PARADISE GAS CARRIERS CORP.

Consolidated Financial Statements prepared for the year ended December 31, 2017

These financial statements set out on pages 4 to 31 have been approved by the Board of Directors of Paradise Gas Carriers Corp. on June 7, 2018

Signed on behalf of the Board of Directors

CEO

Paradise Gas Carriers Corp
Liberia

INDEX

pwc

Independent Auditor's report

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

We have audited the accompanying consolidated financial statements of Paradise Gas Carriers Corp. and its subsidiaries (together "the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and December 31, 2016, and the related consolidated statements of comprehensive income, changes in 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 Group'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 Group'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. and its subsidiaries at December 31, 2017 and December 31, 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers S.A.

June 7, 2018
Athens, Greece

PricewaterhouseCoopers SA, 268 Kifissias Avenue, 15232 Halandri, Greece
T: +30 210 6874400, F: +30 210 6874444, www.pwc.gr

260 Kifissias Avenue & Kodrou Str., 15232 Halandri, T: +30 210 6874400, F:+30 210 6874444
17 Ethnikis Antistassis Str., 55134 Thessaloniki, T: +30 2310 488880, F: +30 2310 459487

PARADISE GAS CARRIERS CORP.
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2017 and 2016
(Expressed in thousands of United States dollars or unless otherwise stated)

	Notes	As of December 31, 2017	As of December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	7,851	5,844
Restricted cash	11	901	-
Trade receivables		3,150	3,129
Inventories	4	1,394	927
Accrued Revenue		356	-
Insurance and other claims		99	7
Other receivables	9	1,927	1,446
Prepaid expenses		155	168
Total current assets		**15,833**	**11,521**
NON-CURRENT ASSETS			
Vessels, net	5	133,418	59,776
Vessels under construction	7	9,864	34,450
Seller's credit	6	2,000	2,000
Deferred charges, net	8	2,861	4,656
Total non-current assets		**148,143**	**100,882**
Total assets		**163,976**	**112,403**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	10	5,224	1,968
Accrued liabilities	13	1,018	311
Current portion of long-term debt	11	7,443	7,266
Other borrowings	12	500	-
Unearned revenue		552	227
Due to related parties	15	362	66
Dividends payable	14	50	-
Related parties' loan	15	425	-
Shareholders' loan	15	1,435	-
Other current liabilities		145	-
Total current liabilities		**17,154**	**9,838**
LONG-TERM LIABILITIES			
Long-term debt, net of current portion and deferred financing costs	11	68,003	21,947
Deferred gain on sale of vessel, net of current portion	6	923	1,581
Total long-term liabilities		**68,926**	**23,528**
Total liabilities		**86,080**	**33,366**
Commitments and Contingencies		-	-
SHAREHOLDERS' EQUITY			
Common stock (1,000 common shares with no par value, authorized and issued)		-	-
Additional paid-in capital		71,500	71,500
Preferred Stock	14	4,121	-
Retained earnings		2,275	7,537
Total shareholders' equity		**77,896**	**79,037**
Total liabilities and shareholders' equity		**163,976**	**112,403**

The accompanying notes on pages 8 to 31 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AS AT DECEMBER 31, 2017 and 2016
(Expressed in thousands of United States dollars or unless otherwise stated)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Operating revenue	19	28,780	33,958
Total operating revenue-net		**28,780**	**33,958**
Operating expenses			
Voyage expenses	21	(4,951)	(2,627)
Vessels' operating expenses	20	(16,501)	(15,224)
Depreciation	5	(4,853)	(4,983)
Amortization of deferred dry-docking and special survey costs	8	(1,857)	(1,589)
Impairment loss	5	-	(1,272)
Commissions		(795)	(617)
Management fees	15	(1,645)	(1,317)
General and administrative expenses		(221)	(511)
Charter hire expenses	6	(1,801)	(2,639)
Gain on sale of vessel	5,6	558	659
Net operating expenses		**(32,066)**	**(30,120)**
Operating (loss)/profit		**(3,286)**	**3,838**
Other income/ (expenses)			
Interest income		8	52
Interest expense		(1,633)	(253)
Other finance expenses		(244)	(86)
Other income, net		(23)	34
Total other expenses, net		**(1,892)**	**(253)**
(Loss)/Profit for the year		**(5,178)**	**3,585**
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		**(5,178)**	**3,585**

The accompanying notes on pages 8 to 31 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
AS OF DECEMBER 31, 2017 and 2016
(Expressed in thousands of United States Dollars unless otherwise stated)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained earnings	Total
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**
As of January 1, 2017	-	-	**71,500**	**7,537**	**79,037**
Net loss for the year	-	-	-	(5,178)	**(5,178)**
Capital contributions	-	4,121	-	-	**4,121**
Dividends	-	-	-	(84)	**(84)**
As of December 31, 2017	-	**4,121**	**71,500**	**2,275**	**77,896**

The accompanying notes on pages 8 to 31 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016
(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Cash Flows from operating activities:			
Net (loss)/ profit for the year		(5,178)	3,585
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	5	4,853	4,983
Amortization of deferred dry-docking and special survey costs	8	1,857	1,589
Impairment loss	5	-	1,272
Amortization of deferred financing costs		293	25
(Gain) on sale of vessels	6	(558)	(659)
Accounts receivable		(21)	1,219
Insurance and other claims		(92)	-
Prepaid expenses		13	545
Other receivables		(481)	(865)
Inventories		(467)	(19)
Accrued Revenue		(356)	-
Net receipts/ (payments) to related parties		295	(68)
Accounts payable		3,256	265
Accrued liabilities		748	(780)
Payments for dry dock and special survey costs	8	(589)	(1,987)
Unearned revenue		325	(490)
Other current liabilities		145	-
Net cash provided by operating activities		**4,043**	**8,615**
Cash Flows from investing activities:			
Net cash proceeds from sale of vessel		3,951	-
Payments for vessels under construction	7	(57,432)	(10,551)
Net cash used in investing activities		**(53,481)**	**(10,551)**
Cash flows from financing activities:			
Proceeds from bank borrowings		56,750	-
Proceeds from other borrowings		500	-
Repayment of bank borrowings	11	(10,653)	(6,306)
Deferred financing fees paid		(157)	-
Capital contributions		-	2,750
Proceeds from issuance of preferred shares		4,121	-
Dividends paid		(34)	(4,207)
Receipts from shareholders loan		1,819	-
Net Cash provided by (used in) financing activities		**52,346**	**(7,763)**
Net (decrease)/increase in cash and cash equivalents		**2,908**	**(9,699)**
Cash and cash equivalents, beginning of year		5,844	15,543
Cash and cash equivalents, end of year		**8,752**	**5,844**
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of capital)		1,382	1,287
Non-cash financing activities			
Capitalized finance costs		107	124
Dividends payable		50	-

The accompanying notes on pages 8 to 31 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 Group 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 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 15 - 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
Eirini 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, 2017 and 2016.

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[i]	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	PGC ASPROPYRGOS	Oil Tanker	2004	72,000
Patreas Maritime Ltd	June 2, 2016	100	PGC PATREAS	Gas Carriers	2017	7,500
Periklis Maritime Ltd	June 2, 2016	100	PGC PERIKLIS	Gas Carriers	2017	7,500
Taormina Maritime Ltd	June 2, 2016	100	PGC TAORMINA	Gas Carriers	2017	7,000

1. Description of organization and business operations (continued)

i) PGC Darko King was sold on March 20, 2017 (refer to note 5)
ii) PGC Ikaros was sold on May 22, 2015 (refer to note 6)

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 Group is the United States Dollar.

As of December 31, 2017, the Group's current assets totaled $15,833, while current liabilities totaled $17,154, resulting in a negative working capital position of $1,321. The Group's cash forecast from operations indicates that the Group will generate sufficient cash for at least the next 12 months from the date of issuance of these consolidated financial statements to make the required payments on interest, provide for the normal working capital requirements of the business and remain in a positive cash position.

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.

2. Significant Accounting Policies (continued)

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 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: Deferred financing costs include fees, commissions and legal expenses associated with the Group's long- term debt. These costs are amortized over the estimated life of the related debt using the effective interest method and are included in interest expense or are capitalized in the case of vessels under construction. Unamortized fees relating to loans repaid or refinanced as debt extinguishment are expensed as interest and finance costs in the period the repayment or extinguishment is made. Deferred financing costs are presented as a deduction of long term debt, net of current portion.

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)

Up to December 31, 2016, management estimated the salvage value of its vessel at $275 per LWT. Effective January 1, 2017, following management's reassessment of the residual values of the Group's vessels, the estimated salvage value per LWT was increased to $380.

Up to December 31, 2016, management estimated the useful life of its vessel to be 25 years from the vessel's original construction. Effective January 1, 2017, following management's reassessment of the useful life of the Group's vessels, the estimated useful life of the Gas Carriers was increased to 27 years.

The changes of scrap value and the useful life of the vessels decrease depreciation expense by $326 and $560 respectively for the year ended December 31, 2017.

The changes of scrap value will decrease depreciation expense by $370 for the year ended December 31, 2018 and by $373 yearly thereafter.

The changes of useful life will decrease depreciation expense by $766 for the year ended December 31, 2018 and by $781 yearly thereafter.

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, deferred charges related to Drydock and Special Survey 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, 2017, 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 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 significant factors and assumptions the Group used in its

2. Significant Accounting Policies (continued)

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 historical average time charter rates, based on publications by independent third party maritime research services. Recognizing that the oil tanker and gas carriers transportation industry is cyclical and subject to volatility based on factors beyond the Group's control, management believes the use of revenue estimates, based on the factor above, to be reasonable as of the reporting date. In additional, the Group 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 Group's internal budgets and historical experience of the shipping industry.

The assessment concluded that step two of the impairment analysis was not required and no impairment of vessels existed as of 31 December, 2017, as the undiscounted projected net operating cash flows exceeded the carrying value. As of December 31, 2016 the Group recorded an impairment loss of $1,272. The impairment loss is included under "Impairment loss" in the Consolidated Statements of Comprehensive Income.

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.

2. Significant Accounting Policies (continued)

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.

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, 2017 and 2016, 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 Group and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

2. Significant Accounting Policies (continued)

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.

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 Group'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.

2. Significant Accounting Policies (continued)

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. For significant customers constituting more than 10% of the total revenue refer to Note 18, "Operating Revenue".

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 ASU 2014-9, "Revenue from Contracts with Customers", 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. 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. In addition, in 2016, the FASB issued four amendments, which clarified the guidance on 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 new accounting guidance is effective for interim and annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial instruments – overall (Subtopic 825-10)". The amendments in this Update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions of this update are: (a) it requires a company's equity investments to be measured at fair value with changes in fair value recognized in earnings, (b) it allows a company to value equity investments without a readily determined fair value at cost, less any impairments, and (c) it eliminates disclosure requirements for private entities to disclose the fair value of financial instruments measured at amortized cost. This update will be effective for years beginning after December 15, 2018. Early adoption is permitted for years beginning after December 15, 2017. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". 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, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early

2. Significant Accounting Policies (continued)

application is permitted. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323)", 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. The standard was effective for the current year. The adoption of the new standard had no impact on the Group's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", 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. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. Early adoption is 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". 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", 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. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Group is currently evaluating the impact of the new 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 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 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 standard was effective for the current year. The adoption of the new standard had no impact on the Group's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations”, to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when

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

2. Significant Accounting Policies (continued)

substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The amendments are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Group is currently evaluating the impact of the new standard on its consolidated financial statements.

3. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash at bank	3,950	5,844
Short-term deposits	3,901	
	7,851	5,844

4. Inventories

	December 31, 2017	December 31, 2016
Bunkers	363	154
Lubricants	708	497
Stores	323	276
	1,394	927

5. Vessels, net

	Vessels' Cost	Accumulated Depreciation	Net Book Value
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**
January 1, 2017	**73,760**	**(13,984)**	**59,776**
Additions	-	-	-
Disposals (Cost)	(5,400)	-	(5,400)
Disposals (Accumulated dep'n)	-	1,877	1,877
Transfer from vessels under construction	82,018	-	82,018
Depreciation	-	(4,853)	(4,853)
December 31, 2017	**150,378**	**(16,960)**	**133,418**

The scrap value of the Group's vessels was determined by multiplying their light displacement weight (ldt) by an estimated price for scrap of $380 per ldt.

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

5. Vessels, net (continued)

(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.

The gain resulting from the transaction comprises of:

	2017
Proceeds from sale of vessel	**4,175**
Less: Commissions paid and other sale expenses	(224)
Net proceeds from sale of vessel	**3,951**
Cost of vessel sold	3,586
Accumulated depreciation of vessel sold	(62)
Net book amount at the date of sale	**3,524**
Special survey written-off on vessel disposal	**527**
Total loss on sale of vessel	**(100)**

(ii) Impairment of Vessels, net

As of December 31, 2017 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 not required, as the undiscounted projected net operating cash flows exceeded the carrying value of the vessels.

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 comprehensive income.

(iii) Delivery of Vessels under construction

- On May 22, 2017 PGC took delivery of Hull No S529 (related to "PGC Patreas").
- On July 7, 2017 PGC took delivery of Hull No S530 (related to "PGC Periklis").
- On October 5, 2017 PGC took delivery of Hull No S532 (related to "PGC Taormina").

Refer to Note 7, "Vessels under construction".

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

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 purchase or renew options attached after that date. The transaction did 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, 2017 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.

The gain resulting from the transaction comprises of:

	2017
Deferred gain as of December 31, 2016	**1,581**
Less: Portion transferred to Consolidated Statement of Comprehensive Income	(658)
Deferred gain as of December 31, 2017	**923**

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

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, 2017 and December 31, 2016, an amount of $658 and $659 respectively has been recognized as a gain in the consolidated statement of comprehensive income and the remaining amount of $923 and $1,581 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 calculated every anniversary of the lease agreement and may result to a negative or positive adjustment to the hire of the respective period.

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

6. Sale and lease back (continued)

During the year ended December 31, 2016, an amount of $2,639 was recognized as an expense in the consolidated statement of comprehensive income representing the charter hire paid by the Group amounting to $2,745 less a profit sharing adjustment amounting to $0,106.

During the year ended December 31, 2017, an amount of $1,801 was recognized as an expense in the consolidated statement of comprehensive income representing the charter hire paid by the Group amounting to $2,738 less a profit sharing adjustment amounting to $937.

7. Vessels under construction

	December 31, 2017	December 31, 2016
Opening balance	**34,450**	**23,775**
Payments under contracts	54,056	8,175
Capitalized finance costs	1,681	2,500
Capitalized supervision fees and other expenses	1,695	-
Transfer to vessels category on completion of construction	(82,018)	-
Closing balance	**9,864**	**34,450**

The Group contracted in 2015 with Kyokuyo Shipyard Corporation for the construction of two gas carrier type vessels (Hull No's S532 and S533). Hull No S532 was delivered to the group during 2017. Hull No S533 will be delivered to the Group in 2018. Refer to Note 23, "Subsequent events". 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 were delivered to the Group during 2017. The total contract price was $24,100 for each vessel.

During the year, the Group has capitalized borrowing costs amounting to $1,681 (2016: $2,500) on vessels under construction.

8. Deferred charges, net

	Dry-dockings and Special Surveys
As of December 31, 2015	**4,258**
Additions	1,987
Amortization	(1,589)
As of December 31, 2016	**4,656**
Additions	589
Amortization	(1,857)
Write-off on vessel disposal	(527)
As of December 31, 2017	**2,861**

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

9. Other receivables

Other receivables comprise of the following:

	December 31, 2017	December 31, 2016
Master accounts	182	260
Accrued profit share gain	296	493
Receivable from the owner of M/V PGC Ikaros	759	-
Other	1,443	693
	1,927	**1,446**

10. Accounts Payable

Accounts payable comprise of the following:

	December 31, 2017	December 31, 2016
Suppliers	4,652	1,447
Brokers	-	34
Agents	165	180
Other	407	307
	5,224	**1,968**

11. Borrowings, net of deferred financing costs

Loan	As of December 31, 2017	Current Portion	Long-term Portion	As of December 31, 2016	Current Portion	Long-term Portion
A	**1,480**	740	740	**3,111**	3,111	-
B	**17,631**	2,025	15,606	**19,391**	2,025	17,366
C	**48,291**	2,986	45,305	-	-	-
D	**8,044**	1,692	6,352			
E	-	-	-	**6,711**	2,130	4,581
	75,446	7,443	**68,003**	**29,213**	**7,266**	**21,947**

Loans

A) 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. During 2017, the Group fully repaid PGC Darko King's outstanding loan after the sale of the vessel. On December 11, 2017, following the 2nd supplemental agreement, the Group agreed with the Lender the extension of the maturity and the amendment of the repayment schedule. As at December 31, 2017, the outstanding balance of the loan amounted to $1,480 net of deferred borrowing cost (2016: $3,111).

The loan bears interest at 4.75% over Libor.

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

B) 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, 2017, the outstanding balance of the loan amounted to $17,631 net of deferred borrowing costs (2016: $19,391).

The loan bears interest at 3.1% over Libor.

C) 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. During 2017, the Group drew down three out of four trances following the delivery of three hulls. Refer to Note 5, "Vessels, net". As at 31 December, 2017, the outstanding balance of the loan amounted to $48,291 net of deferred borrowing costs.

The loan bears interest at 3% over Libor.

D) On December 13, 2017, Paradise Gas Carriers Corp. entered into a new loan facility with Maritime & Merchant Bank ASA amounting to $8,200 in order to refinance part of the acquisition cost of the already acquired vessel PGC Aratos. As at 31 December, 2017, the outstanding balance of the loan amounted to $8,044 net of deferred borrowing costs.

The loan bears interest at 5,3% over Libor.

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:

- 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 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.

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

- 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.
- 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 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 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, during the Security Period an amount equal to $1,500, but during the Minimum Liquidity Reduction Period, an amount equal to $900.
- 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.

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.
- The Borrowers shall ensure and procure that the Security Cover (the aggregate of the Market Values of the Mortgaged Vessels and the net realizable value of the 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 135% of the Loan until the 2nd anniversary of the first drawdown and 145% at all times thereafter) 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)

Loan D

Loan D 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) The market value of the vessel shall not at any time be less than 170% of the loan.
  d) An amount of $900 shall be pledge and block over the DryDock account to cover the drydock expenses for the special survey scheduled for January and February 2018 and to be released thereafter. The amount has been classified as restricted cash in the Balance Sheet as at December 31, 2017 (2016:nil).
  e) An amount of $750 during the loan period on the Minimum Cash Account (the "Minimum cash").

Borrowing costs

	December 31, 2017	December 31, 2016
Deferred financing cost	387	535
Additions	157	-
Amortization of deferred borrowing cost	(294)	(148)
	250	**387**

Repayment Terms

The annual repayments of the above loan facilities as of 31 December 2017 are as follows:

Year	31/12/2017
2018	7,443
2019	7,523
2020	18,472
Thereafter	42,256
	75,696

12. Other Borrowings

On October 31, 2017, Paradise Gas Carriers Corp. entered into a new loan facility with Penfield Shipping Co. amounting to $500 for working capital purposes. As at 31 December, 2017, the outstanding balance of the loan amounted to $500. The loan has been fully repaid during 2018.

The loan bears interest at 5,3% over Libor.

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

13. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
Accrued commissions	55	11
Accrued interest and finance cost	531	279
Accrued voyage and operating expenses	432	21
	1,018	**311**

14. Preferred Stock

In January 2017, the Group decided to amend its articles of association allowing the issuance of preferred stock. During fiscal 2017, the Group issued 41.21 preferred shares with a nominal value of $0,1 each, i.e. an amount of $4,121 in total was contributed by 10 different shareholders as preferred equity in the Group. The key terms of the preferred shares are as follow:

- The preferred shares were offered to the existing shareholders, as well as to new shareholders.
- Preferred shares have no voting rights.
- The preferred shares rank pari passu with common shares and junior to existing Group's indebtedness.
- The preferred shares are entitled to quarterly dividends at a rate per annum equal to 4.5%, payable quarterly in arrears, prior to payment of any dividends to holders of common shares in the Group, provided always that the Group has earned sufficient amounts for such distribution.
- During 2017, the Board of Director declared preferred share dividends amounting to $84. As at December 31, an amount of $50 was declared but not paid. This amount was settled during 2018.
- The preferred shares may be converted, at the option of the Group. The Group may buy back any preferred shares so issued at their abovementioned intrinsic value, but not before eighteen (18) months have elapsed from issuance thereof.

15. 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 2017, the Technical Manager charged the Group's vessels management fees of $1,645 (2016: $1,317).

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

15. Related Party Transactions (continued)

b) Commercial Management Services

The Group 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 2017, the Commercial Manager charged the Group's vessels fees of $299 (2016: $411).

c) Due to related parties

Due to related parties related to balances outstanding with the Technical and Commercial manager.

	December 31, 2017	December 31, 2016
Due to related parties		
Paradise Navigation SA	362	66
	362	**66**

The balance outstanding as at December 31, 2017 and as at December 31, 2016 as due to Paradise Navigation S.A. represents mainly outstanding amounts relating to the management and commercial management fees.

d) Loan due from shareholders

During 2017, a loan facility amounting to $1,696 was advanced to the Group by Mystic Ventures Inc., Isadora Holding Ltd (Group's shareholders). The balance outstanding as at December 31, 2017 includes an accrued interest amounted to $37. The loan had an interest at 4.5% per annum.

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 had an interest at 4.5% per annum and fully repaid on November 28, 2016.

e) Loan due from related parties

During 2017, a loan facility amounting to $123 was advanced to the Group by Paradise Capital Management Ltd (Group's related party). The balance outstanding as at December 31, 2017 includes an accrued interest amounted to $4. The loan had an interest at 4.5% per annum.

f) Preferred stock

During 2017, the Group issued and sold preferred shares amounting to $2,446 (refer to Note 14 – Preferred Stock) to the following related party entities:

- Ivi Shipping Corp.
- AF Finance Corp.
- Panthir Holding Ltd.
- KFK Holding Inc.

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

16. Taxes

The Group is not liable for corporate income tax, either in the country of incorporation or in the country of the vessel's registration. The Group 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, 2017 and 2016.

	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	8,752	8,752	5,844	5,844
Seller's credit	2,000	2,000	2,000	2,000
Liabilities				
Amounts due to related parties	362	362	66	66
Long-term debt, net of deferred financing costs	75,196	75,196	29,600	29,600

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

17. Financial Instruments (continued)

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, 2017.

Fair value December 31, 2017

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	8,752	8,752	-	-
Seller's credit	2,000	-	2,000	-
Long-term debt, net of deferred financing costs	75,196	-	75,196	-

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	29,600	-	29,600	-

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, 2017:

	2017
2018	3,186
Later than 1 year and no later than 5 years	-
	3,186

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.

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

19. Operating Revenue

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016
Time charter hires	18,030	28,594
Voyages	9,316	5,556
Pool revenue	1,434	(192)
	28,780	**33,958**

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

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016
Charterer		
Penfield Marine LLC	42%	59%
Gasmare Synergy	23%	20%
Carib LPG Trading Ltd	-	21%
Shell International	14%	-

20. Vessels' Operating Expenses

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016
Wages	7,814	7,194
Victualling	702	681
Insurances	1,147	1,363
Lubricants	755	815
Repairs & Maintenance	3,725	2,707
Components & Spares	1,302	1,127
Tonnage tax	68	79
Crew travelling & other expenses	681	771
Water & Laundry	27	11
Other expenses	280	476
	16,501	**15,244**

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

21. Voyage Expenses

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016
Bunkers	2,694	1,370
Port expenses	1,846	927
Agency fees	171	150
Other voyage expenses	240	180
	4,951	**2,627**

22. Commitments and Contingencies

Commitments

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

Yard	Hull No	Contract price	Amounts paid	Outstanding commitments 31.12.2017
Kyokuyo Shipyard Corporation	S533	28,568	8,440	20,128
		28,568	**8,440**	**20,128**

The amount of $20,128 representing the total outstanding capital commitments of the Group as at 31 December 2017 and due as follows:

2018	20,128
Total	**20,128**

b) Commitments under operating leases

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

	2017
No later than 1 year	2,738
Later than 1 year and no later than 5 years	1,103
	3,841

As at December 31, 2017 the Group had no other outstanding capital or other commitments.

23. Commitments and Contingencies

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, 2017 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 $550 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 May 31, 2017, being the date these consolidated financial statements were available to be issued:

1. On March 5, 2018, PGC took delivery of Hull No S532 (the "PGC Eirini").
2. In 2018, the Group issued and sold preferred shares amounting to $3,061. The preferred shares were issued and registered without par value and with no voting rights.
3. On May 22, one of the vessel owning company comprising the Group, Strident Force Maritime Ltd., entered into a new loan facility with AB Bank amounting to $1,500 in order to provide liquidity to the Group for general corporate purposes.