international bodies to help promote the use of LPG as a clean and affordable energy, while pursuing energy efficiency in our business operations.

GOAL 16

Peace, justice and strong institutions

We are committed to eradicating corruption and bribery from all our operations, and always providing transparent reporting and accounting in line with international and industry standards.

Strategy
Environment, social, governance (cont.)

Safety
Our commitment to 'Zero-Harm' means safety remains a top priority, with a 'Safety, Health, Environment and Quality' (SHEQ) policy that drives a strong safety culture within the Group. The 'Lost Time Incident Rate' (LTIR) and 'Total Recordable Case Frequency' (TRCF) are metrics that we closely monitor to ensure that a safe working environment always exists onboard our ships. A Lost Time Incident results in absence from work, normally related to an accident.

Safety metrics

Lost Time Incident Rate	Total Recordable Case Frequency
(LTIR)	(TRCF)
0.82	1.40

Social and diversity
In an ever-changing world, our mission includes investing in our people, an international team comprising of 31 nationalities with diverse backgrounds, experience, and skill sets. We value operational excellence and seek enduring relationships. As we continue to develop our ESG strategies we will extend our inclusivity to actively engage with, and help, disadvantaged communities.

Social and diversity metrics

Total employees	Age (>50)
	(as percentage of workforce)
2,101	15%

Nationalities represented	Onshore gender split
	(% female-male)
31	40 – 60%

Age (<30)	Senior Management gender split
(as percentage of workforce)	(% female-male)
30%	25 – 75%

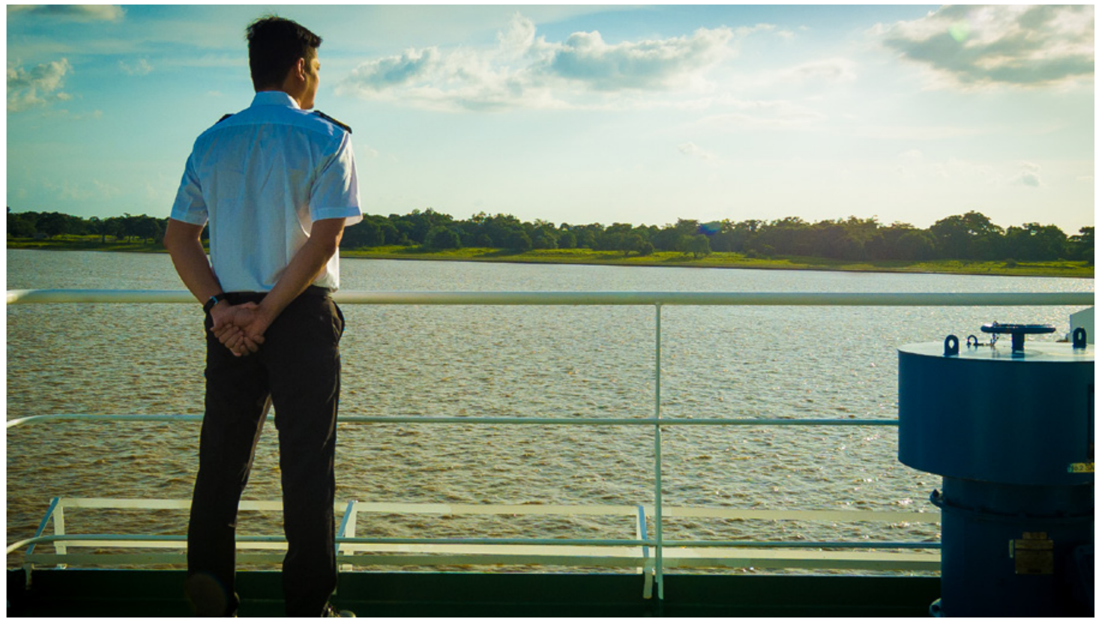
Age (30-50)	Board gender split
(as percentage of workforce)	(% female-male)
55%	17 – 83%

Strategy
Environment, social, governance (cont.)

Environmental

Zero harm to the environment means identifying and measuring relevant areas in our business which directly impact the environment. 'Carbon dioxide' (CO_2) is a key contributor to 'Green House Gases' (GHG) and our initial efforts have been focused on measuring the extent of CO_2 emissions from our vessels.

We recognise that the relatively smaller deadweight vessels we operate and their shorter voyage length present a challenge to improve efficiencies, measured by metrics such as 'Energy Efficiency Operational Indicator' (EEOI), which is the total carbon emissions per unit of revenue tonne-mile, and 'Annual Efficiency Ratio' (AER), which is the total carbon emissions per unit of vessel deadweight-mile. Nonetheless, we strive to further improve these efficiencies and lower our carbon footprint by assessing optimal speeds basis fuel consumption, low-carbon fuels, vessel, and equipment designs, and other related technologies being developed.



Environmental metrics

Total Deadweight Tonnage	(DWT)	487,653
Total CO_2 emissions	(Metric tonnes)	595,956
Distance sailed	(Nautical miles)	3,554,199
Total NOx emissions	(Metric tonnes)	14,969
Total cargo carried	(Metric tonnes)	5,643,760
Total SOx emissions	(Metric tonnes)	1,316
Transport work	(Tonnes – nautical miles)	7,246,702,136
EEOI	(gCO_2/tonnes – nautical miles)	82.24
Transport work	(DWT – nautical miles)	24,927,148,576
AER	(gCO_2/DWT – nautical mile)	23.91

Governance

Governance
Senior management

A stable team with a range of long-term, industry specific expertise.

Charles Maltby
Chief Executive Officer

Joined 2014

Charles has more than 20 years of shipping industry experience. He graduated from the University of Plymouth in 1992 with a BSc in Maritime Business. His career began at Mobil Shipping, after which he held various positions with BHP Billiton. In 2005 he joined Pacific Basin as managing director (UK), global head of the Handymax business and head of the group's Atlantic business. He became executive chairman of Epic Gas in September 2014, and has been CEO since March 2015. He attended the Advanced Management Programme at INSEAD in 2008, and belongs to the Institute of Chartered Shipbrokers.

Niraj Singh
Technical Director

Joined 2003

Niraj has more than 30 years of marine industry experience. He began his career with P&O Bulk in 1989. After spending six years as a chief engineer, gaining diverse experience on bulk carriers and oil and chemical tankers, he joined Gemarfin (Gestioni Marittime e Finanziarie) in 2000 as a technical superintendent based at Lugano, Switzerland. In 2003, Niraj joined Epic Gas as ship manager, going on to become a fleet manager in 2013. He took up the role of technical director in 2016, and is responsible for global technical management – including ship management, SHEQ, crewing and newbuilding.

Uta Urbaniak-Sage
Chief Financial Officer

Joined 2007

Uta joined Epic Gas in 2007 as managing director of the Singapore operation. She became group CFO in 2012. In this role, she has been closely involved with numerous debt/equity-raising and M&A transactions. Before joining BW Epic Kosan, Uta worked for HSH Nordbank in Hamburg and Hong Kong, holding various management positions in the bank's shipping division. Uta is currently a director of Skuld Mutual P&I Association (Bermuda) Ltd.

Thomas Wøidemann
Commercial Director

Joined 2021

Before joining in March 2021, Thomas was CEO of Lauritzen Kosan. In 2018, he was appointed CEO of Lauritzen Kosan. He is trained in shipping, holds a Higher Commercial Examination and has attended various executive courses at IESE Business School and IMD.

Board of Directors

Andreas Sohmen-Pao

Chairman

Joined the Board May 2019

Re-elected May 2021

Andreas is chairman of BW Group and listed affiliates BW Offshore, BW LPG, Hafnia, BW Epic Kosan, BW Energy and Cadeler. He is chairman of the Global Centre for Maritime Decarbonisation, a director of Navigator Holdings and a trustee of the Lloyd's Register Foundation. He was previously chairman of the Singapore Maritime Foundation and a non-executive director of HSBC Ltd, London P&I Club, Esplanade Co Ltd, National Parks Board Singapore and the Maritime and Port Authority of Singapore, among others. He holds an honours degree in Oriental Studies from the University of Oxford and an MBA from Harvard Business School.

Esben Poulsson

Joined the Board May 2019

Re-elected May 2020

Esben has worked in the maritime industry for over 45 years, holding senior management positions in Hong Kong, London, Copenhagen and Singapore. He is executive chairman of Enesel Pte Ltd and a non-executive director of X-Press Feeders, Hafnia Tankers and Nordic Shipholding A/S. He is non-executive chairman of Cambiaso Risso Asia Pte Ltd and Tamar Ship Management Ltd, and senior advisor to Straits Tankers Pte Ltd. He is a board member of the Maritime and Port Authority of Singapore, president of Singapore Shipping Association, an advisory panel member of the Singapore Maritime Foundation, and chairman of the International Chamber of Shipping.

Tommy Thomsen

Joined the Board March 2021

Re-elected May 2021

Tommy has more than 35 years of experience in shipping, logistics, finance and international business. He is currently CEO of the Lauritzen Foundation and chairman of J. Lauritzen and Lauritzen Bulkers. He has been CEO of Denmark's Investment Fund for Developing Countries, CEO of Nordic Tankers and a partner in Clipper Group. He also had a long career at A.P. Moller-Maersk, and was CEO of Maersk Inc in the US. Tommy is chairman of The Danish Maritime Fund and C.W. Obel, and serves as non-executive director of PSA International. He holds several board memberships within the Lauritzen Group of companies.

Rita Granlund

Joined the Board February 2022

Rita is CEO of AIF Depositary AS in the Permian Group. She has more than 35 years of audit experience, including 23 years as a partner at PwC. She was PwC Norway's territory assurance leader for six years, and industry leader (transportation and logistics) for 13 years. She has extensive audit and transaction experience with listed companies in industries including shipping and offshore, and has worked on large and complex transactions, including acquisitions, business combinations, restructurings and IPOs. She has completed the INSEAD International Directors Programme with a Certificate in Corporate Governance, and is a State Authorised Public Accountant (Norway).

Nicholas Lykiardopulo

Joined the Board April 2017

Re-elected May 2021

Nicholas has more than 35 years of experience in shipping, commodities and finance. Within his family business, Neda Maritime, he was involved in the purchase, disposal and financing of numerous shipping assets. He has advised on investments in private equity and financial products, both on behalf of Neda and as director of the UK Mutual Steamship Association of Bermuda. Nicholas is on the board of Diorasis International SA, and is chairman and non-executive director of Taylor Maritime International Ltd. He holds an MA from the University of Oxford and is a Fellow of the Institute of Chartered Shipbrokers.

Kristian Mørch

Joined the Board March 2021

Re-elected May 2021

Kristian has more than 30 years' experience in the shipping industry, working across both Europe and Asia. He is currently the CEO of Odfjell SE, and also serves as chairman of Maersk Broker and vice chairman of J.Lauritzen. Before joining Odfjell, he was partner and CEO of Clipper Group, and prior to that had a career at A.P.Moller-Maersk – most significantly as COO of Maersk Tankers. He has served on the boards of Odfjell SE, Nordic Shipholding, Danish Ferries and Broström. Kristian holds an MBA from IMD Switzerland, and has attended the Advanced Management Programme at Harvard Business School.

Governance

Corporate governance

Composition

As of 31 December 2021, the Board comprises five Directors. The majority (four of the five Directors) are independent of the Company's largest shareholder and the Executive Management. The Board does not include any Executive Management. The general meeting elects the chair of the Board.

In February 2022, Ms. Rita Granlund was appointed as an independent Non-executive Director and a member of the Audit Committee. Ms. Granlund has extensive audit and transaction experience from listed companies within various industries, including shipping and offshore. The appointment has increased the Board of Directors to six.

The composition of the Board is focused on ensuring they can provide the Company's need for expertise, capacity, diversity and independence, alongside representing a broad cross-section of the Company's shareholders.

Members of the Board serve for a term of two years, after which they are re-evaluated before being considered for re-election. Biographical details of the Board members are available on the Company's website and in this Annual Report.

Responsibilities

The Board is accountable to the shareholders of the Company, and its primary responsibilities are to:

- Set BW Epic Kosan's strategy and ensure that Executive Management operates the business in accordance with this strategy
- Approve budgets and business plans
- Approve acquisition or disposal of investments and assets
- Lead corporate governance and sustainability
- Oversee the management of the Company, including the design, implementation and monitoring of the risk management and internal controls
- Review and approve accounts and financial statements of the Group
- Monitor the Group's operating and financial performance
- Assess the achievement of targets set by the Board periodically.

The Board delegates certain responsibilities to Board Committees (Audit Committee, Remuneration Committee) outlined below.

The Board carries out an annual evaluation of its performance and expertise.

Audit Committee

Chairman: Nicholas Lykiardopulo

Members: Rita Granlund, Kristian Mørch

Responsibilities

- Oversee financial reporting
- Oversee risk management and internal controls including internal audit
- Oversee external audit
- Oversee corporate governance and compliance with company policies and practices.

Remuneration Committee

Chairman: Andreas Sohmen-Pao

Members: Tommy Thomsen

Responsibilities

- Make recommendation to the Board for the remuneration of the executive management
- Oversee the Company's share award scheme
- Make recommendation to the Board on the Company's structure for Directors' remuneration
- Oversee recruitment policies, career planning, succession planning and management development programmes.

Governance
Risk management

The risk management and internal control procedures are to help the Company achieve its long-term vision and mission and business sustainability by identifying and evaluating risks related to the conduct of the Company's business, and formulating appropriate mitigating controls to protect our business, stakeholders, assets and capital.

Risk management and internal control is based on Company-wide policies and internal guidelines in addition to implementation and follow–up of a risk assessment process. The Company's risk management system is central to the Company's internal controls and ensures that the guidelines for integrating considerations related to stakeholders into its creation of value are known and adhered to.

The Board carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

Risks and mitigation

Principal risks	Description	Mitigation
1. Decarbonisation risk	Long-term reduction and shift in demand might cause financial losses.	**1.1** Continue to diversify into more sustainable energy solutions. **1.2** Participate in collaborations that enable us to stay abreast of new developments and opportunities. **1.3** Adopt sustainability-linked financing/green bonds where possible.
2. Market risk	Fluctuation in factors such as freight rate volatility or cost volatility (e.g. inflation) may cause financial losses.	**2.1** Ongoing market analysis to understand trends, supply/demand, and proactive monitoring of technological and regulatory changes to anticipate impact. **2.2** Appropriate hedging through market instruments or long-term charter cover. **2.3** Good governance and control mechanisms for investments. **2.4** Actively monitor macro-economic risks.
3. Financial risk	Increase in interest rates may cause financial losses. Insufficient financial resources may negatively impact the Company's ability to meet its payment obligations as they fall due.	**3.1** Keep healthy cash balance and leverage. **3.2** Regularly review optimal capital structure. **3.3** Hedge interest rate risk.
4. Contract and deal risk	Default or failure of counterparties to honour their contractual obligations may cause financial losses.	**4.1** Continue to perform rigorous due diligence on counterparties. **4.2** Proper, well-drafted contractual documents. **4.3** Financial and legal KYC.
5. Tax risk	Risk of financial losses due to unexpected corporate / witholding tax on income, interest, dividends, capital gains, management fees.	**5.1** Monitor changes in global and local taxes.
6. Safety and insurance risk	Vessel incidents could endanger our crew, adversely affect the strength of our brand and reputation and result in asset/cargo damage or loss and significant costs.	**6.1** Implement Zero Harm policy. **6.2** Robust maintenance and navigational management processes. **6.3** Diligent recruitment and training. **6.4** Place appropriate and adequate insurance. **6.5** Ensure root cause incident investigation.
7. Cyber risk	Risk of business or vessel interruption caused by cyber incident leading to disruption of system and/or data. Financial loss due to cyber crime / fraudulent incident (e.g. phishing, documentation fraud etc).	**7.1** Continuously work towards best-in-class solutions for IT architecture, with regular reviews and monitoring. **7.2** System backups. **7.3** Business Recovery Plan in place.

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Directors' statement

In the opinion of the directors:

(a) the consolidated financial statements of BW Epic Kosan Ltd and its subsidiaries (the Group) as set out on pages 26 to 63 are drawn up so as to present fairly, in all material aspects, the consolidated financial position of the Group as of 31 December 2021 and 2020, 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

Kristian Verner Mørch
Director

Panaghis Nicholas Fotis Lykiardopulo
Director
8 April 2022

Independent auditors' report To the Members BW Epic Kosan Ltd.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of BW Epic Kosan Ltd. and its subsidiaries (the 'Group'), which comprise the consolidated balance sheets as of 31 December 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis of opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Information other than the consolidated financial statements and auditors' report thereon

Management is responsible for the other information included in the annual report. The other information comprises the strategy, governance, fleet information included in the annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

KPMG LLP
Public Accountants and Chartered Accountants
Singapore 8 April 2022

Financial statements

Consolidated statement of comprehensive income

Years ended 31 December 2021 and 31 December 2020

	Note	2021 US$	2020 US$
Revenue	4	**329,125,360**	183,470,554
Other income	5	**3,402,007**	1,635,386
Other losses	6	**(3,854,333)**	(5,045,351)
Expenses			
— Brokerage commissions		**(6,247,555)**	(3,499,761)
— Voyage expenses		**(68,994,173)**	(22,922,896)
— Bareboat charter hire expenses		**(16,346,020)**	(10,742,850)
— Time charter hire expenses		**(7,509,329)**	(6,913,623)
— Vessel operating expenses	7	**(112,234,349)**	(65,264,059)
— General and administrative expenses	8	**(29,055,356)**	(17,365,640)
— Finance expenses	9	**(18,391,647)**	(15,126,182)
— Depreciation	15	**(53,458,881)**	(32,085,959)
— Impairment losses	15	**(15,004,114)**	—
Total expenses		**(327,241,424)**	(173,920,970)
Profit before income tax		**1,431,610**	6,139,619
Income tax expense	10	**(987,349)**	(220,286)
Profit after tax		**444,261**	5,919,333
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	27	**(54,545)**	14,279
Cash flow hedges			
— Fair value gains/(losses)	27	**6,267,994**	(5,859,311)
Other comprehensive income		**6,213,449**	(5,845,032)
Total comprehensive income		**6,657,710**	74,301

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

Consolidated balance sheet

As at 31 December 2021 and 31 December 2020

	Note	2021 US$	2020 US$
ASSETS			
Current assets			
Cash and cash equivalents	11	**41,803,365**	47,465,599
Trade and other receivables, net	12	**42,340,604**	16,618,693
Inventories	13	**5,370,214**	2,488,450
Asset held for sale	16	**18,175,000**	8,563,500
Derivative financial instruments	23	**2,339,270**	322,444
Total current assets		**110,028,453**	75,458,686
Non-current assets			
Trade and other receivables, net	12	**226,815**	462,828
Restricted cash	14	**16,150,000**	8,600,000
Property, plant and equipment, net	15	**859,036,850**	567,041,966
Deferred income tax assets	24	**104,271**	102,856
Right-of-use assets	17	**22,441,465**	25,795,085
Total non-current assets		**897,959,401**	602,002,735
Total assets		**1,007,987,854**	677,461,421
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	19	**34,867,603**	17,214,776
Contract liabilities	20	**21,708,663**	9,624,103
Finance lease liabilities	21	**2,973,863**	2,760,174
Current income tax liabilities	10	**933,447**	196,008
Borrowings	22	**58,583,953**	31,264,023
Lease liabilities	17	**12,202,979**	13,556,980
Derivative financial liabilities	23	**2,049,785**	—
Total current liabilities		**133,320,293**	74,616,064
Non-current liabilities			
Trade and other payables	19	**—**	72,170
Finance lease liabilities	21	**4,478,766**	7,452,630
Deferred income tax liabilities	24	**100,354**	100,354
Borrowings	22	**405,517,987**	282,016,760
Derivative financial instruments	23	**—**	6,300,953
Lease liabilities	17	**9,262,830**	11,353,981
Total non-current liabilities		**419,359,937**	307,296,848
Total liabilities		**552,680,230**	381,912,912

Financial statements

Consolidated balance sheet (cont.)

As at 31 December 2021 and 31 December 2020

	Note	2021 US$	2020 US$
SHAREHOLDERS' EQUITY			
Share capital	25	**567,988,619**	1,066,163
Additional paid-in capital	25	**—**	398,832,567
Share option reserve	26	**4,928,304**	4,916,934
Accumulated other comprehensive gains/(losses)	27	**56,545**	(6,156,904)
Accumulated losses		**(117,665,844)**	(103,110,251)
Total shareholders' equity		**455,307,624**	295,548,509
Total liabilities and shareholders' equity		**1,007,987,854**	677,461,421

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

Consolidated statement of changes in equity

Years ended 31 December 2021 and 31 December 2020

	Note	Share capital US$ (Note 25)	Additional paid-in capital US$ (Note 25)	Share option reserve US$ (Note 26)	Accumulated other comprehensive gains/(losses) US$ (Note 27)	Accumulated losses US$	Total equity US$
2021							
Beginning of financial year		**1,066,163**	**398,832,567**	**4,916,934**	**(6,156,904)**	**(103,110,251)**	**295,548,509**
Issue of ordinary shares		168,089,889	—	(44,082)	—	—	168,045,807
Reclassification due to re-domiciliation on 1 March 2021		398,832,567	(398,832,567)	—	—	—	—
Share-based compensation		—	—	55,452	—	—	55,452
Net profit for the year		—	—	—	—	444,261	444,261
Dividends paid	30	—	—	—	—	(14,999,854)	(14,999,854)
Other comprehensive income		—	—	—	6,213,449	—	6,213,449
End of financial year		**567,988,619**	**—**	**4,928,304**	**56,545**	**(117,665,844)**	**455,307,624**
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

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

Financial statements

Consolidated statement of cash flows

Years ended 31 December 2021 and 31 December 2020

	Note	2021 US$	2020 US$
Cash flows from operating activities			
Profit after tax		**444,261**	5,919,333
Adjustments for non-cash items:			
– Employee share option expenses	26	**55,452**	245,136
– Amortisation of deferred finance costs	9	**1,095,472**	809,448
– Allowance for doubtful debts	8	**33,745**	138,321
– Depreciation	15	**53,458,881**	32,085,959
– (Gain)/loss on disposal of property, plant and equipment	6	**(78,212)**	4,351,581
– Loss from asset held for sale	6	**3,810,232**	665,345
– Impairment losses	15	**15,004,114**	—
– Exchange differences		**—**	(10,277)
		73,823,945	44,204,846
Changes in operating assets and liabilities, net of acquisition:			
– (Increase)/decrease in inventories		**(1,851,696)**	2,374,790
– (Increase)/decrease in trade and other receivables		**(16,497,108)**	670,610
– Increase in deferred income tax assets		**(1,414)**	(24,755)
– Increase/(decrease) in trade and other payables		**7,056,355**	(6,247,298)
– Increase/(decrease) in current income tax liabilities		**737,438**	(9,648)
– Increase/(decrease) in contract liabilities		**12,084,560**	(733,877)
– Change in carrying amounts of right-of-use assets and lease liabilities		**(367,961)**	(281,124)
Net cash provided by operating activities		**74,984,119**	39,953,544

	Note	2021 US$	2020 US$
Cash flows from investing activities			
Acquisition of asset, net of cash	11	**16,216,934**	—
Additions to property, plant and equipment		**(62,864,130)**	(21,286,610)
Grants received		**508,241**	—
Insurance proceeds received for damage to vessel		**—**	1,105,960
Proceeds from disposal of vessels		**15,996,480**	13,852,618
Net cash used in investing activities		**(30,142,475)**	(6,328,032)
Cash flows from financing activities			
Proceeds from borrowings	22	**189,270,000**	9,750,000
Repayment of long-term borrowings	22	**(212,235,888)**	(34,993,280)
Transaction costs related to borrowings	22	**(2,364,628)**	(136,431)
Principal payments on finance lease obligations		**(2,760,175)**	(2,562,527)
Proceeds from issuance of shares	25	**136,667**	—
Dividend paid	30	**(14,999,854)**	—
Net cash used in financing activities		**(42,953,878)**	(27,942,238)

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

Financial statements

Consolidated statement of cash flows (cont.)

Years ended 31 December 2021 and 31 December 2020

	Note	2021 US$	2020 US$
Net increase in cash, cash equivalents and restricted cash		**1,887,766**	5,683,274
Cash, cash equivalents and restricted cash at beginning of year		**56,065,599**	50,382,325
Cash, cash equivalents and restricted cash at end of year		**57,953,365**	56,065,599
Supplementary cash flow information			
Cash items:			
– Cash paid for interest expenses on borrowings and finance lease	9	**17,296,175**	14,316,734
– Cash paid for income tax expenses	10(b)	**249,910**	229,934
Non-cash investing and financing activities[1]		**167,909,139**	–

1. Comprises share issuance of US$147,265,640 and US$20,643,499 for consideration of asset acquisition of Lauritzen Kosan A/S and two ethylene capable carriers (Note 25).

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

	31 December 2021 US$	31 December 2020 US$
Cash and cash equivalents	**41,803,365**	47,465,599
Restricted cash	**16,150,000**	8,600,000
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	**57,953,365**	56,065,599

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

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 4 April 2022.

1. General information

The accompanying consolidated financial statements include the financial information of BW Epic Kosan 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 pressurised, semi-refrigerated and ethylene capable gas carriers providing seaborne services for the transportation of liquefied petroleum gas, petrochemicals and other speciality gases. 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 31 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 minimise the cash used in operations and retain sufficient liquidity, through its operating activities, to meet the Group's obligations.

As at 31 December 2021, the Group's current liabilities exceeded current assets by US$23,291,840. The financial statements have been prepared on a going concern basis as the management has assessed the projected cash flows of the Group for the next 12 months and there are reasonable grounds to believe that the Group has sufficient liquidity to pay its debts as and when they fall due.

(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 2021 and 2020.

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 unrealised gains on transactions between group entities are eliminated. Unrealised 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 estimation of the total number of days from departure of a vessel from its initial load port to departure from the discharge port to measure and recognise voyage income based on percentage of completion of a voyage, the assessment of useful lives and residual value of vessels, impairment of non-financial assets, determination of the value of purchase consideration for the shares used in acquisition of assets, determination of fair value of vessels, and disposal of assets held for sale, the assessment of allowance for doubtful accounts, incremental borrowing rate, the assessment of the lease term, purchase and renewal option and share-based compensation. Actual results could differ from those estimates.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.1 Basis of preparation (cont.)

(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 pressurised 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 recognised as follows:

Rendering of services

Revenues are generated from both time and voyage charters.

Revenue from time chartering is recognised on a straight-line basis over the period of hire in accordance with the ship charter hire agreement. Revenue from voyage chartering is recognised 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 service is rendered, a contract liability will be recognised 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 recognised as incurred.

Relet income represents chartering income earned on vessels sub-chartered by the Group on a relet arrangement. Vessels under the relet arrangement are leased by the Group to be sub-chartered to an external party.

The Group has vessels which participate in commercial pools. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or pool point system, which reflects comparative voyage results on hypothetical benchmark routes. The pool point system considers various factors such as size, fuel consumption, class notation and other capabilities. Pool revenue is recognised when a vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Commissions are paid by the Group for both time charters and voyage charters and are recognised 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 recognised when the right to receive payments is established.

Ship management service revenue

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

2.3 Government grant

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the periods in which expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Employee compensation

(a) Defined contribution plans

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

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.4 Employee compensation (cont.)

(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 grant date, 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 recognised 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 recognised 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

2.5 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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised 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 recognises 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.5 Group accounting - subsidiaries (cont.)

(b) Acquisitions (cont.)

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable asset.

For acquisitions that are accounted for as asset purchases, if the sum of the individual fair values of the identifiable assets and liabilities differs from the transaction price, the transaction price is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition.

Equity-settled transactions are measured based on the fair value of the shares issued, under the share-based payment guidance of ASC 718.

(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 derecognised. Amounts previously recognised 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 recognised in profit or loss.

2.6 Income taxes

Income taxes are accounted for under the liability method. Deferred income tax assets and liabilities are recognised 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 recognised 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 realised.

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 recognised 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 realised upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Group recognises interest accrued related to unrecognised tax benefits in income tax expense. Penalties, if incurred, would be recognised as a component of general and administrative expenses.

2.7 Other comprehensive income

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

2.8 Inventories

Inventories comprise mainly victualing and bonded stores 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.

2.9 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.10 Property, plant and equipment

Property, plant and equipment are recognised 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 recognised 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 recognised 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 recognised in profit or loss within 'Other (losses)/gains - net'.

Dry docking costs relating to vessels owned by the Group are capitalised and amortised 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 2021 will decrease by approximately US$3,640,863 (2020: loss before income tax will decrease by approximately US$2,134,850).

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 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 assets 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.10 Property, plant and equipment (cont.)

Impairment of long-lived assets (cont.)

For vessels that the Group intend to dispose by sale, a loss is recognised 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 recognised 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 2021. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data.

2.11 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 recognised 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 amortised 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 collateralised 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 stand-alone 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.11 Leases (cont.)

(a) When the Group is the lessee (cont.)

Lessee – Operating leases (cont.)

- Short-term and low-value leases

  The Group has elected to not recognise 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 capitalisation 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 recognises 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 derecognised.

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.

2.12 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 recognised at their fair values plus transaction costs and subsequently carried at amortised 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 recognises 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 recognised 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 realised later than 12 months after the balance sheet date, which are presented as non-current assets.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.13 Deferred finance costs

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

When there is a modification of the existing debt, the remaining unamortised debt issuance costs, including fees, commissions and legal expenses are amortised 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 unamortised debt issuance costs, including fees, commissions and legal expenses are expensed off immediately in profit or loss.

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

2.15 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 recognised 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 recognised 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 recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.15 Derivative financial instruments and hedging activities (cont.)

(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.

2.16 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised 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.

2.17 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.

2.18 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.

2.19 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 recognised 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 recognised 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.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.20 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.

2.21 Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

2.22 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.23 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.

2.24 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.

2.25 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 capitalised 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 recognised 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 capitalised in the cost of the vessels.

Notes to the consolidated financial statements (cont.)

2. Significant accounting policies (cont.)

2.26 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 recognising 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 amortised 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.

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 effects of transitioning away from reference rates expected to be discontinued, such as the London Interbank Offered Rate (LIBOR). The ASU was effective on issuance on March 12, 2020. In January 2021, the FASB also issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, which extends some of Topic 848's optional expedients to derivative contracts modified as a result of rate reform, including certain derivatives that do not reference LIBOR or other reference rates that are expected to be discontinued. The amendments in this ASU affect the guidance in ASU 2020-04 and are effective in the same timeframe as ASU 2020-04. However, as there were no modifications to the Company's agreements that reference LIBOR in 2021, the adoption of these two ASUs did not have an effect on the Company's financial statements.

3. Transactions with related parties

The Group provides remuneration and compensation to its key management personnel and its Directors in the amount of US$2,616,280 (2020: US$2,435,868), 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 (2020: US$120,000) and bunker brokerage services of US$123,355 (2020: US$122,027) from subsidiaries of its immediate holding corporation. The Group also leases office space which amounts to US$32,858 (2020: US$Nil) from the associate of its immediate holding corporation. The Group also received shared service support of US$2,287,202 (2020: US$Nil) and bunker brokerage services of US$72,972 (2020: US$Nil) from the parent company of one of the Group's shareholders.

4. Revenue

Disaggregation of revenue from contracts with customers

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

	2021 US$	2020 US$
Revenue from:		
– Time charters	**134,729,242**	113,594,364
– Voyage charters	**182,986,538**	67,759,601
– Ship management services	**4,141,975**	227,303
– Relet income	**5,504,688**	—
– Others	**1,762,917**	1,889,286
	329,125,360	183,470,554

5. Other income

	2021 US$	2020 US$
Sundry income	**445,782**	567,118
Rental income	**307,440**	285,938
Insurance recoveries	**2,322,482**	621,636
Claims from charterer	**321,500**	—
Interest income from fixed deposits	**4,803**	160,694
	3,402,007	1,635,386

Notes to the consolidated financial statements (cont.)

6. Other losses

	2021 US$	2020 US$
Gain/(loss) on disposal of property, plant and equipment	78,212	(4,351,581)
Loss from asset held for sale	(3,810,232)	(665,345)
Foreign currency exchange losses	(122,313)	(28,425)
	(3,854,333)	(5,045,351)

7. Vessel operating expenses

	2021 US$	2020 US$
Crew expenses	62,785,351	39,306,506
Messing and stores expenses	13,119,583	9,067,669
Insurance expenses	4,280,292	2,826,629
Maintenance and repairs expenses	21,110,709	6,982,425
Technical management fees	667,966	311,864
Vessel takeover and delivery expenses	291,483	73,867
Dry-docking costs/(reversal of overprovision for dry-docking costs)	529,775	(105,841)
Others	9,449,190	6,800,940
	112,234,349	65,264,059

8. General and administrative expenses

	2021 US$	2020 US$
Staff costs (including directors' remuneration)	19,487,731	11,892,568
Directors' fees	206,375	160,000
Legal and professional fees	1,996,279	1,101,148
Information technology costs	1,347,275	1,028,803
Employee share option expenses	55,452	245,136
Rental and utilities expenses	1,418,400	1,352,605
Consultancy expenses	331,812	190,932
Travelling and entertainment expenses	247,480	227,386
Recruitment costs	113,271	16,637
Allowance for doubtful debts	33,745	138,321
Insurance	215,072	194,032
Shared service support fees	2,287,020	—
Others	1,315,444	818,072
	29,055,356	17,365,640

9. Finance expenses

	Note	2021 US$	2020 US$
Interest expense on finance leases		685,215	882,687
Interest expense on borrowings		16,610,960	13,434,047
Amortisation of deferred finance costs	22	1,095,472	809,448
		18,391,647	15,126,182

Notes to the consolidated financial statements (cont.)

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

	2021 US$	2020 US$
Tax expense attributable to profit is made up of:		
— Current income tax	1,011,817	275,762
— Withholding tax	—	79,819
	1,011,817	355,581
Over provision in prior financial years		
— Current income tax	(23,054)	(110,540)
— Deferred income tax	(1,414)	(24,755)
	987,349	220,286

On 1 March 2021, the Company redomiciled from British Virgin Islands to Singapore with a statutory tax rate of 17%. The Group also has significant operations in Singapore with a statutory tax rate of 17% (2020: 17%).

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

	2021 US$	2020 US$
Profit/(loss) before income tax	1,431,610	6,139,619
Tax calculated at statutory rate of 17% (2020: 17%)	243,374	1,043,735
Effects of:		
– Different tax rates in other countries	(84,757)	87,507
– Effects of concessionary tax rate	(54,742,927)	(31,433,746)
– Tax incentives	—	(13,180)
– Expenses not deductible for tax purposes	55,596,127	30,591,446
– Over-provision in prior financial years	(24,468)	(135,295)
– Withholding tax	—	79,819
Tax charge	987,349	220,286

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 granted tax incentives on international shipping income.

(b) Movement in current income tax liabilities

	2021 US$	2020 US$
Beginning of financial year	196,008	205,656
Income tax paid	(249,910)	(229,934)
Tax expense	1,011,817	355,581
Over-provision in prior financial years	(24,468)	(135,295)
End of financial year	933,447	196,008

11. Cash and cash equivalents

	2021 US$	2020 US$
Cash at bank	41,142,554	46,949,645
Cash on board vessels	660,811	515,954
	41,803,365	47,465,599

Acquisition of assets

On 11 March 2021, the Group completed the asset acquisition of Lauritzen Kosan A/S to combine their fleet and business activities. The consideration is satisfied by the issuance of 45,894,406 ordinary shares for a purchase consideration of US$147,265,640. The fair value of gross assets of Lauritzen Kosan is concentrated substantially in a group of similar identifiable assets. Thus, the acquisition of Lauritzen Kosan meets the concentration test under ASC 805 and is accounted for as an acquisition of assets in the consolidated financial statements.

The consideration transferred for the acquisition of Lauritzen Kosan was allocated based on the following approach:

(a) Identifiable assets acquired and liabilities assumed which ASC requires an initial measurement approach other than cost are first identified and measured in accordance to ASC;

(b) Purchase consideration is allocated to the asset and liabilities identified in (a) based on their relative fair values at the date of acquisition.

The determination of the value of consideration for the shares, which uses relative revalued net asset value (RNAV) of the Group and the Seller as at date of acquisition are regarded as Level 3 fair values under the fair value hierarchy of ASC 820 Fair Value Measurement.

Notes to the consolidated financial statements (cont.)

11. Cash and cash equivalents (cont.)

Acquisition of assets (cont.)

Asset acquisition in 2021: identifiable assets acquired and liabilities assumed

The aggregate effects of the acquisition on the cash flows of the Group were as follows:

	Note	US$'000
Cash and cash equivalents		16,216,934
Trade and other receivables		9,022,535
Inventories		1,030,068
Property, plant and equipment	15	306,215,375
Right-of-use assets		3,439,476
Borrowings	22	(174,859,665)
Lease liabilities		(3,715,905)
Trade and other payables		(10,083,178)
Total identifiable net assets acquired		147,265,640
Total purchase consideration settled in equity		(147,265,640)
Cash and cash equivalents acquired as cash inflow, representing net cash inflow on acquisition		16,216,934

12. Trade and other receivables, net

	2021 US$	2020 US$
Current		
Trade receivables from:		
– Non-related corporations	28,262,675	12,121,907
Less: Allowance for doubtful debts	(33,745)	(138,321)
Trade receivables, net of allowance	28,228,930	11,983,586
GST recoverable	483,550	323,296
Prepayments	3,024,134	2,093,581
Deposits	324,918	59,125
Sundry debtors	10,279,072	2,159,105
	42,340,604	16,618,693
Non-current		
Deposits	226,815	462,828

13. Inventories

	2021 US$	2020 US$
Bonded stores	52,444	67,657
Bunkers	5,209,648	2,319,596
Victualing	108,122	101,197
	5,370,214	2,488,450

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 0.22% (2020: 0.742%) per annum. During the financial year, US$7,550,000 additional restricted cash was placed due to the additional loan drawn down by the Group to finance the acquisition of vessels. (Note 22).

In 2020, 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. (Note 22).

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15. Property, plant and equipment, net

	Vessels US$	Dry-docking costs US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
2021							
Cost							
Beginning of financial year	682,859,315	30,258,870	196,818	2,465,147	420,921	1,332,881	717,533,952
Classified as held for sale	(25,001,291)	(2,081,205)	—	—	—	—	(27,082,496)
Acquisition of assets	298,114,375	8,101,000	—	—	—	—	306,215,375
Additions	62,684,614	20,573,420	130,082	44,769	995	73,749	83,507,629
Disposals and write-offs	(11,389,911)	(3,684,808)	—	—	—	—	(15,074,719)
Grants received	—	—	—	(508,241)	—	—	(508,241)
End of financial year	1,007,267,102	53,167,277	326,900	2,001,675	421,916	1,406,630	1,064,591,500
Accumulated depreciation and impairment							
Beginning of financial year	132,585,285	14,380,673	168,964	1,611,802	412,381	1,332,881	150,491,986
Classified as held for sale	(4,614,699)	(1,063,924)	—	—	—	—	(5,678,623)
Depreciation charge	40,806,544	12,436,271	35,981	159,031	5,088	15,966	53,458,881
Impairment losses	15,004,114	—	—	—	—	—	15,004,114
Disposals and write-offs	(4,214,681)	(3,507,027)	—	—	—	—	(7,721,708)
End of financial year	179,566,563	22,245,993	204,945	1,770,833	417,469	1,348,847	205,554,650
Net book value							
End of financial year	827,700,539	30,921,284	121,955	230,842	4,447	57,783	859,036,850

Notes to the consolidated financial statements (cont.)

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15. Property, plant and equipment, net (cont.)

	Vessels US$	Dry-docking 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 and impairment							
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

(a) In 2021, the Group recognised an impairment charge of US$15,004,114 (2020: US$Nil) which represents the impairment of certain vessels to their recoverable amounts.

The recoverable amounts of the vessels were estimated as fair value based on independent third-party valuation reports which make reference to comparable transaction prices of similar vessels less cost to sell. These are regarded as Level 2 fair values under the fair value hierarchy of ASC 820 Fair Value Measurement. The Group has assessed that the brokers had the required competency and capability to perform the valuation. The Group has also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

(b) The vessels with a carrying amount of US$785,200,894 (2020: US$495,679,404) have been pledged as collaterals for the borrowings described under Note 22 and the amortised dry-docking costs relating to these vessels are US$26,899,533 (2020: US$12,829,494).

(c) The carrying amount of vessels held under finance leases and their related amortised dry-docking costs was US$24,224,147 (2020: US$26,899,657) and US$1,874,453 (2020: US$1,779,365) respectively as at the balance sheet date. The amortisation of finance leases and their related dry-docking costs was US$1,949,589 (2020: US$2,030,821) and US$1,132,842 (2020: US$611,442) respectively as at the balance sheet date.

(d) 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.

(e) On 11 March 2021, the Group took delivery of 21 vessels through an acquisition of assets (Note 11). The payments for the acquisition were satisfied by the Group's issuance of shares and drawdown of a loan facility from financial institutions (Note 25).

(f) On 17 September 2021, the Group took delivery of a vessel 'Bow Gallant' and the payment to take delivery was satisfied by the drawdown of a loan facility from financial institutions and by the Group's issuance of shares (Note 25).

Notes to the consolidated financial statements (cont.)

15. Property, plant and equipment, net (cont.)

(g) On 5 October 2021, the Group took delivery of a vessel 'Bow Guardian' and the payment to take delivery was satisfied by the drawdown of a loan facility from financial institutions and by the Group's issuance of shares (Note 25).

(h) On 1 December 2021, the Group exercised the option to purchase the vessel 'Epic Sardinia', 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.

16. Asset held-for-sale

	2021 US$	2020 US$
Vessels	**18,175,000**	8,563,500

As at 31 December 2020, the Group has committed to the sale of a vessel, accordingly the vessel was reclassified as 'asset held-for-sale' in the financial statements. Efforts to sell the vessel had started and a sale was expected in 2021. The loss write-downs of the vessel to the lower of its carrying amount and its fair value less cost to sell has been included in the profit and loss. On 4 February 2021, this vessel was delivered to the buyer.

As at 31 December 2021, the Group has committed to the sale of two vessels, hence these vessels were reclassified as 'asset held-for-sale' in the financial statements. The loss for write-downs of these vessels to the lower of its carrying amount and its fair value less cost to sell has been included in the profit and loss. Efforts to sell the vessels have started and sales are expected in 2022. On 28 February 2022, one of the vessels was delivered to the buyer. As at the date of this report, the other vessel has not yet been delivered.

17. 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

	2021 US$	2020 US$
Property	**768,353**	1,862,358
Vessels	**21,673,112**	23,932,727
	22,441,465	25,795,085

(a) Lease expense not capitalised in lease liabilities

	2021 US$	2020 US$
Lease expense – short-term leases[1]	**60,129**	142,959
Lease expense – low-value leases	**10,695**	17,249
Lease expense – non-lease component for vessel[1]	**7,509,329**	3,310,203
Lease expense – others	**120,048**	143,830
	7,700,201	3,614,241

1. Included in bareboat and time charter hire expenses

(b) Total income from subleasing ROU assets in 2021 was US$11,024,851 (2020: US$9,505,540).

(c) Total cash outflow for all the leases in 2021 was US$20,069,903 (2020: US$19,421,795).

(d) Additions of ROU assets during the financial year 2021 was US$12,984,062 (2020: US$13,267,717).

(e) The weighted average remaining lease term and weighted average discount rate for its vessels is 2.78 (2020: 3.25) years and 2.97% (2020: 3.90%) respectively.

Notes to the consolidated financial statements (cont.)

17. Leases – The Group as a lessee (cont.)

Right-of-use assets (cont.)

(f) Future cash outflow which are not capitalised 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 optimise 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:

	2021 US$	2020 US$
1st Year	**12,631,852**	14,273,943
2nd Year	**4,379,100**	4,817,508
3rd Year	**1,800,000**	1,839,100
4th Year	**1,800,000**	1,800,000
5th Year	**1,632,150**	1,800,000
Thereafter	**—**	1,632,150
	22,243,102	26,162,701
Less: Future finance charges	**(777,293)**	(1,251,740)
Lease liabilities	**21,465,809**	24,910,961
Current	**12,202,979**	13,556,980
Non-current	**9,262,830**	11,353,981
Lease liabilities	**21,465,809**	24,910,961

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Notes to the consolidated financial statements (cont.)

18. 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:

	2021 US$	2020 US$
1st Year	92,485,698	52,601,301
2nd Year	13,309,643	12,273,131
3rd Year	–	2,359,333
	105,795,341	67,233,765

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 subleases out office premises and vessels to non-related parties for monthly lease payments. The sublease periods do not form a major part of the remaining useful lives of the underlying assets and accordingly, the subleases are classified as operating leases.

Income from subleasing the office premises and vessels recognised during the financial year 2021 was US$19,420,391 (2020: US$17,873,479).

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

	2021 US$	2020 US$
1st Year	1,376,656	5,440,146
2nd Year	–	176,616
Total undiscounted lease payments to be received	1,376,656	5,616,762

19. Trade and other payables

	2021 US$	2020 US$
Current		
Trade payables to:		
– Related corporations	–	14,859
– Non-related corporations	13,573,320	5,316,393
Non-trade payables to:		
– Non-related corporations	622,140	915,222
	14,195,460	6,246,474
Accrued operating expenses	17,936,377	9,213,788
Accrued staff costs	2,735,766	1,754,514
	34,867,603	17,214,776
Non-current		
Deposits	–	72,170

20. Contract liabilities

	2021 US$	2020 US$
Deferred income	21,708,663	9,624,103

(i) Revenue recognised in relation to contract liabilities

	2021 US$	2020 US$
Revenue recognised in the current year that was included in the contract liabilities balance at the beginning of the year	9,624,103	10,357,980

Contract liabilities relate to charter revenue received in advance as at the financial year end. Revenue from time charter will be recognised 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.

Notes to the consolidated financial statements (cont.)

21. 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.

	2021 US$	2020 US$
Not later than one year	**2,973,863**	2,760,174
Between one and five years	**4,478,766**	7,452,630
	7,452,629	10,212,804

Current deferred finance costs of US$1,430 (2020: US$1,430) and non-current deferred finance costs of US$357 (2020: US$1,786) relating to legal and debt issuance costs directly related to the commencement of the finance lease liabilities are presented net of the lease liabilities.

	2021 US$	2020 US$
Minimum lease payments due		
– 1st Year	**3,432,000**	3,432,000
– 2nd Year	**4,558,000**	3,432,000
– 3rd Year	**—**	4,558,000
	7,990,000	11,422,000
Less: Future finance charges	**(535,584)**	(1,205,980)
Present value of finance lease liabilities	**7,454,416**	10,216,020
Less: Deferred finance costs	**(1,787)**	(3,216)
Total	**7,452,629**	10,212,804

The Group is reasonably certain to exercise the purchase options which have been included in computing the lease liabilities.

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

22. Borrowings

	2021 US$	2020 US$
Not later than one year	**58,583,953**	31,264,023
Between one and five years	**405,517,987**	282,016,760
	464,101,940	313,280,783

The movement of borrowings during the year was as follows:

	Note	**2021 US$**	2020 US$
Beginning of financial year		**313,280,783**	337,774,732
Acquisition of assets	11	**174,859,665**	—
Additions		**189,270,000**	9,750,000
Repayments of long-term borrowings		**(212,235,888)**	(34,993,280)
Amortisation of deferred finance costs	9	**1,095,472**	809,448
Transaction cost		**(2,364,628)**	(136,431)
Write-off of deferred finance costs		**196,536**	76,314
End of financial year		**464,101,940**	313,280,783

Current deferred finance costs of US$1,250,869 (2020: US$816,085) and non-current deferred finance costs of US$3,272,976 (2020: US$2,567,867) for legal and debt issuance costs directly related to the issuance of the borrowings are presented net of borrowings. The amortisation of these deferred finance costs are recognised as interest expenses in Note 9.

During the financial year, the Group sold a vessel and classified two vessels as held-for-sale which resulted in a write-off of unamortised finance costs of US$196,536 (2020: US$76,314) associated with the borrowings that were extinguished in profit and loss.

Notes to the consolidated financial statements (cont.)

22. Borrowings (cont.)

On 13 September 2021, the Group had secured a loan agreement for borrowings totalling US$20,270,000 to finance the acquisition of two vessels. The loan was subsequently drawn down on 17 September 2021 and 5 October 2021 separately. On 23 November 2021, a supplemental agreement was secured for an additional loan of US$14,000,000 to finance the acquisition of one vessel. The loan was subsequently drawn down on 26 November 2021

Interest rate:	1.95% 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 charge of shares of the Borrower;

(v) First priority charge over the Earnings Account, the Retention Account and the Deposit Account;

(vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;

(vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower; and

(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd. and BW Epic Kosan Opco II Pte. Ltd. with respect to the loan agreement and all other customary security documents deemed necessary.

On 11 March 2021, the Group had drawn down loans from a loan agreement for borrowings totalling US$155,000,000 to partially finance the acquisition of 17 vessels. 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 charge of shares of the Borrower;

(v) First priority charge over the Earnings Account, the Retention Account and the Deposit Account;

(vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;

(vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower; and

(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd. and BW Epic Kosan Opco II Pte. Ltd. with respect to the loan agreement and all other customary security documents deemed necessary.

On 11 March 2021, upon the asset acquisition of Lauritzen Kosan A/S, the Group had assumed a loan facility totalling US$4,080,465, which was used for the financing of a vessel in the fleet of Lauritzen Kosan A/S. The key terms of the loan agreement are as follows:

Interest rate:	12.55% per annum
Payment term:	Monthly instalments, subject to a purchase obligation on the term end date 8 August 2023.

The borrowings are secured by the following:

(i) First priority assignment of the vessel's insurances, earnings and requisition compensation claims; and

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

Notes to the consolidated financial statements (cont.)

22. Borrowings (cont.)

On 11 March 2021, upon the asset acquisition of Lauritzen Kosan A/S, the Group had assumed a loan facility totalling US$4,509,492, which was used for the financing of a vessel in the fleet of Lauritzen Kosan A/S. The key terms of the loan agreement are as follows:

Interest rate: 11.52% per annum

Payment term: Monthly instalments, subject to a purchase obligation on the term end date of 13 November 2023.

The borrowings are secured by the following:

(i) First priority assignment of the vessel's insurances, earnings and requisition compensation claims;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

On 11 March 2021, upon the asset acquisition of Lauritzen Kosan A/S, the Group had assumed a loan facility totalling US$4,852,154, which was used for the financing of a vessel in the fleet of Lauritzen Kosan A/S. The key terms of the loan agreement are as follows:

Interest rate: 9.50% per annum

Payment term: Monthly instalments, subject to a purchase obligation on the term end date 5 January 2024.

The borrowings are secured by the following:

(i) First priority assignment of the vessel's insurances, earnings and requisition compensation claims;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

On 11 March 2021, the Group took over a loan of US$4,911,555 to partially finance the acquisition of a vessel. The key terms of the loan agreement are as follows:

Interest rate: 10.90% per annum

Payment term: Monthly instalments, subject to a purchase obligation on the term end date 16 February 2024.

The borrowings are secured by the following:

(i) First priority assignment of the vessel's insurances, earnings and requisition compensation claims;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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 charge over the Earnings Account, the Retention Account and the Deposit 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 BW Epic Kosan Opco II Pte. Ltd. with respect to the Loan Agreement and all other customary security documents deemed necessary.

Notes to the consolidated financial statements (cont.)

22. Borrowings (cont.)

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 two 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.

The borrowings are secured by the following:

(i) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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 four 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 charge over the Earnings Account and the Retention Account;

(v) First priority charge of shares of the Borrower;

(vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;

(vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower; and

(viii) Unconditional and irrevocable on demand guarantees from BW Epic Kosan Ltd. and BW Epic Kosan Opco II Pte. Ltd. with respect to the loan 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 one 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 assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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 three vessels belonging to the Group. The loans were fully repaid in 2021. The key terms of the loan agreement are as follows:

Interest rate: 1.95% per annum

Payment term: 42 fixed consecutive monthly instalments.

The borrowings were secured by an unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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.

Notes to the consolidated financial statements (cont.)

22. Borrowings (cont.)

The borrowings are secured by the following:

(i) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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 one 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 assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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 one 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.

The borrowings are secured by the following:

(i) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;

(ii) Unconditional and irrevocable on demand guarantee from BW Epic Kosan Ltd.

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	**14,688,400**	15,835,948
07 September 2017	07 August 2027	**15,689,419**	16,767,567
28 March 2018	28 March 2028	**10,978,302**	12,118,673
26 April 2018	31 October 2021	**—**	401,731
18 October 2018	31 Oct 2029	**11,106,296**	12,025,406
11 July 2019	01 July 2026	**39,255,978**	27,454,910
23 July 2019	01 July 2026	**13,127,717**	43,155,978
05 September 2019	05 September 2029	**25,248,194**	14,427,717
24 October 2019	24 October 2024	**129,741,154**	150,422,791
15 November 2019	24 October 2024	**13,216,876**	14,515,656
27 October 2020	24 October 2024	**8,334,656**	9,538,360
11 March 2021	11 March 2026	**139,775,027**	—
13 September 2021	17 September 2026	**20,218,424**	—
23 November 2021	27 November 2026	**13,767,938**	—
11 March 2021	8 August 2023	**2,859,188**	—
11 March 2021	13 November 2023	**3,299,343**	—
11 March 2021	5 January 2024	**3,600,903**	—
11 March 2021	16 February 2024	**3,717,967**	—
		468,625,782	316,664,737

The weighted-average interest rates on the above outstanding borrowings were 3.74% (2020: 4.07%) 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 2021 and 2020, the Group was in compliance with all of its financial covenants.

As of 31 December 2021, all borrowing facilities have been drawn (2020: US$10,000,000 undrawn).

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

Notes to the consolidated financial statements (cont.)

22. Borrowings (cont.)

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:

	2021 US$	2020 US$
1st Year	**61,216,700**	35,277,746
2nd Year	**73,348,937**	31,243,801
3rd Year	**141,494,474**	44,000,430
4th Year	**41,265,011**	124,474,878
5th Year	**120,497,087**	12,024,537
6th Year	**15,728,682**	38,839,772
7th Year	**7,439,777**	15,728,682
8th Year	**7,635,114**	7,439,777
9th Year	**—**	7,635,114
	468,625,782	316,664,737

23. Derivative financial instruments

	Contract notional amount US$	Fair value asset US$	Fair value liability US$
2021			
Derivatives held for hedging			
Cash flow hedges			
– Interest rate swaps	285,351,542	1,878,609	2,049,785
– Bunker swaps	839,794	460,661	–
Total		2,339,270	2,049,785
Less: Current portion		(2,339,270)	(2,049,785)
Non-current portion		—	—
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

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 recognised 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 12 March 2020. The Group applied certain of the practical expedients as of 12 March 2020 to continue its cash flow hedging relationships that reference forecasted transactions based on LIBOR. Optional expedients in Topic 848 are generally available until 31 December 2022. The adoption of ASU 2020-04 did not have a material effect on the Company's consolidated financial statements.

Notes to the consolidated financial statements (cont.)

24. 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$
2021			
Beginning of financial year	**—**	**102,856**	**102,856**
Charged to profit or loss	**—**	**1,415**	**1,415**
End of financial year	**—**	**104,271**	**104,271**
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

Deferred income tax liabilities

	Accelerated depreciation US$	Provisions US$	Total US$
2021			
Beginning and end of financial year	**101,378**	**(1,024)**	**100,354**
2020			
Beginning and end of financial year	101,378	(1,024)	100,354

25. Share capital

		Amount	
Issued and fully paid common share capital with no par value	Issued no. of ordinary shares	Share capital US$	Additional paid-in capital US$
Group and Company			
2021			
Beginning of financial year	**106,616,349**	**1,066,163**	**398,832,567**
Reclassification due to re-domiciliation on 1 March 2021	[1]	**398,832,567**	**(398,832,567)**
Issuance of shares	**52,850,684**	**168,089,889**	**—**
End of financial year	**159,467,033**	**567,988,619**	**—**

		Amount	
Issued and fully paid common share capital with no par value	Issued no. of ordinary shares	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

In the prior financial year, the Company's share capital comprise fully paid-up 106,616,349 ordinary shares at par value of US$0.01, amounting to a total of US$1,066,163 in accordance with the British Virgin Islands Companies Act.

1. Upon re-domiciliation of the Company to Singapore on 1 March 2021, the Company's share capital comprise of issued and fully paid common shares of 106,616,349 with no par value in accordance with the Singapore Companies Act.

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 11 March 2021, the Group issued and allocated 45,894,406 ordinary shares to Lauritzen Kosan A/S and a joint venture owned 50% by Lauritzen Kosan A/S, which amounted to US$147,265,640, as the purchase consideration paid for the acquisition of certain assets. As a result of the transaction, Lauritzen Kosan A/S became a shareholder of the Company.

On 17 September 2021 and 5 October 2021, the Group issued and allocated 6,889,611 ordinary shares to Odfjell Gas Shipowning AS, which amounted to US$20,643,500, as part of the purchase consideration paid for two ethylene carriers. As a result of the transaction, Odfjell Gas Shipowning AS became a shareholder of the Company.

Notes to the consolidated financial statements (cont.)

25. Share capital (cont.)

On 20 September 2021, the Group issued and allocated 66,667 ordinary shares at a subscription price of US$2.05 which amounted to US$136,667 to an employee, arising from the exercise of share options by the employee, which was granted in January 2016 (Note 26).

The shares issued in 2021 rank *pari passu* in all respects with the previously issued shares.

26. Share option reserve

	2021 US$	2020 US$
Beginning of financial year	**4,916,934**	4,671,798
BW Epic Kosan Ltd Share Option Plan		
– Value of employee services	**55,452**	245,136
– Exercise of share options	**(44,082)**	—
End of financial year	**4,928,304**	4,916,934

Employee share options

Pursuant to the BW Epic Kosan 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.

Notes to the consolidated financial statements (cont.)

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26. Share option reserve (cont.)

Employee share options (cont.)

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$
2021						
January 2016 Awards	**2,623,201**	**—**	**—**	**(66,667)**	**2,556,534**	**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**	**—**	**—**	**(66,667)**	**3,519,824**	
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	

Notes to the consolidated financial statements (cont.)

26. Share option reserve (cont.)

Employee share options (cont.)

The number of options vested and exercisable as at 31 December 2021 was 3,239,746 (2020: 2,967,234).

	2021 US$	2020 US$
Number of share options to be vested		
– 1st Year	**280,078**	339,177
– 2nd Year	**—**	280,078
	280,078	619,255

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 realised 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 recognised on a straight-line basis over the vesting period is US$2,056 (2020: US$57,513).

27. Accumulated other comprehensive losses

Composition:

	2021 US$	2020 US$
Currency translation reserve	**(232,940)**	(178,395)
Hedging reserve	**289,485**	(5,978,509)
	56,545	(6,156,904)

Movements:

(i) Currency translation reserve

	2021 US$	2020 US$
Beginning of financial year	**(178,395)**	(192,674)
Net currency translation differences of financial statements of foreign subsidiaries	**(54,545)**	14,279
End of financial year	**(232,940)**	(178,395)

(ii) Hedging reserve

	2021 US$	2020 US$
Beginning of financial year	**(5,978,509)**	(119,198)
Fair value gains/(losses)	**6,267,994**	(5,859,311)
End of financial year	**289,485**	(5,978,509)

Notes to the consolidated financial statements (cont.)

28. 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 recognised 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 categorised based upon the lowest level of significant input to the valuations as of 31 December 2021:

		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 2021				
Assets				
Derivative financial instruments	2,339,270	–	2,339,270	–
Total	2,339,270	–	2,339,270	–
Liabilities				
Derivative financial instruments	2,049,785	–	2,049,785	–
Total	2,049,785	–	2,049,785	–
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	—

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.

Notes to the consolidated financial statements (cont.)

28. Fair value measurements (cont.)

(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 2021 and 2020.

29. Immediate holding corporation

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

30. Dividends

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 issued share capital of 106,616,349 ordinary shares for the financial year ended 31 December 2021.

31. Events occurring after the balance sheet date

On 3 January 2022, the Company established a Norway branch, named BW Epic Kosan Maritime Norway.

As of the date of this report, there continues to be uncertainty relating to the situation in Ukraine. Management is actively monitoring the situation and implementing any measures required to minimise the impact on our staff, crew, vessels, cargo, operations, and financial results.

None of the Group's vessels are currently chartered to Russian companies or trade in Russia or Ukraine.

The Group has considered the challenges arising from the situation between Russia and Ukraine and assessed the impact on its operations, and anticipated that adequate funds are available for its operating requirements and meeting debt obligations.

The Group does not expect any significant impact on its business operations.

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Notes to the consolidated financial statements (cont.)

32. Listing of significant subsidiaries in the Group

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2021 %	Equity holding 2020 %
BW Epic Kosan Opco I Pte. Ltd. [a]	Investment Holding	Singapore	**100**	100
BW Epic Kosan Opco II Pte. Ltd. [a]	Investment Holding	Singapore	**100**	100
BW Epic Kosan (UK) Limited [b]	Provision of Commercial and Technical Management Services	United Kingdom	**100**	100
BW Epic Kosan Maritime Ltd. [a]	Provision of Commercial and Technical Management Services	Singapore	**100**	100
Botany Shipping Pte. Ltd. [g]	Vessel owning and chartering	Singapore	**100**	100
Elba Shipping Pte. Ltd. [f]	Vessel owning and chartering	Singapore	**—**	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]	Vessel owning and chartering	Singapore	**100**	100
Epic Beata Pte. Ltd. [a]	Vessel owning and chartering	Singapore	**100**	100
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]	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
BW Epic Kosan Vessels Pte. Ltd. [a][h]	Vessel owning and chartering	Singapore	**100**	**100**
BW Epic Kosan Vessels Two Pte Ltd [a][d]	Vessel owning and chartering	Singapore	**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

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Notes to the consolidated financial statements (cont.)

32. Listing of significant subsidiaries in the Group (cont.)

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2021 %	2020 %
Epic St George Pte. Ltd. [a]	Vessel owning and chartering	Singapore	100	100
Epic St Ivan Pte. Ltd. [a]	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
Epic York Pte. Ltd. [a]	Vessel owning and chartering	Singapore	100	100
Epic Borkum Pte. Ltd. [e]	Vessel owning and chartering	Singapore	–	100
Epic Bermuda Pte. Ltd. [a]	Vessel owning and chartering	Singapore	100	100
Epic Barnes Pte. Ltd. [a]	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

(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) Dissolved on 5 August 2021
(f) Dissolved on 1 December 2021
(g) Dissolved on 10 January 2022
(h) Formerly known as Epic Wave Two Pte. Ltd.

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Pressurised 3-4,900 cbm

VESSEL NAME	BUILT
Epic Caledonia	2014
Epic Curacao	2014
Epic Cobrador	2009
Epic Cordova	2009
Inge Kosan	2011
Tracey Kosan	2011
Monica Kosan	2011
Emily Kosan	2012
Linda Kosan	2011
Helle Kosan	2010

Pressurised 5-6,900 cbm

VESSEL NAME	BUILT
Epic St. Ivan	2015
Epic St. Agnes	2015
Epic St. Croix	2014
Epic St. Thomas	2014
Epic St. Vincent	2008
Epic St. Kitts	2008
Epic St. Lucia	2008
Epic St. Martin	2008
Epic Balta	2000

Pressurised 7-8,900 cbm

VESSEL NAME	BUILT
Epic Bali	2010
Epic Borneo	2010
Epic Barnes	2002
Epic Bermuda	2001
Epic Bird	2014
Epic Baluan	2017
Epic Bonaire	2016
Epic Borinquen	2016
Epic Boracay	2009
Epic Bolivar	2002
Epic Burano	2002
Epic Beata	2011
Epic Breeze	2020

Pressurised 9-12,000 cbm

VESSEL NAME	BUILT
Chelsea	2008
Epic Manhattan	2007
Epic Madeira	2006
Westminster	2011
Epic Salina	2017
Epic Samos	2016
Epic Shikoku	2016
Epic Sentosa	2016
Epic Sicily	2015
Epic Susak	2015
Epic Susui	2015
Epic Sula	2015
Epic Sunter	2015
Epic Sardinia	2017

Ethylene 5-6,900 cbm

VESSEL NAME	BUILT
Camilla Spirit	2010
Pan Spirit	2009
Cathinka Spirit	2009

Ethylene 7-8,900 cbm

VESSEL NAME	BUILT
Henrietta Kosan	2008
Isabella Kosan	2007
Alexandra Kosan	2008
Leonora Kosan	2009
Helena Kosan	2007
Victoria Kosan	2009
Sonoma Spirit	2003

Ethylene 9-12,000 cbm

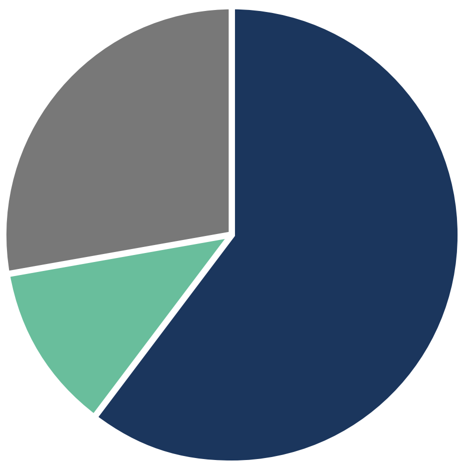
VESSEL NAME	BUILT
Bow Gallant	2008
Bow Guardian	2008
Stina Kosan	2008
Sophia Kosan	2008
Stella Kosan	2008
Kathrine Kosan	2008
Kamilla Kosan	2008
JBU Schelde	2008
Napa Spirit	2003
Unikum Spirit	2011
Vision Spirit	2011

Semi-refrigerated 3-4,900 cbm

VESSEL NAME	BUILT
Scali del Teatro	2014
Scali Sanlorenzo	2010
Scali Reali	2010
Scali del Pontino	2011

Semi-refrigerated 5-6,900 cbm

VESSEL NAME	BUILT
Tessa Kosan	1999
Tenna Kosan	1998
Tilda Kosan	1999
Tanja Kosan	1999
Tristar Dana	2010



Total vessels: 76
(as of 1st April 2022)

Pressurised	46
Ethylene	21
Semi-refrigerated	9

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BW Epic Kosan