BW LPG Limited

Condensed Consolidated
Interim Financial Information
Q4 2018 and FY 2018

FINANCIAL SUMMARY

SELECTED KEY FINANCIAL INFORMATION

Income Statement	Q4 2018 US$ million	Q4 2017 US$ million	Increase/ (Decrease) %	FY 2018 US$ million	FY 2017 US$ million	Increase/ (Decrease) %
Revenue	**154.3**	122.0	26.5	**521.8**	491.8	6.1
TCE income	**84.6**	79.3	6.7	**300.9**	335.4	(10.3)
EBITDA	**35.7**	25.9	37.8	**104.1**	125.5	(17.1)
Loss after tax	**(34.1)**	(19.0)	79.5	**(72.4)**	(44.8)	61.6
(US$ per share)						
Basic and diluted EPS	**(0.24)**	(0.14)	71.4	**(0.51)**	(0.30)	66.7

Balance Sheet	31 December 2018 US$ million	31 December 2017 US$ million
Cash & cash equivalents	**50.1**	56.5
Total assets	**2,259.9**	2,455.3
Total liabilities	**1,276.3**	1,381.8

HIGHLIGHTS – Q4 2018

- VLGC TCE rates averaged US$21,300/day in Q4 2018 (US$18,400/day in FY 2018), compared with US$17,800/day in Q4 2017 (US$18,600/day in FY 2017).
- On 8 October 2018, BW LPG withdrew the proposal to combine with Dorian LPG.
- On 21 January 2019, one LGC 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.

PERFORMANCE REVIEW: Q4 2018

Operating revenue was US$154.3 million in Q4 2018 (US$122.0 million in Q4 2017). Time Charter Equivalent ("TCE") income increased to US$84.6 million from US$79.3 million, mainly attributable to higher LPG spot rates.

Charter hire expenses increased to US$16.8 million in Q4 2018 (US$15.4 million in Q4 2017), mainly due to one additional charter-in vessel. Other operating expenses decreased to US$32.2 million in Q4 2018 (US$38.0 million in Q4 2017), mainly due to an overall smaller fleet.

EBITDA increased to US$35.7 million in Q4 2018 from US$25.9 million in Q4 2017, primarily due to higher TCE income.

A provision for vessel impairment of US$33.5 million was recognised in Q4 2018 due to a decline in asset values.

Loss after tax was US$34.1 million in Q4 2018 (loss after tax of US$19.0 million in Q4 2017).

PERFORMANCE REVIEW: FY 2018

Operating revenue was US$521.8 million in FY 2018 (US$491.8 million in FY 2017), mainly due to the increase in LPG spot rates. TCE income decreased to US$300.9 million from US$335.4 million, mainly attributable to a smaller fleet size.

Charter hire expenses decreased to US$66.9 million in FY 2018 (US$68.7 million in FY 2017) mainly due to overall lower hire rates for the charter-in vessels. Other operating expenses decreased to US$133.0 million in FY 2018 (US$146.8 million in FY 2017), mainly due to an overall smaller fleet.

EBITDA decreased to US$104.1 million in FY 2018 from US$125.5 million in FY 2017, mainly due to lower TCE income.

A provision for vessel impairment of US$33.5 million was recognised due to a decline in asset values.

Net finance expense amounted to US$47.0 million in FY 2018 (US$47.7 million in FY 2017), mainly due to the recognition of interest income from loans to a joint venture, partially offset by an increase in interest expense resulting from higher interest rates driven by higher LIBOR rates.

Loss after tax was US$72.4 million in FY 2018 (loss after tax of US$44.8 million in FY 2017).

BALANCE SHEET

As at 31 December 2018, BW LPG has a fleet of 45 vessels, comprising 43 VLGCs and two LGCs (not including one LGC that was reclassified to asset held-for-sale). 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$2,259.9 million (31 December 2017: US$2,455.3 million), of which US$2,006.1 million (31 December 2017: US$2,135.4 million) represented the carrying value of the vessels (including dry docking).

Cash and cash equivalents amounted to US$50.1 million as at 31 December 2018 (31 December 2017: US$56.5 million). Cash flows from operating activities generated a net cash surplus of US$89.3 million in FY 2018 (net cash surplus of US$72.3 million in FY 2017). 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$43.3 per ton or US$25,300 per day in Q4 2018. BW LPG generated VLGC daily TCE of US$21,300 per day based on calendar days.

- Global seaborne VLGC LPG trade grew by 7.5% year over year in Q4 2018. Total 2018 VLGC LPG trade grew by 5.1% year over year, driven by US net export growth of 15.1%.

- Despite several years of vessel overcapacity and low freight rates, 16 VLGC newbuilds were ordered in 2018. The global VLGC newbuild order book ended the year at 37 vessels or 14% of the total VLGC fleet of 265 vessels. 18 vessels are expected to be delivered in 2019 and 19 in 2020.

- For the fourth quarter, North American seaborne LPG exports grew by 12% year over year to 8.9 million tons. Middle Eastern exports were up 2% year over year as Iranian volumes were offset by increased exports from Saudi Arabia, Qatar and UAE.

- Chinese imports in Q4 2018 fell year over year by 8.5%, however, total 2018 imports to China increased by 6% compared to 2017 driven by healthy demand from propane dehydrogenation (PDH) plants and steady retail demand.

- As the US-China trade war continues, a growing share of North American exports to China are re-routed to Japan and South Korea, as Chinese importers find alternative cargoes from Middle East and Africa.

- Retail demand from India slowed in Q4 with imports falling by almost 15% year over year, the first drop in more than five years. However, this was mostly caused by increases in product prices in Q4. Total imports from India in 2018 remained strong and increased by 5% compared to 2017. India has increased its LPG subsidy budget for 2019, driven by expectations that crude oil prices will firm up, and the number of LPG household connections will grow.

- Indonesian demand increased and imports reached 1.4mt in Q4 2018 from 1.1mt in Q4 2017, representing a growth rate of almost 30%. Total imports from Indonesia in 2018 reached 5.4mt, representing a year over year growth rate of 5%.

U.S. LPG Production & Consumption

For the fourth quarter, U.S. LPG production grew by 15% year over year to 18.9 million tons. Domestic LPG consumption also grew with 17% year over year to 14.3 million tons, the highest consumption level in 7 years. Net exports grew year over year by 14.9% to 8.5 million tons. Overall, total U.S. LPG net exports in 2018 increased to 31.2 million tons from 27.1 million tons in 2017, representing a growth rate of 15.1%.

In December 2018, EIA revised its forecast for 2019 and 2020. For 2019, U.S. LPG production is expected to further grow by 11.3% to 87.1 million tons while domestic consumption is expected to stay flat at 46.6 million tons, resulting in U.S. LPG net export growth of 22.8% to 38.4 million tons.

Market (continued)

Outlook

In the short term, we expect continued high U.S. LPG production to rebuild inventories following the drawdowns from an exceptionally cold winter and support widening of the geographical LPG price spreads.

We remain cautiously optimistic for the full year due to sustained U.S. LPG production growth and incremental export volumes being added from key loading areas such as Australia and Canada. However, increased demand for VLGC's from growing U.S. exports will in part be offset by a high level of newbuild deliveries. We maintain our neutral view on Middle East exports as incremental regional growth is expected to compensate the effects from the re-imposed sanctions on Iran.

The average VLGC Baltic index increased by 25% in 2018 compared to 2017. With strengthening fundamentals, we expect the freight market to continue to improve going forward

Longer term we maintain our view that sustained U.S. LPG production growth and no further new build orders remain key to reopening global price spreads and balance the VLGC market.

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

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

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 and its subsidiaries ("the Group") as at 31 December 2018, the consolidated statements of comprehensive income and cash flows for the three-month period then ended, the consolidated statement of changes in equity for the 12-month 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 period ended 31 December 2018 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Other matter relating to comparative information

The consolidated statements of comprehensive income and cash flows and related notes of the Group for the three-month period ended 31 December 2018 were reviewed by another auditor who expressed an unmodified conclusion on that financial information on 28 February 2018. The consolidated balance sheet as at 31 December 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes of the Group were audited by another auditor who expressed an unmodified opinion on that financial information on 28 February 2018.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q4 2018 US$'000	Q4 2017 US$'000	FY 2018 US$'000	FY 2017 US$'000
Revenue		154,255	121,955	521,754	491,752
Voyage expenses		(69,631)	(42,648)	(220,858)	(156,318)
TCE income#		84,624	79,307	300,896	335,434
Other operating income		-	-	3,039	5,607
Charter hire expenses		(16,777)	(15,397)	(66,874)	(68,712)
Other operating expenses		(32,187)	(37,982)	(132,972)	(146,815)
Operating profit before depreciation, amortisation and impairment (EBITDA)		35,660	25,928	104,089	125,514
Amortisation charge	3	-	(1,227)	(2,650)	(4,911)
Depreciation charge	6	(24,604)	(29,682)	(98,022)	(122,428)
		11,056	(4,981)	3,417	(1,825)
Gain on disposal of vessels		-	-	-	9,826
Gain on disposal of assets held-for-sale		-	561	5,727	577
Impairment charge on a vessel that was reclassified to asset held-for-sale		-	(1,945)	-	(4,552)
Impairment charge on vessels		(33,500)	-	(33,500)	-
Operating (loss)/profit (EBIT)		(22,444)	(6,365)	(24,356)	4,026
Foreign currency exchange gain/(loss) - net		293	19	(110)	288
Interest income		1,437	513	5,419	889
Interest expense		(13,135)	(11,755)	(50,405)	(46,981)
Derivative (loss)/gain		(18)	-	53	-
Other finance expense		(337)	(511)	(1,949)	(1,926)
Finance expense – net		(11,760)	(11,734)	(46,992)	(47,730)
Share of loss of a joint venture		-	(548)	(864)	(548)
Loss before tax for the financial period/year		(34,204)	(18,647)	(72,212)	(44,252)
Income tax credit/(expense)		74	(369)	(178)	(544)
Loss after tax for the financial period/year		(34,130)	(19,016)	(72,390)	(44,796)

"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)

	Q4 2018 US$'000	Q4 2017 US$'000	FY 2018 US$'000	FY 2017 US$'000
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges				
- fair value (loss)/gain	(10,320)	3,831	4,262	(500)
- reclassification to profit or loss	(766)	762	(1,140)	4,169
Share of other comprehensive gain/(loss) of a joint venture	-	24	(51)	24
Other comprehensive (loss)/income, net of tax	(11,086)	4,617	3,071	3,693
Total comprehensive loss for the financial period/year	(45,216)	(14,399)	(69,319)	(41,103)
Loss attributable to:				
Equity holders of the Company	(33,957)	(19,774)	(71,400)	(42,688)
Non-controlling interests	(173)	758	(990)	(2,108)
	(34,130)	(19,016)	(72,390)	(44,796)
Total comprehensive loss attributable to:				
Equity holders of the Company	(45,043)	(15,157)	(68,329)	(38,995)
Non-controlling interests	(173)	758	(990)	(2,108)
	(45,216)	(14,399)	(69,319)	(41,103)
Loss per share attributable to the equity holders of the Company:				
(expressed in US$ per share)				
Basic and diluted loss per share	(0.24)	(0.14)	(0.51)	(0.30)

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

CONSOLIDATED BALANCE SHEET

	Note	31 December 2018 US$'000	31 December 2017 US$'000
Intangible assets	3	-	2,650
Derivative financial instruments	4	6,580	5,259
Loan receivables from a joint venture	5	58,150	34,700
Investment in a joint venture		-	915
Total other non-current assets		64,730	40,874
Property, plant and equipment	6	2,006,368	2,135,770
Total non-current assets		2,071,098	2,179,294
Inventories		28,015	19,424
Trade and other receivables		96,756	94,139
Derivative financial instruments	4	3,769	1,303
Loan receivables from a joint venture	5	5,408	1,500
Assets held-for-sale	7	4,823	103,098
Cash and cash equivalents	8	50,075	56,548
Total current assets		188,846	276,012
Total assets		2,259,944	2,455,306
Share capital	9	1,419	1,419
Share premium		289,812	289,812
Treasury shares	10	(12,700)	(1,565)
Contributed surplus		685,913	685,913
Other reserves		(27,356)	(30,261)
Retained earnings		46,055	124,938
		983,143	1,070,256
Non-controlling interests		482	3,292
Total shareholders' equity		983,625	1,073,548
Borrowings	11	1,101,343	1,076,212
Derivative financial instruments	4	527	117
Provision for onerous contracts	12	1,100	-
Other provisions		230	-
Total non-current liabilities		1,103,200	1,076,329
Borrowings	11	133,353	264,924
Derivative financial instruments	4	839	558
Current income tax liabilities		309	582
Trade and other payables		38,618	39,365
Total current liabilities		173,119	305,429
Total liabilities		1,276,319	1,381,758
Total equity and liabilities		2,259,944	2,455,306

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 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 year		-	-	-	-	-	-	-	-	(71,400)	(71,400)	(990)	(72,390)
Other comprehensive income/(loss) for the financial year		-	-	-	-	-	3,122	-	(51)	-	3,071	-	3,071
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	3,122	-	(51)	(71,400)	(68,329)	(990)	(69,319)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	(151)	-	-	(151)	-	(151)
Reissue of treasury shares	10	-	-	15	-	-	-	(15)	-	-	-	-	-
Purchases of treasury shares	10	-	-	(11,150)	-	-	-	-	-	-	(11,150)	-	(11,150)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,820)	(1,820)
Total transactions with owners, recognised directly in equity		-	-	(11,135)	-	-	-	(166)	-	-	(11,301)	(1,820)	(13,121)
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 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 2017		1,419	289,812	(457)	685,913	(36,259)	2,123	156	-	167,626	1,110,333	7,043	1,117,376
Loss for the financial year		-	-	-	-	-	-	-	-	(42,688)	(42,688)	(2,108)	(44,796)
Other comprehensive income for the financial year		-	-	-	-	-	3,669	-	24	-	3,693	-	3,693
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	3,669	-	24	(42,688)	(38,995)	(2,108)	(41,103)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	47	-	-	47	-	47
Reissue of treasury shares	10	-	-	21	-	-	-	(21)	-	-	-	-	-
Purchases of treasury shares	10	-	-	(1,129)	-	-	-	-	-	-	(1,129)	-	(1,129)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,643)	(1,643)
Total transactions with owners, recognised directly in equity		-	-	(1,108)	-	-	-	26	-	-	(1,082)	(1,643)	(2,725)
Balance at 31 December 2017		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	124,938	1,070,256	3,292	1,073,548

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Q4 2018 US$'000	Q4 2017 US$'000	FY 2018 US$'000	FY 2017 US$'000
Cash flow from operating activities				
Loss before tax for the financial period/year	(34,204)	(18,647)	(72,212)	(44,252)
Adjustments for:				
- amortisation charge	-	1,227	2,650	4,911
- amortisation of deferred income	-	-	-	(248)
- depreciation charge	24,604	29,682	98,022	122,428
- derivative (gain)/loss	(64)	106	25	321
- gain on disposal of vessels	-	-	-	(9,826)
- gain on disposal of assets held-for-sale	-	(561)	(5,727)	(577)
- impairment charge on vessels	33,500	-	33,500	-
- impairment charge on a vessel reclassified as asset held-for-sale	-	1,945	-	4,552
- interest income	(1,437)	(513)	(5,419)	(889)
- interest expense	13,135	11,755	50,405	46,981
- other finance expense	361	476	1,677	1,747
- share-based payments	3	11	(151)	47
- share of loss of a joint venture	-	548	864	548
	35,898	26,029	103,634	125,743
Changes in:				
- inventories	4,481	(3,892)	(8,591)	(6,737)
- trade and other receivables	(7,638)	(20,621)	(5,987)	(26,537)
- trade and other payables	(3,370)	5,323	(378)	(19,947)
- provision for onerous contracts	(4,200)	-	1,100	-
Cash generated from operations	25,171	6,839	89,778	72,522
Tax refund/(paid)	258	(30)	(451)	(238)
Net cash provided by operating activities	25,429	6,809	89,327	72,284
Cash flow from investing activities				
Purchases of property, plant and equipment	(1,798)	(8,237)	(11,766)	(89,226)
Proceeds from sale of vessels	-	-	-	111,177
Proceeds from sale of assets held-for-sale	-	36,200	113,648	40,460
Loan to a joint venture	-	(36,200)	(33,000)	(36,200)
Investment in a joint venture	-	(2,000)	-	(2,000)
Repayment of loan receivable from joint venture	600	-	1,500	-
Interest paid (capitalised interest expense)	-	-	-	(56)
Interest received	1,421	488	5,362	864
Net cash provided by/(used in) investing activities	223	(9,749)	75,744	25,019

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Q4 2018 US$'000	Q4 2017 US$'000	FY 2018 US$'000	FY 2017 US$'000
Cash flow from financing activities				
Proceeds from bank borrowings	25,000	54,997	265,000	519,700
Payment of financing fees	-	-	(1,727)	(2,789)
Repayments of bank borrowings	(32,505)	(38,005)	(372,816)	(584,120)
Interest paid	(13,764)	(12,206)	(47,302)	(44,185)
Other finance expense paid	(374)	(502)	(1,729)	(1,866)
Redemption of floating rate notes	-	-	-	(1,847)
Purchases of floating rate notes	-	-	-	(3,439)
Purchases of treasury shares	-	-	(11,150)	(1,129)
Distributions to non-controlling interests	-	(536)	(1,820)	(1,643)
Net cash (used in)/provided by financing activities	(21,643)	3,748	(171,544)	(121,318)
Net increase/(decrease) in cash and cash equivalents	4,009	808	(6,473)	(24,015)
Cash and cash equivalents at beginning of the financial period/year	46,066	55,740	56,548	80,563
Cash and cash equivalents at end of the financial period/year	50,075	56,548	50,075	56,548

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 28 February 2019.

2. Significant accounting policies

Basis of preparation

The Condensed Consolidated Interim Financial Information for the three-month ended 31 December 2018 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 transactions during the three-month period ended 31 December 2018 ("Q4 2018") and the three-month period ended 31 December 2017 ("Q4 2017") were reviewed. The balances as at and transactions for the year ended 31 December 2018 ("FY 2018") and 31 December 2017 ("FY 2017") 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.

The Group has not early adopted the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2019 or later periods. Except for IFRS 16 "Leases" as set out below, the Group does not anticipate the adoption of these changes to have a material impact on the Condensed Consolidated Interim Financial Information.

2. Significant accounting policies (continued)

Basis of preparation (continued)

IFRS 16 '*Leases*'

IFRS 16 replaces existing leases guidance, IAS 17 and other related interpretations. IFRS 16 is expected to change the balance sheet, income statement and cash flow statement of how a lessee accounts for operating leases. In applying IFRS 16, an entity is required to recognise a right-to-use asset and lease liability, initially measured at the present value of unavoidable future lease payments; to recognise depreciation of right-of-use asset and lease liability in the income statement over the lease term; and separate the total amount of cash paid into principal portion (presented within financing activities) and interest portion (typically presented within either operating or financing activities) in the cash flow statement.

IFRS 16 does not change substantially the accounting for finance leases in IAS 17. The main difference relates to the treatment of residual value guarantees provided by a lessee to a lessor. This is because IFRS 16 requires that an entity recognises only amounts expected to be payable under residual value guarantees, rather than the maximum amount guaranteed as required by IAS 17.

IFRS 16 does not change substantially how a lessor accounts for leases. Accordingly, a lessor will continue to classify leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening retained earnings as at 1 January 2019. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. Right-of-use assets will be measured on transition at the amount of the lease liability on adoption (adjusted for any prepaid, accrued lease expenses or provision for onerous leases).

Summary of provisional financial impact

The line items on the Group's Condensed Consolidated Interim Financial Information that may be adjusted with expected impact arising from the adoption of IFRS 16 as described above are summarised below:

	As at 31 December 2018 reported under IAS 17 US$'000	(Provisional) As at 1 January 2019 reported under IFRS 16 US$'000
Right-of-use assets	-	179,144
Lease liabilities	-	180,244
Provision for onerous contracts	1,100	-

2. Significant accounting policies (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.

3. Intangible assets

	31 December 2018 US$'000	31 December 2017 US$'000
Charter hire contracts acquired		
At beginning of the financial year	2,650	7,561
Amortisation charge	(2,650)	(4,911)
At end of the financial year	-	2,650

4. Derivative financial instruments

	31 December 2018 Assets US$'000	31 December 2018 Liabilities US$'000	31 December 2017 Assets US$'000	31 December 2017 Liabilities US$'000
Interest rate swaps	10,334	(1,366)	6,467	(675)
Bunker swaps	-	-	80	-
Forward foreign exchange contracts	15	-	15	-
	10,349	(1,366)	6,562	(675)
Non-current	6,580	(527)	5,259	(117)
Current	3,769	(839)	1,303	(558)
	10,349	(1,366)	6,562	(675)

As at 31 December 2018, the Group had interest rate swaps with total notional principal amounting to US$789.1 million (31 December 2017: US$690.6 million). The Group's interest rate swaps mature between 2019 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 bunker price risks. The Group did not adopt hedge accounting for these contracts. Fair value gains/losses of bunkers swaps had been presented within "voyage expenses" in the Condensed Consolidated Interim Statement of Comprehensive Income.

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

5. Joint venture

On 25 October 2017, the Group and Global United Shipping India Private Limited formed a joint venture in India, BW Global United LPG India Private Limited, to own and operate VLGCs for the transportation of LPG to India.

As part of the establishment of the joint venture, the Group sold two VLGCs to the joint venture for a total consideration of US$69.2 million under a deferred payment agreement which is presented within "loan receivables from a joint venture" in the Consolidated Balance Sheet. One VLGC was delivered in October 2017 and the other in January 2018, respectively.

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

	31 December 2018 US$'000	31 December 2017 US$'000
Loan receivables – non-current	58,150	34,700
Loan receivables – current	5,408	1,500
	63,558	36,200

6. Property, plant and equipment

	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	1,029	10,737	-	11,766
Reclassified to assets held-for-sale (note 7)	(93,667)	(4,809)	-	(98,476)
Write off on completion of dry docking costs	-	(7,100)	-	(7,100)
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	80,900	17,060	62	98,022
Impairment charge	33,500	-	-	33,500
Reclassified to assets held-for-sale (note 7)	(84,021)	(4,809)	-	(88,830)
Write off on completion of dry docking costs	-	(7,100)	-	(7,100)
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

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

	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Furniture and fixtures US$'000	Total US$'000
Cost					
At 1 January 2017	2,723,359	91,656	74,061	305	2,889,381
Additions	2,205	18,508	68,451	118	89,282
Disposals	(110,320)	(1,918)	-	-	(112,238)
Transfer on delivery of vessels	139,886	2,626	(142,512)	-	-
Reclassified to assets held-for-sale (note 7)	(204,536)	(9,276)	-	-	(213,812)
Write off on completion of dry docking costs	-	(14,356)	-	-	(14,356)
At 31 December 2017	2,550,594	87,240	-	423	2,638,257
Accumulated depreciation and impairment charge					
At 1 January 2017	445,050	31,306	-	31	476,387
Depreciation charge	97,938	24,432	-	58	122,428
Impairment charge on vessels that were reclassified to assets held-for-sale	4,552	-	-	-	4,552
Reclassified to assets held-for-sale (note 7)	(72,364)	(3,273)	-	-	(75,637)
Disposals	(10,011)	(876)	-	-	(10,887)
Write off on completion of dry docking costs	-	(14,356)	-	-	(14,356)
At 31 December 2017	465,165	37,233	-	89	502,487
Net book value					
At 31 December 2017	2,085,429	50,007	-	334	2,135,770

6. Property, plant and equipment (continued)

(a) Vessels with an aggregate carrying amount of US$1,995.8 million as at 31 December 2018 (31 December 2017: US$1,893.4 million) were secured on borrowings (note 11).

(b) In 2017, the Group recognised an impairment charge of US$4.6 million on vessels that were reclassified as assets held-for-sale.

(c) For the year ended 31 December 2018, the Group recognised a provision for impairment of US$33.5 million to write down the carrying amount of certain vessels, amounting to US$458 million, in the VLGC and LGC segments to their recoverable amounts. 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.

7. Assets held-for-sale

	31 December 2018 US$'000	31 December 2017 US$'000
At beginning of the financial year	103,098	4,245
Reclassified from property, plant and equipment (note 6)	9,646	138,175
Disposal	(107,921)	(39,322)
At end of the financial year	4,823	103,098

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

As at 31 December 2017, assets held-for-sale comprised three VLGCs that were agreed to be sold, of which one VLGC was sold to a joint venture and two VLGCs were sold to non-related parties. Two VLGCs with aggregate carrying amounts of US$70.1 million were secured on borrowings (note 11).

8. Cash and cash equivalents

	31 December 2018 US$'000	31 December 2017 US$'000
Cash at bank and on hand	50,075	56,548

9. Share capital

As at 31 December 2018 and 2017, the Company's share capital comprised of 141,938,998 fully paid common shares with a par value of US$0.01.

10. Treasury shares

	Number of shares		Amount	
	31 December 2018 '000	31 December 2017 '000	31 December 2018 US$'000	31 December 2017 US$'000
At beginning of the financial year	350	69	1,565	457
Reissue of treasury shares	(3)	(3)	(15)	(21)
Purchases of treasury shares	2,406	284	11,150	1,129
At end of the financial year	2,753	350	12,700	1,565

Pursuant to the Company's Long-term Management Share Option Plan ("LTIP 2017") announced on 21 April 2017, 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). In 2017, pursuant to the same LTIP 2017 plan, the first tranche of 284,000 shares was purchased on 1 and 2 June 2017 at an average price of US$4.0 (NOK33.6) per share for an aggregate consideration of US$1.1 million (NOK9.5 million).

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).

11. Borrowings

	31 December 2018 US$'000	31 December 2017 US$'000
Bank borrowings	1,228,986	1,336,111
Interest payable	5,710	5,025
	1,234,696	1,341,136
Non-current	1,101,343	1,076,212
Current	133,353	264,924
	1,234,696	1,341,136

11. Borrowings (continued)

Movements in borrowings are analysed as follows:

	US$'000
At 1 January 2018	1,341,136
Proceeds from bank borrowings	265,000
Payment of financing fees	(1,727)
Interest expense	50,405
Less: Interest paid	(47,302)
Less: Principal repayments of bank borrowings	(372,816)
At 31 December 2018	1,234,696

	US$'000
At 1 January 2017	1,410,835
Proceeds from bank borrowings	519,700
Payment of financing fees	(2,789)
Interest expense	46,981
Interest capitalised	56
Redemption of floating rate notes	(1,847)
Purchases of floating rate notes	(3,439)
Less: Interest paid	(44,241)
Less: Principal repayments of bank borrowings	(584,120)
At 31 December 2017	1,341,136

As at 31 December 2018, bank borrowings amounting to US$1,234.7 million (31 December 2017: US$1,190.9 million) are secured by mortgages over certain vessels of the Group (note 6 and 7).

With the adoption of the new lease accounting standard (IFRS 16) effective 1 January 2019, all existing loan facility agreements have been amended in December 2018 to reduce the minimum Adjusted Equity Ratio from 35% to 25%. Furthermore, BW Group's minimum ownership requirement was also reduced from 35% to 20%.

12. Provision for onerous contracts

The Group has non-cancellable lease commitments for the charter hire of eight VLGCs and two VLGC newbuilds, expiring between 2019 to 2027. Due to changes in market conditions, future charter income is expected to be lower than contracted charter hire expenses.

Movements in provision for onerous contracts are analysed as follows:

	US$'000
At 1 January 2018	-
Provision for onerous contracts	1,100
At 31 December 2018	1,100

Estimates of the Group's provision for onerous contracts are highly dependent on future spot rates which are affected by future events and cannot be predicted with any certainty. The assumptions and estimates are made based on Management's knowledge and experience which may vary from the actual liability.

13. 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

	Q4 2018 US$'000	Q4 2017 US$'000	31 December 2018 US$'000	31 December 2017 US$'000
Corporate service fees charged by related parties*	939	710	4,696	2,825
Ship management fees charged by related parties*	1,519	1,859	7,221	7,164

	31 December 2018 US$'000	31 December 2017 US$'000
Other receivables - related parties*	7,159	5,099

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

(b) Key management's remuneration

	Q4 2018 US$'000	Q4 2017 US$'000	31 December 2018 US$'000	31 December 2017 US$'000
Salaries and other short-term employee benefits	680	487	2,195	1,801
Post-employment benefits - contributions to defined contribution plans and share-based payment	6	8	24	35
Directors' fees	118	124	475	497
	804	619	2,694	2,333

(c) Others

	Q4 2018 US$'000	Q4 2017 US$'000	31 December 2018 US$'000	31 December 2017 US$'000
Interest income from a joint venture	1,210	383	4,683	383
Sale of a vessel to a joint venture	-	36,200	33,000	36,200

14. 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 December 2018 US$'000	31 December 2017 US$'000
Not later than one year	32,597	50,527
Later than one year but not later than five years	7,290	24,765
	39,887	75,292

(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 December 2018 US$'000	31 December 2017 US$'000
Not later than one year	62,444	59,543
Later than one year but not later than five years	246,215	227,948
Later than five years	92,286	150,356
	400,945	437,847

Included in the above future aggregate minimum lease payments are operating lease commitments amounting to US$126.0 million on two time charter-in VLGCs currently under construction and, with deliveries expected in 2020.

15. 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 11). If US$ interest rates increase/decrease by 50 basis points (YTD December 2017: 50 basis points) with all other variables including tax rate being held constant, the loss after tax will be higher/lower by approximately US$5.3 million (FY 2017: loss after tax will be higher/lower by approximately US$5.3 million) as a result of higher/lower interest expense on these borrowings; the other comprehensive income will be higher/lower by approximately US$13.5million (FY 2017: other comprehensive income will be higher/lower by approximately US$10.8 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 December 2018 US$'000	31 December 2017 US$'000
Net derivative assets measured at fair value	8,983	5,887
Financial assets at amortised cost	200,970	-
Loans and receivables	-	179,935
Financial liabilities at amortised cost	1,271,489	1,378,594

15. 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.

16. Segment information

The Group has two main operating segments:
(i) Very Large Gas Carriers (VLGCs); and
(ii) Large Gas Carriers (LGCs)

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 and is therefore no longer a reportable segment. With effect from 1 January 2018, the Group is considered to have a single reportable segment. This represents a change to the operating segments reported in the previous corresponding periods as well as in the annual financial statements for the year ended 31 December 2017. The segment results as previously reported for the comparative period ended 31 December 2017 has not been included in this set of Condensed Consolidated Interim Financial Information.

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

	Q4 2018 US$'000	Q4 2017 US$'000	31 December 2018 US$'000	31 December 2017 US$'000
Revenue				
- voyage charter	132,506	81,313	419,186	330,078
- time charter	21,749	40,642	102,568	161,674
	154,255	121,955	521,754	491,752

<u>Geographical information</u>

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.

17. Dividends paid

No final dividend for FY 2018 will be recommended at the Company's forthcoming annual general meeting (2017: no final dividend was recommended).

18. Subsequent events

On 21 January 2019, one LGC 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, the Group established a new Product Services Division to support its core shipping business.