PARADISE GAS CARRIERS CORP.

Consolidated Financial Statements prepared for the year ended December 31, 2016

These financial statements set out on pages 4 to 32 have been approved by the Board of Directors of Paradise Gas Carriers Corp. on April 28, 2017

Signed on behalf of the Board of Directors

PARADISE GAS CARRIERS CORP.
LIBERIA

CEO

INDEX

Independent Auditor's report

To the Board of Directors and Shareholders of Paradise Gas Carriers Corp.

We have audited the accompanying financial statements of Paradise Gas Carriers Corp., which comprise the balance sheets as of December 31, 2016 and December 31, 2015, and the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paradise Gas Carriers Corp. at December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers S.A.

April 28, 2017
Athens, Greece

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PARADISE GAS CARRIERS CORP.
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2016 and 2015
(Expressed in thousands of United States dollars or unless otherwise stated)

	Notes	As of December 31, 2016	As of December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	5,844	15,543
Trade receivables		3,610	4,348
Inventories	4	927	908
Insurance and other claims		7	7
Other receivables	9	1,446	581
Prepaid expenses		168	713
Total current assets		**12,002**	**22,100**
NON-CURRENT ASSETS			
Vessels, net	5	59,776	66,031
Vessels under construction	7	34,450	23,775
Seller's credit	6	2,000	2,000
Deferred charges, net	8	4,656	4,258
Total non-current assets		**100,882**	**96,064**
Total assets		**112,884**	**118,164**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	10	1,968	1,703
Accrued liabilities	12	311	1,091
Current portion of long-term debt	11	7,266	5,880
Unearned revenue		227	717
Due to related parties	14	66	134
Dividends payable	13	-	990
Provisions for other liabilities and charges	15	481	-
Total current liabilities		**10,319**	**10,515**
LONG-TERM LIABILITIES			
Long-term debt, net of current portion and deferred financing costs	11	21,947	29,490
Deferred gain on sale of vessel, net of current portion	6	1,581	2,240
Total long-term liabilities		**23,528**	**31,730**
Total liabilities		**33,847**	**42,245**
Commitments and Contingencies		-	-
SHAREHOLDERS' EQUITY			
Common stock (1,000 common shares with no par value, authorized and issued)		-	-
Additional paid-in capital		71,500	68,750
Retained earnings		7,537	7,169
Total shareholders' equity		**79,037**	**75,919**
Total liabilities and shareholders' equity		**112,884**	**118,164**

The accompanying notes on pages 8 to 32 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AS AT DECEMBER 31, 2016 and 2015
(Expressed in thousands of United States dollars or unless otherwise stated)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Operating revenue	18,19	33,958	40,002
Total operating revenue-net		**33,958**	**40,002**
Operating expenses			
Voyage expenses	21	(2,627)	(1,190)
Vessels' operating expenses	20	(15,224)	(16,099)
Depreciation	5	(4,983)	(5,313)
Amortization of deferred dry-docking and special survey costs	8	(1,589)	(940)
Impairment loss	5	(1,272)	-
Commissions		(617)	(580)
Management fees	14	(1,317)	(1,304)
General and administrative expenses		(511)	(301)
Charter hire expenses	6	(2,639)	(2,509)
Gain on sale of vessel	6	659	392
Net operating expenses		**(30,120)**	**(27,844)**
Operating profit		**3,838**	**12,158**
Other income/ (expenses)			
Interest income		52	2
Interest expense		(253)	(1,132)
Other finance expenses		(86)	(337)
Other income, net		34	38
Total other expenses, net		**(253)**	**(1,429)**
Profit for the year		**3,585**	**10,729**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**3,585**	**10,729**

The accompanying notes on pages 8 to 32 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
AS OF DECEMBER 31, 2016 and 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

	Common Stock	Additional Paid-in Capital	Retained earnings	Total
As of January 1, 2015	**-**	**61,500**	**400**	**61,900**
Net profit for the year	-	-	10,729	**10,729**
Capital contributions	-	7,250	-	**7,250**
Dividends			(3,960)	**(3,960)**
As of December 31, 2015	**-**	**68,750**	**7,169**	**75,919**
As of January 1, 2016	**-**	**68,750**	**7,169**	**75,919**
Net profit for the year	-	-	3,585	**3,585**
Capital contributions	-	2,750	-	**2,750**
Dividends	-	-	(3,217)	**(3,217)**
As of December 31, 2016	**-**	**71,500**	**7,537**	**79,037**

The accompanying notes on pages 8 to 32 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Cash Flows from operating activities:			
Net profit for the year		3,585	10,729
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	5	4,983	5,313
Amortization of deferred dry-docking and special survey costs	8	1,589	940
Impairment loss	5	1,272	
Amortization of deferred financing costs		25	164
(Gain) on sale of vessels	6	(659)	(392)
Accounts receivable		738	(782)
Insurance and other claims		-	822
Prepaid expenses		545	(516)
Other receivables		(865)	97
Inventories		(19)	577
Seller's credit	6	-	(2,000)
Net payments to related parties		(68)	(1,827)
Accounts payable		265	320
Accrued liabilities		(780)	929
Payments for dry dock and special survey costs	8	(1,987)	(5,525)
Unearned revenue		(490)	120
Provisions for other liabilities and charges		481	-
Deferred gain from sale of vessel		-	2,240
Other current liabilities		-	(47)
Net cash provided by operating activities		**8,615**	**11,161**
Cash Flows from investing activities:			
Net cash proceeds from sale of vessel		-	17,630
Payments for vessels under construction	7	(10,551)	(18,246)
Net cash used in investing activities		**(10,551)**	**(616)**
Cash flows from financing activities:			
Proceeds from bank borrowings		-	22,000
Repayment of bank borrowings	11	(6,306)	(11,780)
Capitalized finance costs		-	(592)
Deferred financing fees		-	(198)
Capital contributions		2,750	7,250
Dividends paid		(4,207)	(2,970)
Repayment of loan due to shareholders		-	(14,653)
Net Cash used in financing activities		**(7,763)**	**(943)**
Net (decrease)/increase in cash and cash equivalents		**(9,699)**	**9,602**
Cash and cash equivalents, beginning of year		15,543	5,941
Cash and cash equivalents, end of year		**5,844**	**15,543**
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of capital)		1,287	1,302
Non-cash financing activities			
Capitalized finance costs		124	126
Dividends payable		-	990

The accompanying notes on pages 8 to 32 are an integral part of these consolidated financial statements.

(Expressed in thousands of United States Dollars unless otherwise stated)

1. Description of organization and business operations

Paradise Gas Carriers Corp. ("Paradise" or the "Company" and together with its subsidiaries the "Group"), was formed on May 9, 2013, in Monrovia, Liberia and is presently the sole owner of all outstanding shares of the companies (the "Paradise Subsidiaries") listed below.

The Group's vessels operate worldwide, carrying oil and LPG for many of the world's leading charterers. The Company manages its operations from its offices in Athens, Greece.

The Group's principal business is the acquisition and operation of vessels. Paradise conducts its operations through the vessel owning subsidiaries that have as principal activity the ownership and operation of oil tanker and gas carrier vessels that are under the exclusive management of a related party of the Group (refer to Note 14 - Related Party Transactions).

The consolidated financial statements of Paradise Gas Carriers Corp include the results of the following companies:

Company	Country of Incorporation	Date of Incorporation	Activity
Paradise Gas Carriers Corp.	Monrovia, Liberia	May 9, 2014	Holding Co
PARGC Investments Ltd [i]	Cyprus	October 13, 2015	Investment Ltd
Eirini Maritime Ltd	Marshall Islands	June 2, 2016	Subsidiary
Patreas Maritime Ltd	Marshall Islands	June 2, 2016	Subsidiary
Periklis Maritime Ltd	Marshall Islands	June 2, 2016	Subsidiary
Taormina Maritime Ltd	Marshall Islands	June 2, 2016	Subsidiary

The consolidated financial statements also include the financial statements of the following vessel-owning subsidiaries, all wholly owned by Paradise Gas Carriers Corp. as of December 31, 2016 and 2015.

Company	Date of Incorporation	% Shareholding	Vessel Name	Vessel Type	Year Built	DWT
Marina Maritime and Trading Ltd	May 8, 2013	100	PGC MARINA	Oil Tanker	2005	72,854
Aratos Maritime Ltd	July 24, 2013	100	PGC ARATOS	Gas Carrier	2003	9,328
Strident Force Maritime Ltd	January 13, 2014	100	PGC STRIDENT FORCE	Gas Carrier	1999	8,485
Darko King Maritime Ltd	January 13, 2014	100	PGC DARKO KING	Gas Carrier	1997	6,666
PST S.A.	July 2, 2014	100	PGC IKAROS[ii]	Oil Tanker	2004	72,000
Aspropyrgos II Maritime Ltd	December 8, 2014	100	ASPROPYRGOS	Oil Tanker	2004	72,000

i) PARGC Investments Ltd was sold on December 30, 2015 (refer to note 14)
ii) PGC Ikaros was sold on May 22, 2015 (refer to note 5).

2. Significant Accounting Policies

Basis of presentation: the accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The reporting and functional currency of the Company is the United States Dollar.

Principles of Consolidation: The accompanying consolidated financial statements represent the consolidation of the accounts of the Company and subsidiaries it controls. The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany balances and transactions are eliminated on consolidation.

Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Costs directly attributable to the acquisition are expensed as incurred. The excess of the cost of acquisition over the fair value of the net tangible and intangible assets acquired and liabilities assumed is recorded as goodwill.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future dry-dock dates, the selection of useful lives for tangible assets and scrap value, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes and contingencies and the valuations estimates inherent in the deconsolidation gain. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

Foreign Currency Translation: The functional currency of the Group is the U.S. dollar. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Difference in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the accompanying consolidated statement of comprehensive income.

On the balance sheet dates, monetary assets and liabilities denominated in other currencies are translated to reflect the current exchange rates. Resulting gains or losses are reflected in the accompanying consolidated statement of comprehensive income.

Cash and Cash Equivalents: Cash and cash equivalents consist of current, call, and time deposits with original maturity of three months or less which are not restricted for use or withdrawal.

Trade Receivables, net: The amount shown as Trade Receivables at each balance sheet date includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the

2. Significant Accounting Policies (continued)

appropriate provision for doubtful accounts. No allowance for doubtful accounts has been taken in any period included in these consolidated financial statements.

Prepaid Expenses: Prepaid expenses consist mainly of prepayment of insurance expenses.

Inventories: Inventories, consisting mainly of bunkers, lubricants and provisions remaining on board the vessels at each period end, are valued at the lower of market value or cost as determined using the weighted average cost basis method.

Insurance Claims: Insurance claims consist of claims submitted and/or claims in the process of compilation or submission (claims pending against vessels' insurance underwriters). They are recorded on an accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reported period, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. Insurance claims are included in the balance sheet line item "Insurance and other claims". The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates.

Financing Costs: The Company historically presented deferred debt issuance costs, or fees related to directly issuing debt, as long-term assets on the consolidated balance sheets. During 2016, the Company adopted guidance codified in ASU 2015-03 "Interest — Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs". The guidance simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected. Therefore, these costs will continue to be amortized as interest expense using the effective interest method pursuant to ASC 835-30-35-2 through 35-3. Upon adoption, the Company applied the new guidance retrospectively to all prior periods presented in the financial statements. The reclassification does not impact net income as previously reported or any prior amounts reported on the Consolidated Statements of Comprehensive Income or the Consolidated Statements of Cash Flows. The effect of the retrospective application of this change in accounting principle on the Company's Consolidated Balance Sheets as of December 31, 2015 resulted in a reduction of Total non-current assets and Total assets in the amount of $0.535, with a corresponding decrease of $0.535 in Long-term debt, net of current portion and deferred financing costs and Total non-current liabilities. Additionally, amortization of deferred charges amounting to $0.290 was reclassified from "Other finance expenses" to "Interest expense" in the Consolidated Statements of Operation for the year ended December 31, 2015.

Vessels' Cost: Vessels are stated at historical cost, which consists of the contract price, delivery and acquisition expenses and capitalized interest costs while under construction. Vessels acquired in an asset acquisition or in a business combination are recorded at fair value. Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the residual values of their vessels based on scrap value cost of steel times the weight of the ship noted in light displacement weight (ldt). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and affects depreciation expense in the period of the revision and future periods.

2. Significant Accounting Policies (continued)

Management estimated the salvage value of its vessels at $275 per ldt for the years ended December 31, 2015 and 2016.

Management estimates the useful life of the Group's vessels to be 25 years from the vessels' original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

Advances for Vessels under Construction: This represents amounts paid by the Group in accordance with the terms of the purchase agreements for the construction of long-lived fixed assets. Interest and finance charges incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized.

Capitalized Interest Expense: Interest costs are expensed as incurred except for interest costs that are capitalized. Interest costs are capitalized on all qualifying assets that require a period of time to complete for their intended use. Qualifying assets consist of vessels constructed for the Group's own use.

Impairment of Long-lived Assets: Long-lived assets are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed such as, undiscounted projected cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group (consisting of the individual vessel and the intangible, if any, with respect to the time charter agreement attached to that vessel) and compared to the vessel carrying value and related carrying value of the intangible with respect to the time charter agreement attached to that vessel or the carrying value of deposits for new-buildings, if any. Within the shipping industry, vessels are often bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel individual asset group.

As of December 31, 2016, the Group concluded that events and circumstances triggered the existence of potential impairment of its long-lived assets. The indicators included loss of charterer, volatility in the spot market and decline in the vessels' market values, as well as the potential impact the current market place may have on its future operations. As a result, the Company performed step one of the impairment assessment of the Company's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to its carrying value. The significant factors and assumptions the Company used in its undiscounted projected net operating cash flow analysis included, among others, operating revenues, off-hire revenues, drydocking costs, operating expenses and management fees estimates. Revenue assumptions were based on contracted time charter rates up to the end of life of the current contract of each vessel as well as estimated average time charter equivalent rates for the remaining life of the vessel after the completion of its current contract. The estimated daily time charter equivalent rates used for non-contracted revenue days are based on a combination of (i) recent charter market rates, (ii) historical average time charter rates, based on publications by independent third party maritime research services, and (iii) estimated future time charter rates, based on publications by independent third party maritime research services that provide such

2. Significant Accounting Policies (continued)

forecasts. Recognizing that the oil tanker and gas carriers transportation industry is cyclical and subject to volatility based on factors beyond the Company's control, management believes the use of revenue estimates, based on the combination of factors (i) to (iii) above, to be reasonable as of the reporting date. In additional, the Company used the annual operating expenses escalation factor and estimates of the scheduled and unscheduled off-hire revenues based on historical experience. All estimates used and assumption made were in accordance with the Company's internal budgets and historical experience of the shipping industry.

As of December 31, 2016, the Company's assessment concluded that step two of the impairment analysis was required for one of its vessels, as undiscounted projected net operating cash flows of this vessel did not exceed its carrying value. Fair value of the vessel was determined with the assistance from valuation obtained by third part independent shipbrokers (on the basis of commercial transaction between a willing buyer and a willing seller). The Company recorded an impairment loss of $1,272. The impairment loss is included under "Impairment loss" in the Consolidated Statements of Operations.

As of December 31, 2015, the Group concluded that no events and circumstances triggered the existence of potential impairment of its long-lived assets.

Accounting for Special Survey and Dry-docking Costs: The Group's vessels are subject to regularly scheduled dry-docking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of dry-docking and special survey are deferred and amortized over the above periods or to the next dry-docking or special survey date if such has been determined. Drydocking and special survey costs are reported in the balance sheet within "Deferred charges, net if special survey or dry-docking is performed prior to the scheduled date, the remaining unamortized balances are immediately written off.

The unamortized portion of special survey and dry-docking costs for vessels sold is included as part of the carrying amount of the vessel in determining the gain / (loss) on sale of the vessel.

Pension and Retirement Benefit Obligations-Crew: The crew on board the companies' vessels serves in such capacity under short-term contracts (usually up to nine months) and accordingly, the vessel-owning companies are not liable for any pension or post-retirement benefits.

Trade payables: Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Group's business from suppliers. Accounts payable 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.

Current and Deferred Income Tax: The Group is not liable for corporate income tax, either in the country of incorporation or, in the case of the vessel - owning companies, in the country of the vessel's registration. The Group therefore does not provide for either corporate income tax or for deferred taxation.

The Group's vessel owning companies are liable to pay an annual tonnage tax to the tax authorities of the country where the vessels are registered. This tax has been included in vessels' operating expenses.

Effective from 1 January 2013, an annual tonnage tax is also payable to the tax authorities of Greece, which is the country of operation of the Managing Agent of the Group. This tax has been included in vessel's operating expenses.

2. Significant Accounting Policies (continued)

Provisions and contingencies: The Group, in the ordinary course of its business, is subject to various claims, suits and complaints. The Group will provide for a contingent loss in the financial statements if the contingency has been incurred and the likelihood of loss is deemed to be probable at the date of the financial statements and the amount of the loss can be reasonably estimated. In accordance with the accounting for contingencies, if the Group has determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, the Group will accrue the lower amount of the range. The Group participates in Protection and Indemnity (P&I) insurance coverage plans provided by mutual insurance societies known as P&I clubs. Under the terms of these plans, participants may be required to pay additional premiums to fund operating deficits incurred by the clubs ("deferred calls"). Obligations for deferred calls are accrued annually based on information provided by the clubs regarding supplementary calls.

Provisions for estimated losses on uncompleted voyages and vessels time chartered to others are provided for in the period in which such losses are determined. At December 31, 2016 and 2015, the balance for provision for loss making voyages in progress was nil.

Revenue Recognition: Revenue is recorded when services are rendered, under a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. Revenue is generated from time charters, spot voyage charters and pool arrangements.

Voyage revenues for the transportation of cargo are recognized ratably over the estimated relative transit time of each voyage. Voyage expenses are recognized as incurred. A voyage is deemed to commence when a vessel is available for loading and is deemed to end upon the completion of the discharge of the current cargo. Estimated losses on voyages are provided for in full at the time such losses become evident. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo.

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight-line basis as the average revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter or freight rate. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Pool Revenue:

Revenues and voyage expenses of the vessels operating in pool arrangements are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. Formula used to allocate net pool revenues vary among different pools but generally allocate revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighting adjustments made to reflect vessels' differing capacities and performance capabilities. The same revenue and expense principles stated above are applied in determining the pool's net pool revenues. Certain pools are responsible for paying voyage expenses and distribute net pool revenues to the participants.

2. Significant Accounting Policies (continued)

Certain pools require the participants to pay and account for voyage expenses, and distribute gross pool revenues to the participants such that the participants' resulting net pool revenues are equal to net pool revenues calculated according to the agreed formula. The Group accounts for net pool revenues allocated by these pools as "pool revenues" which are included in revenue in the consolidated statement of comprehensive income. Under a spot voyage charter the revenues and associated voyage costs are recognized rateably over the estimated relative transit time of each voyage based on the days of voyage completed compared to the estimated voyage time. Revenue is a factor of the weight of the cargo which is known at the time of loading and before the voyage begins. Voyage revenues begin to be recognized at the time the vessel begins loading its cargo and end upon completion of the discharge of the same cargo. Probable losses on voyages are provided for in full at the time such losses can be estimated.

Deferred Revenue: Deferred revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period, when the service is provided.

Commissions: Commissions calculated on hires and freights generated from the vessels represent discounts and fees respectively, provided directly to the charterers and brokers based on a fixed percentage of the agreed upon charter or freight rate of the vessels.

General and Administrative Expenses: General and administrative expenses include bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and other services.

Vessels Operating Expenses: Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricants, exchange differences, crew travelling, provision, communication, tonnage taxes and other miscellaneous expenses related to the operation of the vessel. Aggregate expenses increase as the size of the Group's fleet increases.

Dividends: Dividends are recorded in the Company's financial statements in the period in which they are declared.

***Financial Instruments*:** Financial instruments carried on the balance sheet include trade receivables and payables, other receivables and other liabilities and long term debt. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable.

a) **Financial risk management:** Group's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, and fuel prices, credit and interest rate risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

b) **Credit risk:** The Group closely monitors its exposure to customers and counterparties for credit risk. The Group has entered into the Management Agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to the Group. When negotiating on behalf of the Group various employment contracts, the Manager has policies in place to ensure that it trades with customers and counterparties with an appropriate credit history.

2. Significant Accounting Policies (continued)

c) **Foreign exchange risk:** Foreign currency transactions are translated into the measurement currency rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations.

Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update No. 2014-9 "Revenue from Contracts with Customers" ("ASU 2014-09"), which will supersede the current revenue recognition guidance and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU 2014-09 was amended by ASU 2015-14 "Revenue from Contracts with Customers: Deferral of the Effective Date" ("ASU 2015-014"), which was issued in August 2015. Public entities can now elect to defer implementation of ASU 2014-09 to interim and annual periods beginning after December 15, 2017. Additionally, ASU 2015-14 permits early adoption of the standard but not before the original effective date, i.e. annual periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. In addition, in 2016, the FASB issued four amendments, which clarified the guidance of certain items such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability and presentation of sales taxes. The Group is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and associated disclosures, and have not yet selected a transition method.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee).The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this Update eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments are effective for annual periods ending after December 15, 2017, including interim periods within those fiscal years. Early application is not permitted. The Group is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements and notes disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 will apply to both types of leases—capital (or finance) leases and operating leases. According to the new Accounting Standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Group is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and notes disclosures.

2. Significant Accounting Policies (continued)

In March 2016, the FASB issued ASU 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323)" ("ASU 2016-07"), which simplifies the accounting for equity method investments by removing the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, and must be applied prospectively. Early adoption is permitted. The Group is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. The amendments in ASU 2016-8 affect the guidance in the ASU 2014-09, which is not yet effective. ASU 2016-08 is effective for fiscal years beginning after December 15, 2017, and interim reporting periods within those years. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Group is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). The FASB issued ASU 2016-15 to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. Additionally, in November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash—a consensus of the FASB Emerging Issues Task Force" ("ASU 2016-18"), which requires that amounts described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. These revised standards are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Group is currently evaluating the impact of these updated standards on its consolidated statements of cash flows.

In October 2016, the FASB issued ASU 2016-17 "Consolidation (Topic 810), Interests Held Through Related Parties That Are Under Common Control" ("ASU 2016-17"). ASU 2016-17 changes how a single decision maker will consider its indirect interests when performing the primary beneficiary analysis under the variable interest entity ("VIE") model. Under ASU 2015-02 "Consolidation (Topic 810), Amendments to the Consolidation Analysis," a single decision maker was required to consider an indirect

(Expressed in thousands of United States Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

interest held by a related party under common control in its entirety. Under ASU 2016-17, the single decision maker will consider the indirect interest on a proportionate basis. ASU 2016-17 does not change the characteristics of a primary beneficiary in the VIE model. The amendments of ASU 2016-17 are effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

3. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash at bank	5,844	15,543
	5,844	**15,543**

4. Inventories

	December 31, 2016	December 31, 2015
Bunkers	154	-
Lubricants	497	575
Stores	276	333
	927	**908**

5. Vessels, net

	Vessels' Cost	Accumulated Depreciation	Net Book Value
January 1, 2015	**91,071**	**(4,056)**	**87,015**
Additions	-	-	-
Disposals (cost)	(16,039)	-	(16,039)
Disposals (Accumulated dep'n)	-	368	368
Depreciation	-	(5,313)	(5,313)
December 31, 2015	**75,032**	**(9,001)**	**66,031**
January 1, 2016	**75,032**	**(9,001)**	**66,031**
Additions	-	-	-
Impairment loss	(1,272)	-	(1,272)
Depreciation	-	(4,983)	(4,983)
December 31, 2016	**73,760**	**(13,984)**	**59,776**

The scrap value of the Group's vessels was determined by multiplying their light displacement weight (ldt) by an estimated price for scrap of $275 per ldt.

(i) Sale of vessels

On March 20, 2017, the Group sold the PGC Darko King, following a Memorandum of Agreement ("MoA") signed between the Group and Sellan Gas Company Ltd. dated February 9, 2017, for a gross consideration of $4,175. Refer to Note 23, "Subsequent events".

5. Vessels, net (continued)

On May 22, 2015, the Group sold the PGC Ikaros to Crude Tankers I AS, a third party, for an aggregate sale price of $20,200. Refer to Note 6, "Sale and lease back".

(ii) Impairment of Vessels, net

As of December 31, 2016 the Group concluded that events and circumstances triggered the existence of potential impairment of its long-lived assets. These indicators included volatility in the spot market and decline in the vessels' market values, as well as the potential impact the current marketplace may have on its future operations. As a result, the Group performed step one of the impairment assessment of the Group's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to its carrying value. The Group's assessment concluded that step two of the impairment analysis was required for one of its vessels, as the undiscounted projected net operating cash flows did not exceed the carrying value of the respective vessel. Fair value of the vessel was determined with the assistance of the valuation obtained from third party independent shipbrokers. As of December 31, 2016, the Group recorded an impairment loss of $1,272 for its vessel that is held and used, which is included under "Impairment loss" in the accompanying consolidated statements of operations.

6. Sale and lease back

On May 22, 2015, the Group (seller/lessee) entered into a sale transaction for the M/V Ikaros with Crude Tankers I AS (buyer/lessor) an unrelated third party. More specifically, the Group sold the vessel, for an aggregate sale price of $20,200, resulting in a gain of $2,632.

On the same date, the Group leased back the vessel under a bareboat charter agreement (lease) for a period of 4 years, with no option to renew the lease after that date. The transaction does not meet the criteria of ASC 840 for the recognition of a finance lease and therefore the lease has been classified as an operating lease.

Based on the memorandum of agreement an amount equal to $2,000 (from the total sale price of $20,200) will remain unpaid to the Group until the end of the bareboat agreement in May 2019. This seller's credit represents a guarantee, effectively providing security to the buyer/lessor for the Group's obligations under the bareboat charter agreement. The amount has been classified as a long term receivable in the Balance Sheet as at December 31, 2015 and December 31, 2016.

On the vessel's delivery date, the Group received the purchase price less the amount of the seller's credit and the first instalment of charter hire.

(Expressed in thousands of United States Dollars unless otherwise stated)

6. Sale and lease back (continued)

The gain resulting from the transaction comprises of:

	2016
Deferred gain as of December 31, 2015	2,240
Less: Portion transferred to Consolidated Statement of Operations	(659)
Deferred gain as of December 31, 2016	**1,581**

	2015
Proceeds from sale of vessel	20,200
Less: Commissions paid and other sale expenses	(330)
Net proceeds from sale of vessel	**19,870**
Cost of vessel sold	16,039
Accumulated depreciation of vessel sold	(368)
Net book amount at the date of sale	**15,671**
Special survey written-off	**1,567**
Total gain on sale of vessel	**2,632**
Deferred gain	2,240
Gain on sale of vessel	392
Total gain on sale of vessel	**2,632**

Based on the provisions of ASC 840, the gain of $2,632 resulting from the sale has been deferred and will be recognized over the bareboat charter period based on the lease payments. For the year ended December 31, 2016 and December 31, 2015, an amount of $659 and $392 respectively has been recognized in the consolidated statement of comprehensive income and the remaining amount of $1,581 and $2,240 respectively has been classified as Deferred gain in the balance sheet and will be recognized over the remaining bareboat charter period.

The bareboat charter hire per day is $7.5 and is payable in advance. Under certain conditions, the vessel owner has the right to participate in a profit sharing arrangement, should the vessel be chartered out at rates above a certain floor rate. The profit sharing amount (if any) will be payable every anniversary of the lease agreement.

During the year ended December 31, 2015, an amount of $2,509 was recognized as an expense in the consolidated statement of comprehensive income representing the charter hire paid by the Group amounting to $1,631 plus a profit sharing cost amounting to $878.

During the year ended December 31, 2016, an amount of $2,639 was recognized as an expense in the consolidated statement of operations representing the charter hire paid by the Group amounting to $2,745 plus a profit sharing gain amounting to $0.1.

(Expressed in thousands of United States Dollars unless otherwise stated)

7. Vessels under construction

	December 31, 2016	December 31, 2015
Opening balance	**23,775**	**4,811**
Payments under contracts	8,175	18,246
Capitalized finance costs	2,500	718
Closing balance	**34,450**	**23,775**

The Group contracted in 2015 with Kyokuyo Shipyard Corporation for the construction of two gas carrier type vessels (Hull No's S532 and S533) which are expected to be delivered to the Group during 2017. The total contract price is $28,568 for each vessel.

The Group contracted in 2014 with Kyokuyo Shipyard Corporation for the construction of two gas carrier type vessels (Hulls No's S529 and S530) which are expected to be delivered to the Group during 2017. The total contract price is $24,100 for each vessel.

During the year, the Group has capitalized borrowing costs amounting to $2,500 (2015: $717) on vessels under construction.

8. Deferred charges, net

	Dry-dockings and Special Surveys
As of January 1, 2015	**1,240**
Additions	5,525
Written-off amounts	(1,567)
Amortization	(940)
As of December 31, 2015	**4,258**
Additions	1,987
Amortization	(1,589)
As of December 31, 2016	**4,656**

9. Other receivables

Other receivables comprise of the following:

	December 31, 2016	December 31, 2015
Master accounts	260	197
Accrued profit share gain	493	-
Other	693	384
	1,446	**581**

(Expressed in thousands of United States Dollars unless otherwise stated)

10. Accounts Payable

Accounts payable comprise of the following:

	December 31, 2016	December 31, 2015
Suppliers	1,447	1,418
Brokers	34	11
Agents	180	213
Other	307	61
	1,968	**1,703**

11. Borrowings, net of deferred financing costs

Loan	As of December 31, 2016	Current Portion	Long-term Portion	As of December 31, 2015	Current Portion	Long-term Portion
A	**6,711**	2,130	4,581	**8,774**	2,130	6,644
B	**3,111**	3,111	-	**5,669**	1,950	3,719
C	**19,391**	2,025	17,366	**20,927**	1,800	19,127
	29,213	**7,266**	**21,947**	**35,370**	**5,880**	**29,490**

Loans

A) On February 14, 2014, two vessel owning companies of the Group (Marina Maritime and Trading Ltd and Aratos Maritime Ltd) entered jointly and severally into a loan agreement with DVB Bank SE, for a loan facility amounting up to $35,250, in order to partly finance the acquisition cost of the already acquired vessels (PGC Marina and PGC Aratos) and the vessel SYN Antares, which was to be acquired in 2014. On May 14, 2014 under a cancellation note, the Group cancelled tranche C of the loan facility amounting to $17,500 in relation to the acquisition of the vessel SYN Antares, as the Group did not manage to reach an agreement with the seller. During the year ended December 31, 2014, the Group drew down an amount of $17,750. During June, 2015 the Group fully repaid PGC Marina's outstanding loan. As at December 31, 2016, the outstanding balance of the loan amounted to $6,711 net of deferred borrowing cost (2015: $8,774).

The loan bears interest at 3.55% over Libor.

B) On December 4, 2014, two vessel owning companies of the Group (Darko King Maritime Ltd. and Strident Force Maritime Ltd.) entered jointly and severally into a loan agreement with Aegean Baltic Bank S.A., for a loan facility amounting up to $9,000, in order to refinance shareholders' loans incurred in connection with the acquisition of the companies' vessels (Darko King and Strident Force) up to an amount equal to 55% of the aggregate market values of the vessels. During the year ended December 31, 2014, the Group fully drew down the loan facility. As at December 31, 2016, the outstanding balance of the loan amounted to $3,111 net of deferred borrowing cost (2015: $5,699).

During 2017, the Group fully repaid PGC Darko King's outstanding loan after the sale of the vessel. Refer to Note 21, "Subsequent events".

The loan bears interest at 4.75% over Libor.

11. Borrowings, net of deferred financing costs (continued)

C) On March 27, 2015, two vessel owning companies of the Group (Aspropyrgos II Maritime Ltd. and PST S.A) entered jointly and severally into a loan agreement with HSBC Bank plc, for a loan facility amounting to $22,000, in order to refinance part of the acquisition cost of the already acquired vessels (Aspropyrgos and PGC Ikaros). On June 23, 2015 and following the amending and restating of the loan agreement, PST S.A was substituted by Marina Maritime and Trading Ltd. During the year ended December 31, 2015, the Group fully drew down the loan facility. As at 31 December, 2016, the outstanding balance of the loan amounted to $19,391 net of deferred borrowing costs (2015: $20,927).

The loan bears interest at 3.1% over Libor.

D) On December 15, 2016, Paradise Gas Carriers Corp. entered into a new loan facility with DVB Bank amounting to $67,000 in order to partly finance the four new building LPG's, currently under construction at Kyokuyo Shipyard Corporation. No drawdown has taken place under this facility agreement as of December 31, 2016.

Loan A

Loan A is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp.

The debt agreement includes positive and negative covenants, the most significant of which are:

- Minimum Liquidity Amount in an Earnings Account of a credit balance no less than $750,000 for each borrower.
- Dry-dock Amount of $250,000 for the vessel Aratos in a Dry-dock Account. This covenant will be applied during August 2018 in respect of the vessel Aratos.
- Restriction of the borrowers from disposing of the vessels, incurring further indebtedness, pledging the Lenders' credit, being members of VAT group, changing the legal ownership of their shares, issuing, allotting or granting any person a right to any shares in their capital or repurchasing or reducing their issued share capital.
- Minimum required security cover applies if :
  (a) the aggregate Market Value of the Mortgaged Ships; plus
  (b) the net realizable value of any additional security previously provided
  is below the Relevant Percentage of the Loan (equal to 135% for the period commencing on the first Drawdown Date and ending on the date falling on the second anniversary thereof and 145% at all times thereafter) , less any cash pledged to the bank which has been provided by way of additional security at the relevant time.

Loan B

Loan B is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp.

The debt agreement includes positive and negative covenants, the most significant of which are:

- The borrowers are restricted from incurring further indebtedness, making any loans or advances, declaring or paying any dividends or other distribution upon any of the issued shares and disposing of the vessels, without the prior written consent of the Lenders.
- The borrowers shall maintain business and legal structure, shall not change ownership, not merge or consolidate with any other company or person, not form or acquire any subsidiaries, not purchase or otherwise acquire for value any shares of its capital or distribute any of its present or future assets, undertakings, rights or

11. Borrowings, net of deferred financing costs (continued)

revenues to any of its shareholders, not transfer, sell or otherwise dispose of assets or rights without the prior written consent of the Lenders, not allow any part of property, assets or rights to be mortgaged, charged, pledged without the prior written consent of the Lenders.

- The Borrowers shall ensure and procure that the Security Value (the aggregate of the Market Values of the Mortgaged Vessels and the market value of any additional security) is at least equal to the Security Requirement (the amount in Dollars which, at any relevant time during the Security Period, is equal to the 150% of the Loan) and if at any such time the Security Value is less than the Security Requirement, the Lenders may give notice to the Borrowers requiring that such deficiency be remedied.
- Each Borrower shall procure that the Earnings of the Vessels shall be paid to the relevant Earnings Account free from Encumbrances. Unless and until an Event of Default shall occur, no monies shall be withdrawn from the Earnings Account save as hereinafter provided: (i) first: in payment of any and all sums whatsoever due and payable to the creditors, (ii) second: during each month of the Security Period, the Borrowers shall cause to be transferred from the Earnings Accounts to the Retention Account of the aggregate amount of the Earnings of the Vessels received in the Earnings Account during the preceding month: a) one third (1/3rd) of the amount of the Repayment Instalment falling due for payment on the next following Repayment Date; and b) the relevant fraction of the amount of interest on the Loan falling due on the next due date for payment of interest under this Agreement.
- The financial condition of the Corporate Guarantor, on a consolidated basis, shall be that:
  (a) the ratio of Total Liabilities to Market Value Adjusted Total Assets shall not exceed 0.65:1;
  (b) the aggregate of all Cash and Cash Equivalents shall not be less than fifty percent (50%) of the Debt Service due in the succeeding annual period.

Loan C

Loan C is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp..

The debt agreement includes positive and negative covenants, the most significant of which are:

- The borrowers shall procure that the Guarantor shall at all times during a Security Period maintain:
  a) leverage which does not exceed 70%
  b) minimum cash at the consolidated balance sheet of the Guarantor exceeding the amount of $750 per fleet vessel.
  c) at all times, a minimum liquidity in the Borrowers and/or Guarantor's accounts with the lender free of Security equal to the aggregate amount of $1,800.
- The Borrowers shall ensure and procure that the Security Value (the aggregate of the Market Values of the Mortgaged Vessels and the market value of any additional security) is at least equal to the Security Requirement (the amount in Dollars which, at any relevant time during the Security Period, is below 130% of the Loan) and if at any such time the Security Value is less than the Security Requirement, the Lenders may give notice to the Borrowers requiring that such deficiency be remedied.

(Expressed in thousands of United States Dollars unless otherwise stated)

11. Borrowings, net of deferred financing costs (continued)

Borrowing costs

	December 31, 2016	December 31, 2015
Deferred finance cost	535	649
Additions	-	198
Amortization of deferred borrowing cost	(148)	(312)
	387	**535**
Current portion	39	-
Non-Current portion	**348**	**535**

Repayment Terms

The annual repayments of the above loan facilities as of 31 December 2016 are as follows:

Year	31/12/2016
2017	7,305
2018	3,930
2019	3,930
2020	14,435
	29,600

12. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2016	December 31, 2015
Accrued commissions	11	6
Accrued interest and finance cost	279	191
Accrued operating expenses	21	16
Accrued profit share expense	-	878
	311	**1091**

13. Dividends Payable

During 2015, the Board of Directors declared dividends amounting to $3,960. As at December 31, 2015, an amount of $990 was declared but not paid. This amount was settled during 2016.

(Expressed in thousands of United States Dollars unless otherwise stated)

14. Related Party Transactions

a) *Technical Management Services*

Pursuant to a ship management agreement between each of the vessel owning companies and Paradise Navigation S.A. (the "Technical Manager") acts as the fleet's technical manager responsible for (i) recruiting qualified officers and crews, (ii) managing day to day vessel operations and relationships with charterers, (iii) purchasing of stores, supplies and new equipment for the vessels, (iv) performing general vessel maintenance, reconditioning and repair, including commissioning and supervision of shipyards and subcontractors of dry-dock facilities required for such work, (v) ensuring regulatory and classification society compliance, (vi) performing operational budgeting and evaluation, (vii) arranging financing for vessels and (viii) providing accounting, treasury and finance services, (ix) supervising the sale and physical delivery of the Vessel under the sale agreement, (x) arranging for the sampling and testing of bunkers, (xi) arranging crew insurances and (xii) providing information technology software and hardware in support of the Group's processes.

For the services rendered during 2016, the Technical Manager charged the Group's vessels management fees of $1,317 (2015: $1,304).

b) *Commercial Management Services*

The Company has employed Paradise Navigation S.A. to act as the "Commercial Manager" for its vessels. The Commercial Manager charges a commission of 1.25% on all time-charter hire, voyage freight, dead freight, demurrage, pool revenue and any other income earned by the vessels. For the services rendered during 2015, the Commercial Manager charged the Group's vessels fees of $411 (2015: $497).

c) *Due to related parties*

Due to related parties includes balances outstanding with the Technical and Commercial manager and other related parties that consist of ship-owning companies and other companies under common shareholders.

	December 31, 2016	December 31, 2015
Due to related parties		
Paradise Navigation SA	66	134
	66	**134**

The balance outstanding as at December 31, 2016 and as at December 31, 2015 as due to Paradise Navigation S.A. represents mainly outstanding amounts relating to the December management fees.

d) *PARGC Investments Ltd.*

PARGC Investments Ltd was formed during October 2015. The Company remained dormant during the year. On December 30, 2015 the Company's shares were transferred to a related party entity at nil par value.

e) *Loan due from shareholders*

During 2016, a loan facility amounting to $2,200 was advanced by the Group to Mystic Ventures Inc. (one of the Group's shareholders). The loan bears an interest at 4.5% per annum and was payable on November 28, 2016.

15. Provisions for other liabilities and charges

During 2016, PGC Aratos faced a mechanical problem with fuel oil purifiers. The vessel had to slow down resulting in a potential underperformance claim. The claim was estimated at $481 for the year ended December 31, 2016.

16. Taxes

The Company is not liable for corporate income tax, either in the country of incorporation or in the country of the vessel's registration. The Company therefore does not provide either for corporate income tax or for deferred taxation.

An annual tonnage tax is payable to the tax authorities of the country where the vessel is registered. Effective from January 1, 2013 and pursuant to Law 4110/2013, an annual tonnage tax is also payable to the tax authorities of Greece where the management company has its offices established under article 25 of law 27/1975. This tax is calculated based on the same criteria, rates and scales applicable to vessels registered under the Greek flag pursuant to article 13 of LD 2687/1953. Any equivalent taxes or duties paid to the state of the vessels' registration are set off against the Greek tonnage tax. These taxes have been included in vessel operating expenses in the accompanying consolidated statement of comprehensive income.

17. Financial Instruments

Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Seller's credit: The carrying amount reported in the consolidated balance sheets for seller's credit guarantee approximate its fair value.

Due from / to related parties and Loans due to shareholders: The carrying amounts of due from / to related parties and loans due to shareholders reported in the consolidated balance sheets approximate their fair value due to the short-term nature of these amounts.

Long-term debt: The carrying amounts of the floating rate loans approximates their fair value due to their variable interest rates.

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments at December 31, 2016 and 2015.

(Expressed in thousands of United States Dollars unless otherwise stated)

17. Financial Instruments (continued)

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	5,844	5,844	15,543	15,543
Seller's credit	2,000	2,000	2,000	2,000
Liabilities				
Amounts due to related parties	66	66	134	134
Long-term debt, net of deferred financing costs	29,213	29,213	35,370	35,370

Fair value Hierarchy

The estimated fair value of the financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that have the ability to be accessed. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III: Inputs that are unobservable. The Group did not use any Level III inputs as of December 31, 2016.

Fair value December 31, 2016

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	5,844	5,844	-	-
Seller's credit	2,000	-	2,000	-
Long-term debt, net of deferred financing costs	29,213	-	29,213	-

(Expressed in thousands of United States Dollars unless otherwise stated)

17. Financial Instruments (continued)

Fair value December 31, 2015

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	15,543	15,543	-	-
Seller's credit	2,000	-	2,000	-
Long-term debt, net of deferred financing costs	35,370	-	35,370	-

The fair value of the Group's long-term debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account the Group's creditworthiness.

18. Leases

The future minimum revenue, expected to be earned on non-cancellable time charters consisted of the following as at December 31, 2016:

	2016
2017	730
Later than 1 year and no later than 5 years	-
	730

Revenues from time charters are not generally received when a vessel is off-hire, including time required for normal periodical maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time of off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The off-hire assumptions used relate mainly to drydocking and special survey maintenance carried out approximately every 2.5 years and 5 years respectively.

19. Operating Revenue

Revenue from significant customers/revenue streams (constituting more than 10% of total revenue), are as follows:

	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Time charter hires	28,594	39,294
Voyages	5,556	744
Pool revenue	(192)	(36)
	33,958	**40,002**

(Expressed in thousands of United States Dollars unless otherwise stated)

19. Operating Revenue (continued)

Operating revenue from significant customers (constituting more that 10% of total revenue) for the year ended December 31, was as follows:

	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Charterer		
Penfield Marine LLC	59%	65%
Gasmare Synergy	20%	14%
Carib LPG Trading Ltd	22%	20%

20. Vessels' Operating Expenses

	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Wages	7,194	7,229
Victualling	681	665
Insurances	1,363	1,314
Lubricants	815	985
Repairs & Maintenance	2,707	3,188
Components & Spares	1,127	1,434
Tonnage tax	79	73
Crew travelling & other expenses	771	852
Water & Laundry	11	10
Other expenses	476	349
	15,244	**16,099**

21. Voyage Expenses

	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Bunkers	1,384	401
Port expenses	927	633
Agency fees	150	131
Other voyage expenses	180	25
Gain from bunkers	(14)	-
	2,627	**1,190**

(Expressed in thousands of United States Dollars unless otherwise stated)

22. Commitments and Contingencies

Commitments

a) Outstanding capital commitments under shipbuilding contracts are as follows:

Yard	Hull No	Contract price	Amounts paid	Outstanding commitments 31.12.2017
Kyokuyo Shipyard Corporation	S530	24,100	5,963	18,137
Kyokuyo Shipyard Corporation	S529	24,100	8,348	15,752
Kyokuyo Shipyard Corporation	S532	28,568	8,440	20,128
Kyokuyo Shipyard Corporation	S533	28,568	8,440	20,128
		105,336	**31,191**	**74,145**

The amount of $74,145 representing the total outstanding capital commitments of the Group as at 31 December 2016 are payable as follows:

2017	74,145
Total	**74,145**

As at December 31, 2016 the Group had no other outstanding capital commitments.

Yard	Hull No	Contract price	Amounts paid	Outstanding commitments 31.12.2016
Kyokuyo Shipyard Corporation	S530	24,100	5,963	18,137
Kyokuyo Shipyard Corporation	S529	24,100	5,963	18,137
Kyokuyo Shipyard Corporation	S532	28,568	5,545	23,023
Kyokuyo Shipyard Corporation	S533	28,568	5,545	23,023
		105,336	**23,016**	**82,320**

(Expressed in thousands of United States Dollars unless otherwise stated)

21. Commitments and Contingencies (continued)

The amount of $82,320 representing the total outstanding capital commitments of the Group as at 31 December 2015 are payable as follows:

2016	10,495
2017	71,825
Total	**82,230**

b) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases (charter in) are as follows:

	2016
No later than 1 year	2,738
Later than 1 year and no later than 5 years	3,851
	6,589

As at December 31, 2015 the Group had no other outstanding or other capital commitments.

Contingencies

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Group's vessels.

On December 29, 2015, a writ was filed with Piraeus City Court by ETEKA S.A (the "Claimant") against Aratos Maritime Ltd (the "Owners") being the owner of vessel PGC Aratos. The Claimant is a bunkering company alleging to have a claim arising from the provision of bunkers to the vessel PGC Aratos. The Owners had never contracted with the claimant but with the Trading Company called OW Bunker Ltd of Malta and the value of such bunkers have been properly settled and therefore the claim as filed is unfounded.
The hearing of the case was held on September 27, 2016 and the case was properly defended, the Group rejecting any liability whatsoever, no decision has issued as yet, however, considering the existing precedents, the Group anticipates a favorable outcome.

As at December 31, 2016 a dispute between Aratos Maritime Ltd and Cafiero Mattioli Finanziaria di ml Cafiero arising under a memorandum of agreement (the "MOA") between the same dated August 5, 2013 for the sale and purchase of a Liquid Ethylene Gas Carrier. Aratos Maritime Ltd are Claimants/Buyers (the "Buyers") and Cafiero Mattioli Finanziaria di ml Cafiero are Respondents/Sellers (the "Sellers").
The dispute relates to the Buyers' claim for damages in the sum of $313, the $201 plus interest and costs, arising out of the Sellers' alleged breach of the MOA and/or misrepresentation. Buyers are alleging, amongst other things, that the Sellers, in breach of contract, failed to deliver to the Buyers a vessel that was capable of carrying ethylene. This dispute has been referred to arbitration in London and is at the pleadings stage, with Buyers currently preparing their Reply to Seller's Defence Submissions.

23. Subsequent Events

The following events and transactions occurred after the balance sheet date and were evaluated up to April 30, 2017, being the date these consolidated financial statements were available to be issued:

1. On March 20, 2017, the Group disposed of the vessel PGC Darko King to Sellan Gas Company Limited, a third party entity, for gross sale consideration of $4,175.

2. In 2017, and after the amendment of PGC's articles, the Group issued preferred shares amounting to $2,100. The preferred shares issued and registered without par value and with no voting rights.