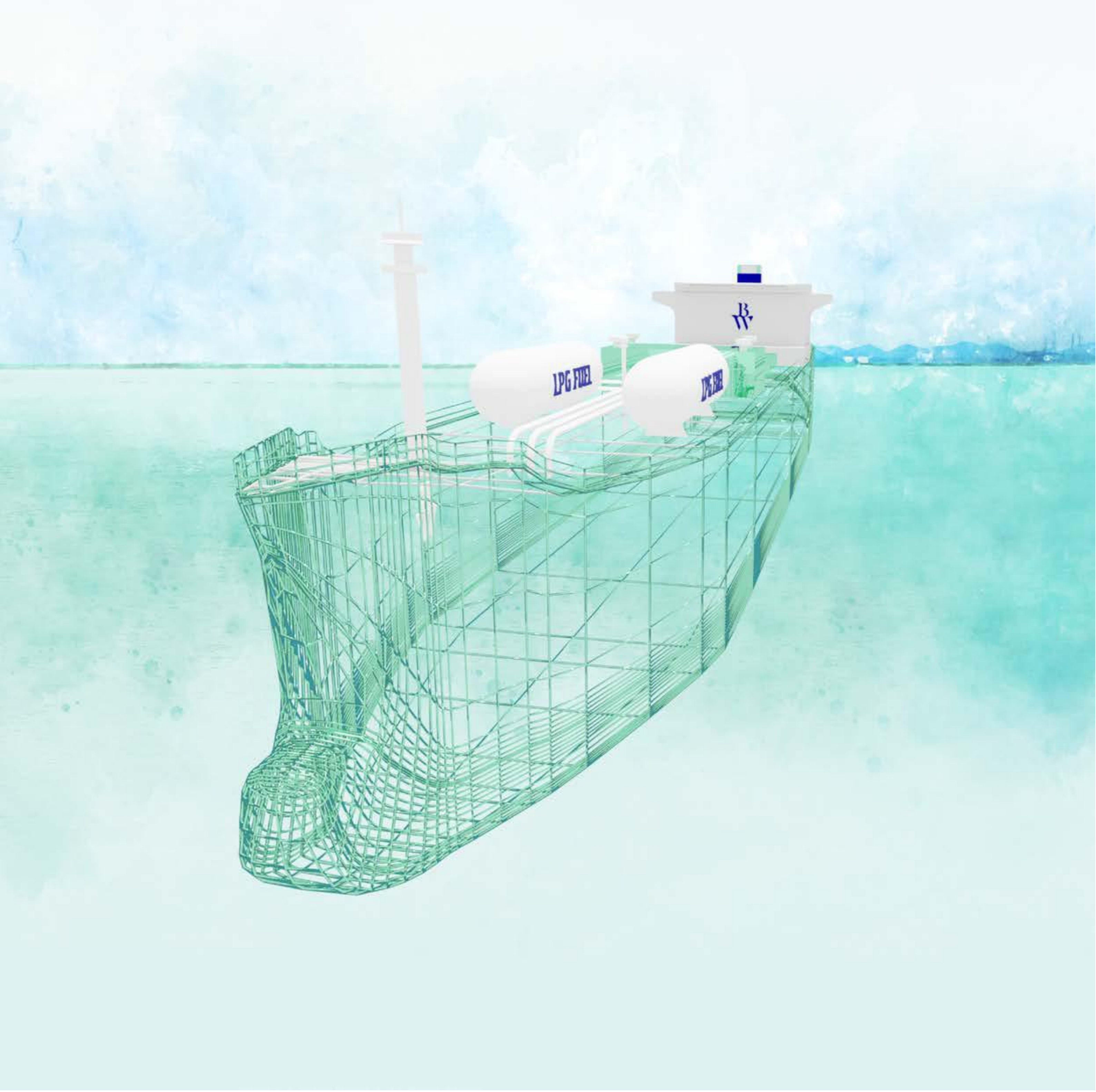
BW LPG Limited

Condensed Consolidated
Interim Financial Information
Q1 2019



FINANCIAL SUMMARY

SELECTED KEY FINANCIAL INFORMATION

Income Statement	Q1 2019 US$ million	Q1 2018 US$ million	Increase/ (Decrease) %
Revenue	118.1	117.9	0.2
TCE income	60.2	73.3	(17.9)
EBITDA	20.7	25.3	(18.2)
Loss after tax	(23.5)	(8.4)	179.8
(US$ per share)			
Basic and diluted EPS	(0.17)	(0.05)	240.0
Balance Sheet	**31 March 2019 US$ million**	**31 December 2018 US$ million**	**Increase/ (Decrease) %**
Cash & cash equivalents	38.1	50.1	(24.0)
Total assets	2,369.0	2,259.9	4.8
Total liabilities	1,420.0	1,276.3	11.3

HIGHLIGHTS – Q1 2019

- VLGC TCE rates averaged US$15,100/day in Q1 2019 compared with US$17,300/day in Q1 2018.
- On 1 January 2019, BW LPG adopted the new IFRS 16 'Leases'. The net impact on Q1 2019 was an increase of US$9.1 million on EBITDA. This was offset by a higher depreciation and interest expense of US$9.9 million, resulting in an increase in loss after tax of US$0.8 million.
- On 21 January 2019, BW Helios was delivered for recycling, generating US$6.6 million in liquidity and a net book gain of US$1.8 million.
- On 25 February 2019, BW LPG established a new Product Services Division to support its core shipping business. The activities of this new division are financed by separate trade finance facilities.

PERFORMANCE REVIEW: Q1 2019

Operating revenue was US$118.1 million in Q1 2019 (US$117.9 million in Q1 2018). Time Charter Equivalent ("TCE") income decreased to US$60.2 million from US$73.3 million, mainly attributable to lower LPG spot rates and higher bunker expenses, despite higher fleet utilisation.

Charter hire expenses decreased to US$4.4 million in Q1 2019 (US$16.5 million in Q1 2018), mainly due to the adoption of IFRS 16 'Leases' on 1 January 2019. IFRS 16 'Leases' resulted in the capitalisation of the lease components of all charter-in contracts as right-of-use assets and corresponding lease liabilities, except for three contracts with less than 12 months remaining lease terms which continue to be presented as charter hire expenses. The decrease in charter hire expenses of US$11.8 million was offset by a higher depreciation charge recognised on the right-of-use assets of US$8.2 million, and interest expenses on the lease liabilities of US$1.7 million. The non-lease components amounting to US$2.7 million for Q1 2019 were not capitalised and are presented as "Other operating expenses". The net impact of adopting IFRS 16 'Leases' was an increase in loss for Q1 2019 of US$0.8 million.

EBITDA decreased to US$20.7 million in Q1 2019 (US$25.3 million in Q1 2018), primarily due to lower TCE income, partially offset by a net increase of US$9.1 million with the adoption of IFRS 16 'Leases'.

Loss after tax was US$23.5 million in Q1 2019 (loss after tax was US$8.4 million in Q1 2018).

BALANCE SHEET

As at 31 March 2019, BW LPG has a fleet of 45 vessels, comprising 43 VLGCs and two LGCs. In addition, there are two VLGCs owned and operated by a joint venture and two time charter-in VLGC newbuilds that are under construction. Total assets amounted to US$2,369.0 million (31 December 2018: US$2,259.9 million), of which US$1,983.8 million (31 December 2018: US$2,006.1 million) represented the carrying value of the vessels (including dry docking) and US$165.0 million (31 December 2018: US$nil) represented the carrying value of the right-of-use assets (vessels).

Cash and cash equivalents amounted to US$38.1 million as at 31 March 2019 (31 December 2018: US$50.1 million). Cash flows from operating activities generated a net cash surplus of US$35.4 million in Q1 2019 (net cash surplus of US$37.9 million in Q1 2018). Together with the proceeds from bank borrowings and sale of assets held-for-sale, cash flows from operating activities were principally utilised for repayments of bank borrowings and interest payments.

MARKET

Freight Rates & Global LPG Demand

The average benchmark Baltic route for VLGCs averaged US$29.8 per ton or US$15,000 per day in Q1 2019. BW LPG generated VLGC daily TCE of US$15,100 per day based on calendar days.

VLGC freight rates weakened from December into the first quarter, mainly due to narrowing geographical LPG price arbitrage between the U.S. and the Far East. The underlying reason was that the U.S. seasonally consumes a higher portion of its LPG production for heating and gasoline blending in winter season which put upward pressure on U.S. LPG prices. The geographical LPG price arbitrage narrowed from an average of US$85 per metric ton in December 2018 to US$65 per metric ton in January 2019.

In the first quarter, global waterborne LPG trade reached 25.2 million tons, 14.8% growth year over year. Total waterborne LPG trade via VLGC reached 18.6 million tons in Q1 2019, 17.0% growth year over year.

LPG Exports

The growth in global LPG trade continues to be driven by the U.S. In the first quarter, North American waterborne LPG exports grew to 9.1 million tons, up 21.9% year over year. However, North American waterborne LPG exports fell by 4.2% compared to Q4 2018 quarter over quarter, largely due to increased domestic consumption during a cold winter season and temporary factors such as heavy winter fog and closures of the Houston Ship Channel due to fire and chemical spills in March.

U.S. LPG production remained high and grew by 13.8% year over year to 19.1 million tons in Q1 2019. Domestic LPG consumption was also high at 14.7 million tons, the highest consumption level in seven years due to rising demand from heating and gasoline blending. Towards the end of the quarter when the winter season ended, U.S. started to rebuild its inventories. At the end of the first quarter, U.S. inventories were about 18% higher than the same time last year.

In the first quarter, Middle Eastern exports were marginally up by 1.1% year over year to 8.9 million tons. Iranian LPG exports fell drastically by 68.4% year over year to 0.5 million tons due to the tightened sanctions. However, the displaced volumes were offset by increased exports from Qatar, Saudi Arabia and Kuwait. LPG exports from the UAE fell by 5.5% year over year.

LPG Imports

Chinese imports in Q1 2019 were 3.9 million tons, down 2.5% year over year. The U.S. and China have not reached a conclusion over the trade negotiations and hence a growing share of North American exports to China were re-routed to Japan and South Korea. Overall Japanese and South Korean imports grew in the first quarter by 8.6% and 3.6% year over year respectively.

Retail demand from India remained strong in Q1 with imports increasing to 3.4 million tons, up 26.2% year over year. Imports are set to remain strong this year as the central government increased its LPG subsidy budget. In the first quarter, India increased its import from the U.S. significantly and we have seen a total of five VLGCs out of the U.S. to India in March.

Demand from Southeast Asia remained strong with imports reaching 2.4 million tons, up 44.5% year over year. Indonesia, the largest importer in Southeast Asia, imported 1.4 million tons in Q1 2019, up 15.7% year over year.

MARKET (continued)

Fleet Supply

In the first quarter, four VLGC newbuilds were delivered. The global VLGC newbuild orderbook end of April 2019 was 38 vessels or 14.1% of the total VLGC fleet of 269 vessels. 15 vessels are expected to be delivered in remaining of 2019, 18 in 2020 and five in 2021. We estimate that 13 vessels will be recycled over the same period, this would leave the net growth in number of vessels at 9.3%.

Outlook

In line with our forecast, VLGC freight rates started to recover towards the end of the first quarter as U.S. consumption reverted to seasonally lower levels pushing U.S. LPG prices down, widening the geographical LPG price arbitrage between the U.S. and the Far East. The recovery in VLGC freight rates was further strengthened by two occasions of fog and a temporary closure of the Houston Ship Channel due to fire and chemical spills.

For 2019 we are optimistic that average VLGC rates will improve from the 2018 average of US$17,300 per day to a level above our cash break-even levels. This is supported by sustained U.S LPG exports growth and incremental volumes from key loading areas such as Australia, Canada, U.S. East and Gulf Coast.

However, we expect that increased demand for VLGC's from growing exports will in part be offset by a high level of newbuild deliveries and VLGC rates will also depend on the development of geographical LPG price arbitrage, positioning of vessels and US terminal capacities.

Longer term we maintain our view that sustained U.S. LPG production growth and no further new build orders remain key to a balanced VLGC market.

RISK FACTORS

BW LPG's results are largely dependent on the worldwide market for transportation of LPG. Market conditions for shipping activities are typically volatile and, as a consequence, the results may vary considerably from year to year. The market in broad terms is dependent upon the following factors: the supply of vessels, U.S. LPG export volumes and the demand for LPG. The supply of vessels depends on the number of newbuildings entering the market, the demolition of older tonnage and legislation that limits the use of older vessels or sets new standards for vessels used in specific trades. The demand side depends mainly on developments in the global economy.

BW LPG is also exposed to risk in respect of fuel oil costs. Fuel oil prices are affected by the global political and economic environment. This risk is managed by pricing contracts of affreightment with fuel oil adjustment clauses, or by entering into forward fuel oil contracts or other financial derivative instruments. For voyage contracts, the current fuel costs are priced into the contracts. Other risks that Management takes into account are interest rate risk, credit risk, liquidity risk and capital risk. Management does not expect the exposure to these risks to change materially to cause a significant impact on the performance of BW LPG in the rest of 2019.

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

Board of Directors
BW LPG Limited

Introduction

We have reviewed the accompanying consolidated balance sheet of BW LPG Limited ("the Company") and its subsidiaries ("the Group") as at 31 March 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the three-months period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the three-months period ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q1 2019 US$'000	Q1 2018 US$'000
Revenue		118,053	117,937
Voyage expenses		(57,846)	(44,680)
TCE income#		60,207	73,257
Other operating income		49	550
Charter hire expenses		(4,350)	(16,471)
Other operating expenses		(35,196)	(32,019)
Operating profit before depreciation, amortisation and impairment (EBITDA)		20,710	25,317
Amortisation charge		-	(1,228)
Depreciation charge	5	(31,829)	(24,150)
		(11,119)	(61)
Gain on disposal of assets held-for-sale		1,783	3,301
Operating (loss)/profit (EBIT)		(9,336)	3,240
Foreign currency exchange (loss)/gain - net		(292)	81
Interest income		1,433	1,263
Interest expense		(14,724)	(11,912)
Derivative (loss)/gain		(55)	44
Other finance expense		(422)	(504)
Finance expense – net		(14,060)	(11,028)
Share of loss of a joint venture		-	(492)
Loss before tax for the financial period		(23,396)	(8,280)
Income tax expense		(148)	(85)
Loss after tax for the financial period		(23,544)	(8,365)

"TCE income" denotes "time charter equivalent income" which represents revenue from time charters and voyage charters less voyage expenses comprising primarily fuel oil, port charges and commission.

The accompanying notes form an integral part of these condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Q1 2019 US$'000	Q1 2018 US$'000
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges		
- fair value (loss)/gain	(8,497)	7,682
- reclassification to profit or loss	(861)	385
Share of other comprehensive loss of a joint venture	-	(20)
Other comprehensive (loss)/income, net of tax	(9,358)	8,047
Total comprehensive loss for the financial period	(32,902)	(318)
(Loss)/Profit attributable to:		
Equity holders of the Company	(23,615)	(7,016)
Non-controlling interests	71	(1,349)
	(23,544)	(8,365)
Total comprehensive (loss)/profit attributable to:		
Equity holders of the Company	(32,973)	1,031
Non-controlling interests	71	(1,349)
	(32,902)	(318)
Loss per share attributable to the equity holders of the Company:		
(expressed in US$ per share)		
Basic and diluted loss per share	(0.17)	(0.05)

The accompanying notes form an integral part of these condensed consolidated interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	31 March 2019 US$'000	31 December 2018 US$'000
Derivative financial instruments	3	2,760	6,580
Loan receivables from a joint venture	4	57,950	58,150
Total other non-current assets		60,710	64,730
Property, plant and equipment	5	2,149,086	2,006,368
Total non-current assets		2,209,796	2,071,098
Inventories		26,414	28,015
Trade and other receivables		87,505	96,756
Derivative financial instruments	3	2,440	3,769
Loan receivables from a joint venture	4	4,755	5,408
Assets held-for-sale	6	-	4,823
Cash and cash equivalents	7	38,138	50,075
Total current assets		159,252	188,846
Total assets		2,369,048	2,259,944
Share capital	8	1,419	1,419
Share premium		289,812	289,812
Treasury shares	9	(14,432)	(12,700)
Contributed surplus		685,913	685,913
Other reserves		(36,689)	(27,356)
Retained earnings		22,440	46,055
		948,463	983,143
Non-controlling interests		553	482
Total shareholders' equity		949,016	983,625
Borrowings	10	1,205,876	1,101,343
Derivative financial instruments	3	4,885	527
Provision for onerous contracts	11	-	1,100
Other provisions		345	230
Total non-current liabilities		1,211,106	1,103,200
Borrowings	10	164,998	133,353
Derivative financial instruments	3	759	839
Current income tax liabilities		386	309
Trade and other payables		42,783	38,618
Total current liabilities		208,926	173,119
Total liabilities		1,420,032	1,276,319
Total equity and liabilities		2,369,048	2,259,944

The accompanying notes form an integral part of these condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company											
		Share capital	Share premium	Treasury shares	Contributed surplus	Capital Reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2019		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625
(Loss)/Profit for the financial period		-	-	-	-	-	-	-	-	(23,615)	(23,615)	71	(23,544)
Other comprehensive loss for the financial period		-	-	-	-	-	(9,358)	-	-	-	(9,358)	-	(9,358)
Total comprehensive (loss)/profit for the financial period		-	-	-	-	-	(9,358)	-	-	(23,615)	(32,973)	71	(32,902)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	25	-	-	25	-	25
Purchases of treasury shares	9	-	-	(1,732)	-	-	-	-	-	-	(1,732)	-	(1,732)
Total transactions with owners, recognised directly in equity		-	-	(1,732)	-	-	-	25	-	-	(1,707)	-	(1,707)
Balance at 31 March 2019		1,419	289,812	(14,432)	685,913	(36,259)	(444)	41	(27)	22,440	948,463	553	949,016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holders of the Company											
		Share capital	Share premium	Treasury shares	Contributed surplus	Capital reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	124,938	1,070,256	3,292	1,073,548
Adjustment on initial application of IFRS 15		-	-	-	-	-	-	-	-	(7,483)	(7,483)	-	(7,483)
Restated balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	117,455	1,062,773	3,292	1,066,065
Loss for the financial period		-	-	-	-	-	-	-	-	(7,016)	(7,016)	(1,349)	(8,365)
Other comprehensive income/(loss) for the financial period		-	-	-	-	-	8,067	-	(20)	-	8,047	-	8,047
Total comprehensive profit/(loss) for the financial period		-	-	-	-	-	8,067	-	(20)	(7,016)	1,031	(1,349)	(318)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	(161)	-	-	(161)	-	(161)
Reissue of treasury shares	9	-	-	15	-	-	-	(15)	-	-	-	-	-
Purchases of treasury shares	9	-	-	(9,767)	-	-	-	-	-	-	(9,767)	-	(9,767)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(20)	(20)
Total transactions with owners, recognised directly in equity		-	-	(9,752)	-	-	-	(176)	-	-	(9,928)	(20)	(9,948)
Balance at 31 March 2018		1,419	289,812	(11,317)	685,913	(36,259)	13,859	6	4	110,439	1,053,876	1,923	1,055,799

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Share-based payment reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2018		1,419	289,812	(11,317)	685,913	(36,259)	13,859	6	4	110,439	1,053,876	1,923	1,055,799
(Loss)/Profit for the financial period		-	-	-	-	-	-	-	-	(64,384)	(64,384)	359	(64,025)
Other comprehensive loss for the financial period		-	-	-	-	-	(4,945)	-	(31)	-	(4,976)	-	(4,976)
Total comprehensive (loss)/profit for the financial period		-	-	-	-	-	(4,945)	-	(31)	(64,384)	(69,360)	359	(69,001)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	10	-	-	10	-	10
Purchases of treasury shares	9	-	-	(1,383)	-	-	-	-	-	-	(1,383)	-	(1,383)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,800)	(1,800)
Total transactions with owners, recognised directly in equity		-	-	(1,383)	-	-	-	10	-	-	(1,373)	(1,800)	(3,173)
Balance at 31 December 2018		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Q1 2019 US$'000	Q1 2018 US$'000
Cash flow from operating activities			
Loss before tax for the financial period		(23,396)	(8,280)
Adjustments for:			
- amortisation charge		-	1,228
- depreciation charge		31,829	24,150
- derivative loss		69	33
- gain on disposal of assets held-for-sale		(1,783)	(3,301)
- interest income		(1,433)	(1,263)
- interest expense		14,724	11,912
- other finance expense		346	436
- share-based payments		25	(161)
- share of loss of a joint venture		-	492
		20,381	25,246
Changes in:			
- inventories		1,601	(2,422)
- trade and other receivables		9,251	13,145
- trade and other payables		4,280	2,090
Cash generated from operations		35,513	38,059
Tax paid		(71)	(181)
Net cash provided by operating activities		35,442	37,878
Cash flow from investing activities			
Purchases of property, plant and equipment		(1,352)	(2,549)
Proceeds from sale of assets held-for-sale		6,606	74,399
Loan to a joint venture		-	(33,000)
Repayment of loan receivable from joint venture		850	-
Interest received		1,436	1,209
Net cash provided by investing activities		7,540	40,059
Cash flow from financing activities			
Proceeds from bank borrowings		25,000	160,000
Payment of financing fees		-	(1,727)
Repayments of bank borrowings		(57,506)	(228,555)
Payment of lease liabilities		(7,417)	-
Interest paid		(12,918)	(9,882)
Other finance expense paid		(346)	(450)
Purchases of treasury shares		(1,732)	(9,767)
Distributions to non-controlling interests		-	(20)
Net cash used in financing activities		(54,919)	(90,401)
Net decrease in cash and cash equivalents		(11,937)	(12,464)
Cash and cash equivalents at beginning of the financial period	7	50,075	56,548
Cash and cash equivalents at end of the financial period	7	38,138	44,084

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial information.

1. General information

BW LPG Limited (the "Company") is listed on the Oslo Stock Exchange and incorporated and domiciled in Bermuda. The address of its registered office is Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shipowning and chartering.

This Condensed Consolidated Interim Financial Information was approved for issue by the Board of Directors of the Company on 16 May 2019.

2. Significant accounting policies

Basis of preparation

The Condensed Consolidated Interim Financial Information for the three-month ended 31 March 2019 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All interim balances and transactions during the three-month period ended 31 March 2019 ("Q1 2019") and the three-month period ended 31 March 2018 ("Q1 2018") were reviewed. The balances as at and transactions for the year ended 31 December 2018 ("FY 2018") were audited.

In the preparation of this set of Condensed Consolidated Interim Financial Information, the same accounting policies have been applied as those used in the preparation of the annual financial statements for the year ended 31 December 2018, except as described below.

IFRS 16 'Leases'

The Group has adopted IFRS 16 from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and liabilities representing its obligation to make leases payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. As a result, it applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(b) As a lessee

The Group time charters vessels from non-related parties under operating lease agreements. These leases have varying terms.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(b) As a lessee (continued)

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Variable lease payments not dependent on an index or rate and lease payments arising from leases with lease terms less than 12 months are recognised as an expense as incurred, or on a straight-line basis over the lease term and presented within "charter hire expenses".

Payments made in relation to the non-lease components of the leases are recognised as an expense on a straight-line basis over the lease term and presented within "other vessel operating expenses".

(i) Transition

Previously, the Group classified time charter-in vessels as operating leases under IAS 17. The lease terms range up to 15 years. Some leases include renewal options after the end of the non-cancellable periods. Some leases provide for additional lease payments that are based on changes in certain indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term. Lease payments associated with these leases shall be recognised as an expense on a straight-line basis over the lease term.

- Applied IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review. As a result, the right-of-use asset was adjusted by the amount of provision for onerous leases recognised in the consolidated balance sheet immediately before 1 January 2019.

(c) As a lessor

The Group time charters vessels to non-related parties under operating lease agreements. The leases have varying terms.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 in which it acts as a lessor. However, the Group has applied IFRS 15 'Revenue from Contracts with Customers' to allocate consideration in the contract to each lease and non-lease component.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(d) Impact on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	As at 1 January 2019 US$'000
	Increase/(Decrease)
Right-of-use assets presented in property, plant and equipment	173,195
Lease liabilities presented in borrowings	174,295
Provision for onerous contracts (note 11)	(1,100)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4%.

	As at 1 January 2019 US$'000
Operating lease commitment as at 31 December 2018 as disclosed in the Group's consolidated financial statement (note 13(b))	400,945
Less:	
- Leases with commencement date after 1 January 2019	(129,079)
- Recognition exemption for leases with less than 12 months of lease term at transition	(11,148)
- Consideration allocated to non-lease components	(65,099)
	195,619
Discounted using the incremental borrowing rate as at 1 January 2019	(21,324)
Lease liabilities recognised at 1 January 2019	174,295

(ii) Impact for the period

As a result of the adoption of IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of US$165.0 million (note 5) and lease liabilities of US$166.9 million (note 10) as at 31 March 2019.

Also in relation to those leases under IFRS 16, there was a decrease in charter hire expenses of US$11.8 million previously recognised under IAS 17. Under IFRS 16, the Group has recognised depreciation charges of US$8.2 million on right-of-use assets and interest costs of US$1.7 million from lease liabilities. The non-lease components from these leases amounted to US$2.7 million for Q1 2019 and are presented as "Other operating expenses".

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements

The preparation of the Condensed Consolidated Interim Financial Information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Condensed Consolidated Interim Financial Information, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the new significant judgement related to lessee accounting under IFRS 16, which is described above.

3. **Derivative financial instruments**

	31 March 2019		31 December 2018	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Interest rate swaps	5,200	(4,945)	10,334	(1,366)
Bunker swaps	-	(699)	-	-
Forward foreign exchange Contracts	-	-	15	-
	5,200	(5,644)	10,349	(1,366)
Non-current	2,760	(4,885)	6,580	(527)
Current	2,440	(759)	3,769	(839)
	5,200	(5,644)	10,349	(1,366)

As at 31 March 2019, the Group had interest rate swaps with total notional principal amounting to US$573.3 million (31 December 2018: US$789.1 million). The Group's interest rate swaps mature between 2022 to 2028.

Interest rate swaps were transacted to hedge interest rate risk on bank borrowings. After taking into account the effects of these contracts, for part of the bank borrowings, the Group would effectively pay fixed interest rates ranging from 1.3% per annum to 2.9% per annum and would receive a variable rate equal to either US$ three-month LIBOR or US$ six-month LIBOR. Hedge accounting was adopted for these contracts.

Bunker swaps were transacted to hedge future bunker price risks. Hedge accounting was adopted for these contracts.

Forward foreign exchange contracts were transacted to hedge foreign exchange risks. The Group did not adopt hedge accounting for these contracts.

4. Loan receivables from a joint venture

The loan receivables from the joint venture are secured by two VLGCs, bear interest at LIBOR plus 4.5% per annum and are repayable by 2027 in consecutive quarterly instalments with a bullet payment upon maturity.

	31 March 2019 US$'000	31 December 2018 US$'000
Loan receivables – non-current	57,950	58,150
Loan receivables – current	4,755	5,408
	62,705	63,558

5. Property, plant and equipment

	Vessels US$'000	Dry docking US$'000	Furniture and fixtures US$'000	Right-of-use assets (Vessels) US$'000	Total US$'000
Cost					
At 1 January 2019	2,457,956	86,068	423	-	2,544,447
Adoption of IFRS 16 (note 2)	-	-	-	173,195	173,195
At 1 January 2019 (adjusted)	2,457,956	86,068	423	173,195	2,717,642
Additions	937	415	-	-	1,352
At 31 March 2019	2,458,893	86,483	423	173,195	2,718,994
Accumulated depreciation and impairment charge					
At 1 January 2019	495,544	42,384	151	-	538,079
Depreciation charge	19,488	4,149	14	8,178	31,829
At 31 March 2019	515,032	46,533	165	8,178	569,908
Net book value					
At 31 March 2019	**1,943,861**	**39,950**	**258**	**165,017**	**2,149,086**

5. **Property, plant and equipment** (continued)

	Vessels US$'000	Dry docking US$'000	Furniture and fixtures US$'000	Total US$'000
Cost				
At 1 January 2018	2,550,594	87,240	423	2,638,257
Additions	47	2,502	-	2,549
Reclassified to assets held-for-sale (note 6)	(70,038)	(2,071)	-	(72,109)
Write off on completion of dry docking costs	-	(549)	-	(549)
At 31 March 2018	2,480,603	87,122	423	2,568,148
Additions	982	8,235	-	9,217
Reclassified to assets held-for-sale (note 6)	(23,629)	(2,738)	-	(26,367)
Write off on completion of dry docking costs	-	(6,551)	-	(6,551)
At 31 December 2018	2,457,956	86,068	423	2,544,447
Accumulated depreciation and impairment charge				
At 1 January 2018	465,165	37,233	89	502,487
Depreciation charge	19,944	4,191	15	24,150
Reclassified to assets held-for-sale (note 6)	(65,215)	(2,071)	-	(67,286)
Write off on completion of dry docking costs	-	(549)	-	(549)
At 31 March 2018	419,894	38,804	104	458,802
Depreciation charge	60,956	12,869	47	73,872
Impairment charge	33,500	-	-	33,500
Reclassified to assets held-for-sale (note 6)	(18,806)	(2,738)	-	(21,544)
Write off on completion of dry docking costs	-	(6,551)	-	(6,551)
At 31 December 2018	495,544	42,384	151	538,079
Net book value				
At 31 December 2018	**1,962,412**	**43,684**	**272**	**2,006,368**

(a) Vessels with an aggregate carrying amount of US$1,974.4 million as at 31 March 2019 (31 December 2018: US$1,995.8 million) were secured on borrowings (note 10).

5. Property, plant and equipment (continued)

(b) For the three-months period ended 31 March 2019 and 2018, no impairment charge was recognised. For the year ended 31 December 2018, the Group recognised a provision for impairment of US$33.5 million to write down the carrying amounts of certain vessels to their recoverable amounts of US$458 million. The assessment of the recoverable amounts of the vessels were based on the higher of fair value less cost to sell and value-in-use calculation, with each vessel being regarded as one cash generating unit. The recoverable amount of vessels is estimated predominantly based on independent third party valuation reports, which made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values under the fair value hierarchy of IFRS 13 Fair value measurement that is also applicable for financial assets/liabilities. The Group has assessed that the brokers had the required competency and capability to perform the valuations. The Group had also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

6. Assets held-for-sale

	31 March 2019 US$'000	31 December 2018 US$'000
At beginning of the financial period/year	4,823	103,098
Reclassified from property, plant and equipment (note 5)	-	9,646
Disposal	(4,823)	(107,921)
At end of the financial period/year	-	4,823

As at 31 December 2018, assets held-for-sale comprised one LGC that was sold for recycling in January 2019.

7. Cash and cash equivalents

	31 March 2019 US$'000	31 December 2018 US$'000
Cash at bank and on hand	38,138	50,075

8. Share capital

As at 31 March 2019 and 31 December 2018, the Company's share capital comprised of 141,938,998 fully paid common shares with a par value of US$0.01.

9. Treasury shares

	Number of shares		Amount	
	31 March 2019 '000	31 December 2018 '000	31 March 2019 US$'000	31 December 2018 US$'000
At beginning of the financial period/year	2,753	350	12,700	1,565
Reissue of treasury shares	-	(3)	-	(15)
Purchases of treasury shares	568	2,406	1,732	11,150
At end of the financial period/year	3,321	2,753	14,432	12,700

Pursuant to the Company's Long-term Management Share Option Plan ("LTIP 2017") announced on 21 April 2017, the third tranche of 568,000 shares were purchased during the period from 5 March 2019 to 11 March 2019 at an average price of US$3.0 (NOK26.6) per share for an aggregate consideration of US$1.7 million (NOK15.1 million). In 2018, pursuant to the same LTIP 2017 plan, the second tranche of 284,000 shares was purchased on 5 March 2018 at US$4.7 (NOK36.2) per share for an aggregate consideration of US$1.3 million (NOK10.3 million).

For the year ended 31 December 2018, pursuant to the Company's share buy-back programme announced on 6 March 2018, a total of 2,122,000 shares was purchased at an average price of US$4.65 (NOK36.0) per share for an aggregate consideration of US$9.9 million (NOK76.4 million).

10. Borrowings

	31 March 2019 US$'000	31 December 2018 US$'000
Non-current		
Bank borrowings	1,069,421	1,101,343
Lease liabilities	136,455	-
	1,205,876	1,101,343
Current		
Bank borrowings	127,643	127,643
Lease liabilities	30,423	-
Interest payable	6,932	5,710
	164,998	133,353
Total borrowings	1,370,874	1,234,696

10. **Borrowings** (continued)

Movements in borrowings are analysed as follows:

	US$'000
At 1 January 2019	1,234,696
Adoption of IFRS 16 (note 2)	174,295
At 1 January 2019 (adjusted)	1,408,991
Proceeds from bank borrowings	25,000
Interest expense	14,724
Less: Interest paid	(12,918)
Less: Principal repayments of bank borrowings	(57,506)
Less: Principal repayments of lease liabilities	(7,417)
At 31 March 2019	1,370,874

	US$'000
At 1 January 2018	1,341,136
Proceeds from bank borrowings	160,000
Payment of financing fees	(1,727)
Interest expense	11,912
Less: Interest paid	(9,882)
Less: Principal repayments of bank borrowings	(228,555)
At 31 March 2018	1,272,884
Proceeds from bank borrowings	105,000
Interest expense	38,493
Less: Interest paid	(37,420)
Less: Principal repayments of bank borrowings	(144,261)
At 31 December 2018	1,234,696

As at 31 March 2019, bank borrowings amounting to US$1,204.0 million (31 December 2018: US$1,234.7 million) are secured by mortgages over certain vessels of the Group (note 5 and 6).

11. **Provision for onerous contracts**

	31 March 2019 US$'000	31 December 2018 US$'000
At beginning of the financial period/year	1,100	-
Adoption of IFRS 16 (note 2)	(1,100)	-
At beginning of the financial period/year (adjusted)	-	-
Provision for onerous contracts	-	1,100
At end of the financial period/year	-	1,100

In 2018, the Group recognised a provision for onerous contracts of US$1.1 million arising from non-cancellable lease commitments for the charter hire of eight VLGCs and two VLGC newbuilds.

12. Related party transactions

In addition to the information disclosed elsewhere in the Condensed Consolidated Interim Financial Information, the following transactions took place between the Group and related parties during the financial period at terms agreed between the parties:

(a) Services

	Q1 2019 US$'000	Q1 2018 US$'000
Corporate service fees charged by related parties*	1,415	815
Corporate service fees charged to related parties*	60	-
Ship management fees charged by related parties*	709	1,582

	31 March 2019 US$'000	31 December 2018 US$'000
Other receivables - related parties*	7,997	7,159

* "Related parties" refer to corporations controlled by a shareholder of the Company.

(b) Key management's remuneration

	Q1 2019 US$'000	Q1 2018 US$'000
Salaries and other short-term employee benefits	572	468
Post-employment benefits - contributions to defined contribution plans and share-based payment	27	4
Directors' fees	124	124
	723	596

(c) Others

	Q1 2019 US$'000	Q1 2018 US$'000
Interest income from a joint venture	1,247	1,068
Sale of a vessel to a joint venture	-	33,000

13. Commitments

(a) Operating lease commitments – where the Group is a lessor

The Group time charters vessels to non-related parties under operating lease agreements. The leases have varying terms.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	31 March 2019 US$'000	31 December 2018 US$'000
Not later than one year	37,270	32,597
Later than one year but not later than five years	2,606	7,290
	39,876	39,887

(b) Operating lease commitments – where the Group is a lessee

The Group time charters vessels from non-related parties under operating lease agreements. The leases have varying terms.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	31 March 2019 US$'000	31 December 2018 US$'000
Not later than one year	7,561	62,444
Later than one year but not later than five years	-	246,215
Later than five years	-	92,286
	7,561	400,945

The Group adopted IFRS 16 on 1 January 2019 (note 2). The Group has applied the short-term recognition exemption for operating leases with less than 12 months of lease terms. The expense relating to these leases amounted to US$4.4 million for Q1 2019 and is presented as 'Charter hire expenses'. As at 31 March 2019, lease commitments arising from these leases amounted to US$7.6 million.

14. Financial risk management

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2018. There have been no major changes in any risk management policies or processes and persons managing these policies and processes since the previous year end.

(a) Market risk - interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's bank borrowings are at variable rates. The Group has entered into interest rate swaps to swap floating interest rates to fixed interest rates for certain portions of the bank borrowings (note 10). If US$ interest rates increase/decrease by 50 basis points (Q1 2018: 50 basis points) with all other variables including tax rate being held constant, the loss after tax will be higher/lower by approximately US$1.4 million (Q1 2018: loss after tax will be lower/higher by approximately US$1.5 million) as a result of higher/lower interest expense on these borrowings; the other comprehensive loss will be lower/higher by approximately US$7.5 million (Q1 2018: other comprehensive income will be higher/lower by approximately US$9.2 million).

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations via short-term cash deposit at banks and has access to unutilised portion of revolving facilities offered by financial institutions.

(c) Financial instruments by category

The aggregate carrying amount of the Group's financial instruments are as follows:

	31 March 2019 US$'000	31 December 2018 US$'000
Net derivative (liabilities)/assets measured at fair value	(444)	8,983
Financial assets at amortised cost	181,331	200,970
Financial liabilities at amortised cost	1,413,657	1,271,489

14. Financial risk management (continued)

(d) Estimation of fair value

IFRS 13 established a fair value hierarchy that prioritises inputs used to measure fair value. The three levels of the fair value input hierarchy defined by IFRS 13 are as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Derivative financial assets and liabilities

The Group's financial derivative instruments primarily relate to interest rate swaps measured at fair value and are within Level 2 of the fair value hierarchy. The fair values of financial derivative instruments that are not traded in an active market are determined by using valuation techniques. The fair values of interest rate swaps are calculated at the present value of estimated future cash flows based on observable yield curves.

Non-derivative non-current financial assets and liabilities

The carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest rates are assumed to approximate their fair value because of the short repricing period. There are no non-current financial assets and liabilities which do not bear floating interest rates.

Non-derivative current financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value because of the short period to maturity.

15. Segment information

The Group has three main operating segments:
(i) Very Large Gas Carriers (VLGCs);
(ii) Large Gas Carriers (LGCs); and
(iii) Product Services

With the reduction in the LGC fleet size as well as Management's continued primary focus on the VLGC segment, it has been determined that the LGC segment, representing less than ten percent of the Group's total assets, revenue and profit or loss, is immaterial to the Group.

The Product Services Division was established on 25 February 2019 to support the Group's core shipping business. As at 31 March 2019, the Product Services segment is immaterial to the Group as no transactions have yet to be entered into.

As both the LGC and Product Services segments were not material to the Group for the period ended 31 March 2019, the Group has reported information as one combined segment.

Revenue is disaggregated into the different types of charter revenue as follows:

	Q1 2019 US$'000	Q1 2018 US$'000
Revenue		
- voyage charter	98,341	82,241
- time charter	19,712	35,696
	118,053	117,937

Geographical information

Non-current assets comprise mainly vessels, operating on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

16. Subsequent events

Subject to final documentation, the Group has secured a new seven-year US$458 million Senior Secured Facility to replace the US$800 million Facility maturing in the fourth quarter of 2020. The Company plans to sign the new agreement and drawdown from the facility by the end of May 2019.