



DELIVERING  
ENERGY FOR  
A SUSTAINABLE  
WORLD

**BW LPG**  
ANNUAL REPORT  
2016



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# KEY FINANCIAL HIGHLIGHTS

Adjusted ROCE

4.8 %

Total Assets

USD 2.6 billion

EBITDA

USD 210 million



Delivering energy for a sustainable world

Delivering energy is in our DNA. As the world's leading carrier of LPG, we deliver clean energy with competitive and sustainable solutions, creating lasting value for society and our stakeholders.



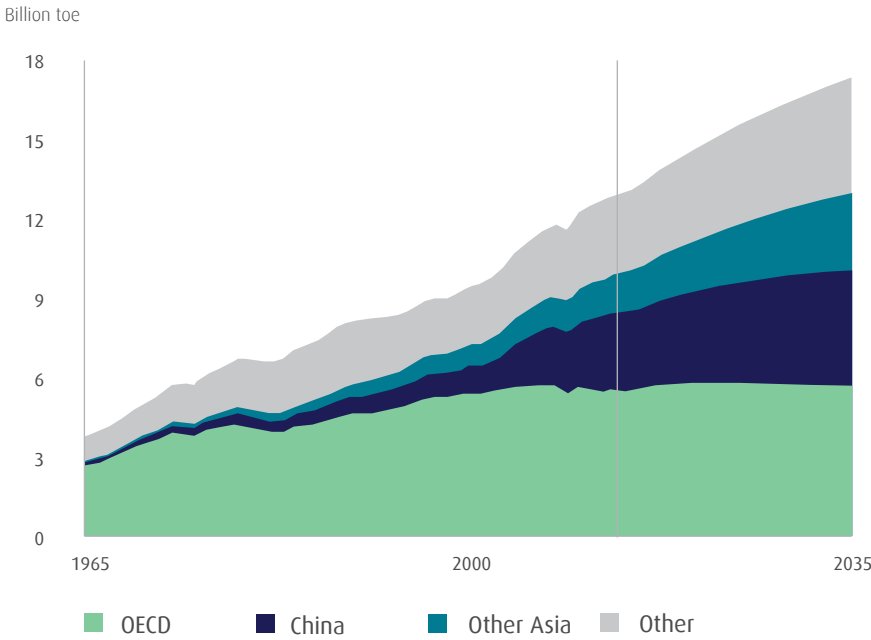
# POWER OF LPG

The increase in global population and income are key drivers to the growing demand for energy. The visible effects of increasing levels of carbon emissions have accelerated the need for cleaner energy. Liquefied Petroleum Gas (LPG) is a clean and modern energy source, and it is used by millions of consumers worldwide. The boom in shale gas extraction has increased the supply of LPG which is used in a range of applications in business, industry, transportation, farming, power generation, cooking, heating and for recreational purposes.

## Growth in the world's population drives higher consumption of energy

With the world's population estimated to increase by approximately 1.5 billion people by 2035, energy consumption is estimated to increase by 34% between 2014 and 2035.

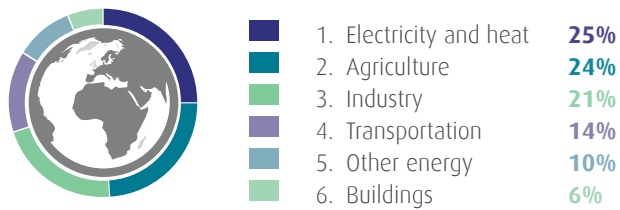
### Energy Consumption Growth by region



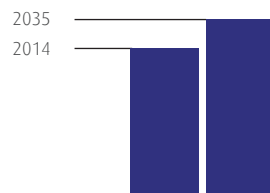
## Population growth and the increase in consumption of fossil fuels are key drivers contributing to higher levels of global carbon emissions

CO<sub>2</sub> emissions from energy make up approximately two thirds of all global man-made global greenhouse emissions. Energy is primarily used for electricity, heating, agriculture, industry and transportation. It is projected that global CO<sub>2</sub> emissions from fossil fuels may be 20% higher in 2035 than in 2014.

### Global Greenhouse Gases



### CO<sub>2</sub> emissions



↑20%

20% higher projected CO<sub>2</sub> emissions from fossil fuels by 2035

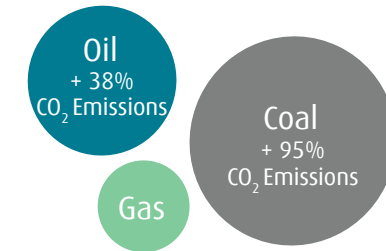


## Clean Energy

Gas has a significantly lower carbon footprint than alternatives like coal and oil and emits virtually no black carbon particles, making it one of nature's cleanest fuels, much cleaner than coal and oil.

### Hydrocarbon Emissions Comparison

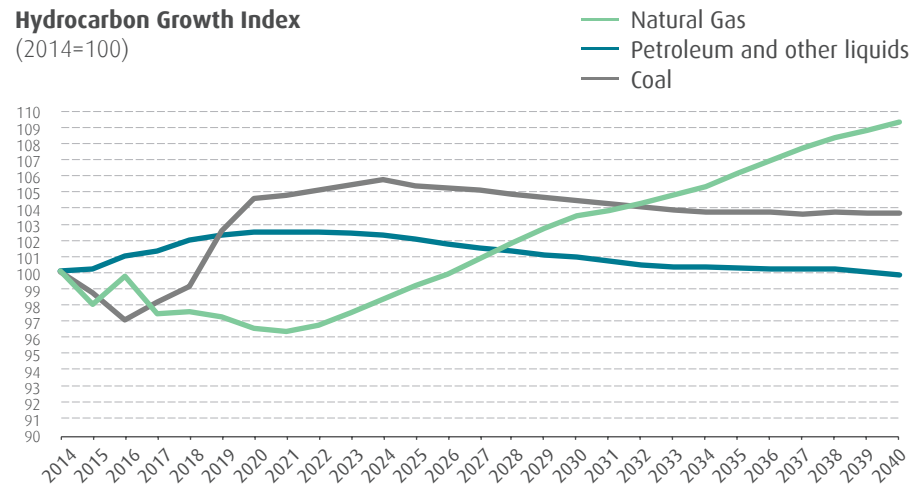
(Carbon Dioxide emissions per unit of energy (mBtu))



## Rising Consumption of Gas

The consumption of gas is expected to rise faster than consumption of any other fossil fuel, reflecting the increase in demand and popularity of gas as an alternative fuel source for many applications.

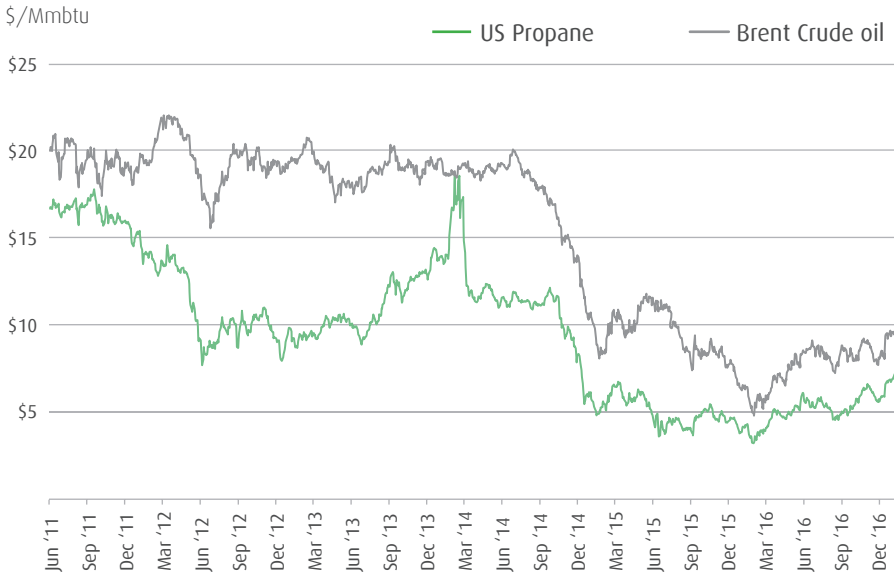
### Hydrocarbon Growth Index (2014=100)



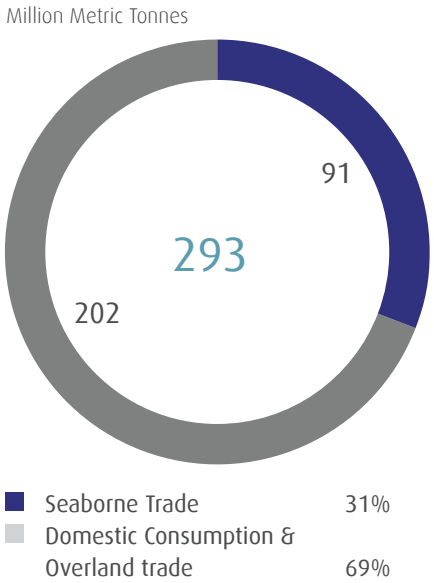
## LPG is cost effective and in abundance

U.S. Propane is cheaper than Brent crude oil, making it a cost effective solution. With the continued stream of shale gas resources, an established supply chain and market structures, global LPG consumption increased by 4% in 2016 to 293 million metric tonnes, 31% of which is seaborne.

### Energy Equivalency Price



### 2016 LPG Trade Composition





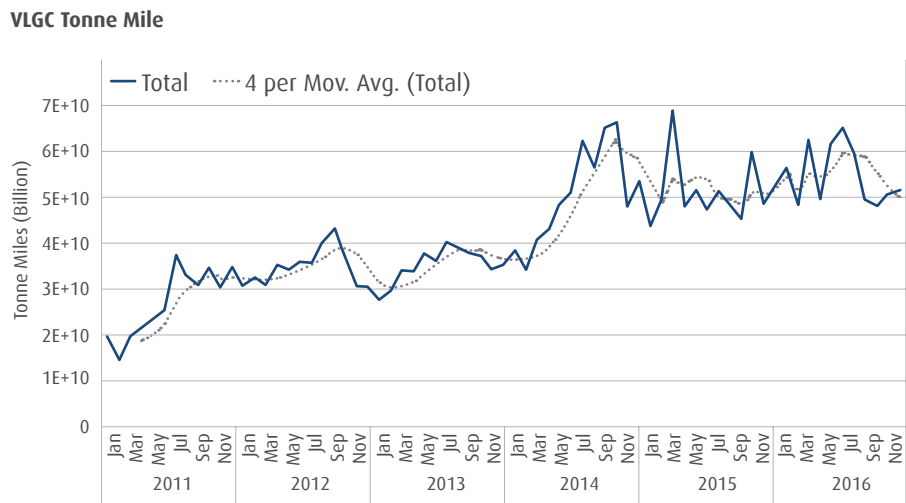
POWER OF LPG

VLGC tonne mile has been increasing

Main trade routes for LPG shipping are out of the Middle East and the U.S. to Asia and Europe. More LPG has been traded due to growing demand in Asia and in the Far East. VLGC tonne mile has been on a general increasing trend.



One of BW LPG's most recent VLGC newbuilding, BW Malacca, delivered in 2016.



LPG used everywhere in the world

LPG is a highly versatile fuel with applications ranging from cooking fuel, fuel for cars and ships, and feedstock for chemicals and pharmaceuticals. Referred to as one of the world's most versatile forms of energy, LPG consumption is growing across all sectors as it is increasingly recognised as a clean, modern energy that can meet the demands of a growing global population without compromising our environment.

Cooking for life



Autogas



vehicles are powered by autogas, making it the **most used alternative fuel**



**50%**

The bulk of the global consumption is concentrated in key markets, of which the top 5 countries - **South Korea, Turkey, Russia, Thailand and Poland** account for 50%

LPG to Power: BW LPG is part of the world's first floating storage project for converting LPG for power generation in the U.S. Virgin Islands



An aerial view of the WAPA power plants in the U.S. Virgin Islands

In a first project of its kind, the U.S. Virgin Islands Water and Power Authority (WAPA) has turned to LPG for electrical power generation. This reduces costs while providing power and water for the U.S. Virgin Islands. In partnership with Vitol, BW LPG is playing a pivotal role in this project with its Very Large Gas Carrier (VLGC), Berge Summit.

The closure of the Hovensa Refinery in the U.S. Virgin Islands in 2012 and rising fuel prices led WAPA to search for alternative sources of fuel. LPG was chosen as the best suited solution. In July 2013, Vitol was selected as the project partner for infrastructure upgrades and supplying LPG to the power plants.

BW LPG's Berge Summit serves as a floating storage for the propane which will be supplied to the power plants on St. Croix and St. Thomas islands. It conducts multiple ship to ship operations a week with small tankers, which delivers the propane to the power plants.

The National Renewable Energy has assessed a 60% reduction in fossil fuel and a 30% reduction in fuel costs in the U.S. Virgin Islands by 2025. This conversion to LPG represents the best possible near term project as a way to reduce costs for power generation.



BW LPG's Berge Summit moored off the U.S. Virgin Islands

"One of the challenges of this project was to build a storage facility in these islands to allow a constant supply of LPG to the islands. A floating storage vessel solved that issue and we chose BW LPG considering its expertise in the VLGC sector."

**Ralph Delia**  
Chartering Manager, Vitol

Future of LPG: An innovative alternative to marine fuel



With the International Maritime Organisation's (IMO) push to cap sulphur content of marine fuels at 0.5% by 2020, LPG is increasingly being considered as a viable alternative for marine fuel over

LNG and heavy fuel oil (HFO). With the continued supply of shale gas resources and an established infrastructure in place, LPG is poised to be a serious alternative to marine fuel.

	LPG	LNG	HFO
Ease of Implementation	✓	✗	✓
Efficiency	✓	✓	✓
Cleanliness	✓	✓	✗



# GLOBAL LEADER IN MARITIME LPG

BW LPG is the world's leading LPG carrier. We own and operate 55 Very Large Gas Carriers (VLGCs) and Large Gas Carriers (LGCs). With four decades of operating experience in LPG shipping and high calibre seafarers and staff, we offer high-quality and reliable services to our clients.



One of BW LPG's VLGC newbuildings, BW Tucana

BW LPG's shipping operations began in 1978. The Company expanded substantially with the acquisition of a 10-vessel VLGC fleet from Maersk Tankers in 2013. BW LPG became listed on the Oslo Stock Exchange in 2013 and since then, the Company has been capturing growth in the rapidly evolving LPG market. In 2016 we acquired Aurora LPG, executing fleet growth during the market downturn. Staying true to our vision and goals has ensured that we continue to deliver value to our stakeholders.

Our competitive strengths have and will continue to differentiate us from others, enabling us to operate globally and across the value chain, to offer best in class, safe and flexible solutions to our customers.



Total Assets

USD **2.6** billion

Presence in

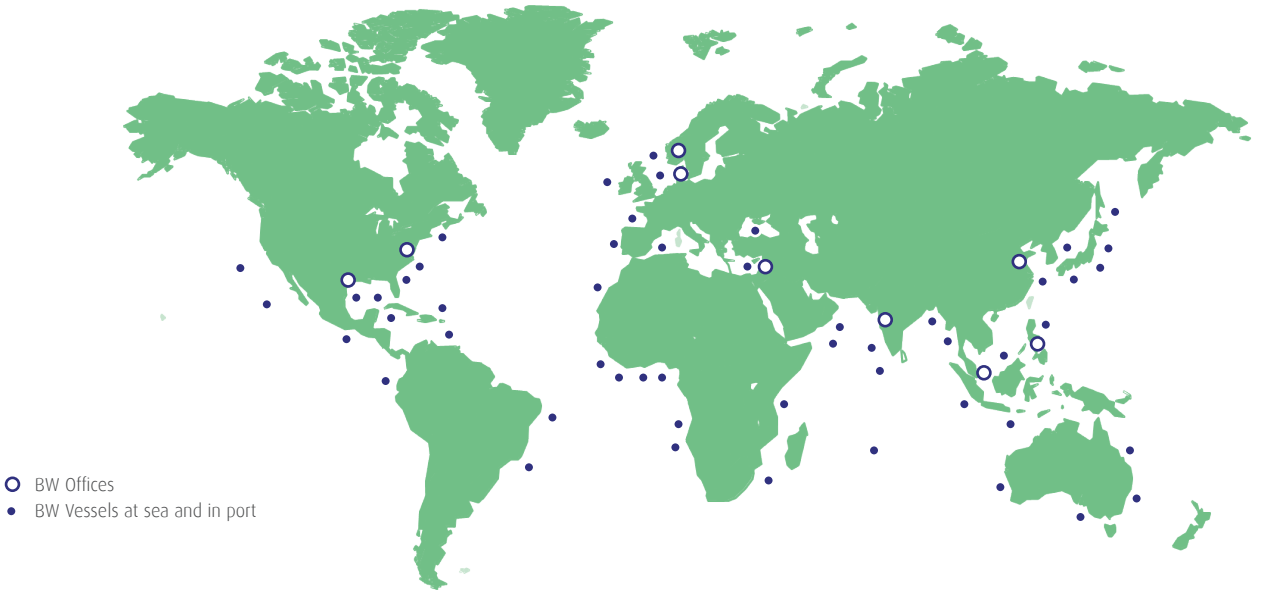
**9** countries

Total Number of employees (fleet & shore)

**1,537** people

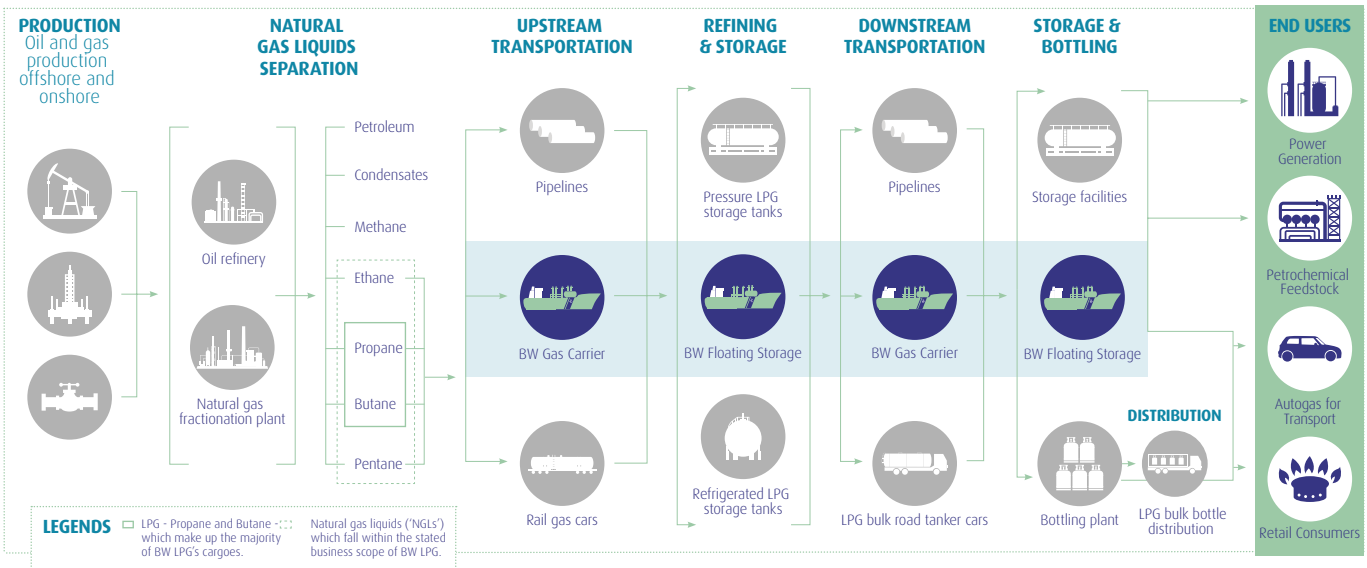
## Global Presence

We operate globally with offices in nine countries and our vessels are able to conduct operations in major ports across the world.



## Operating across the value chain

BW LPG's touch points within the value chain include export terminals (linked to upstream pipelines and storage facilities) and import terminals (linked to downstream storage and transportation). These vessels are often used as floating maritime storage.

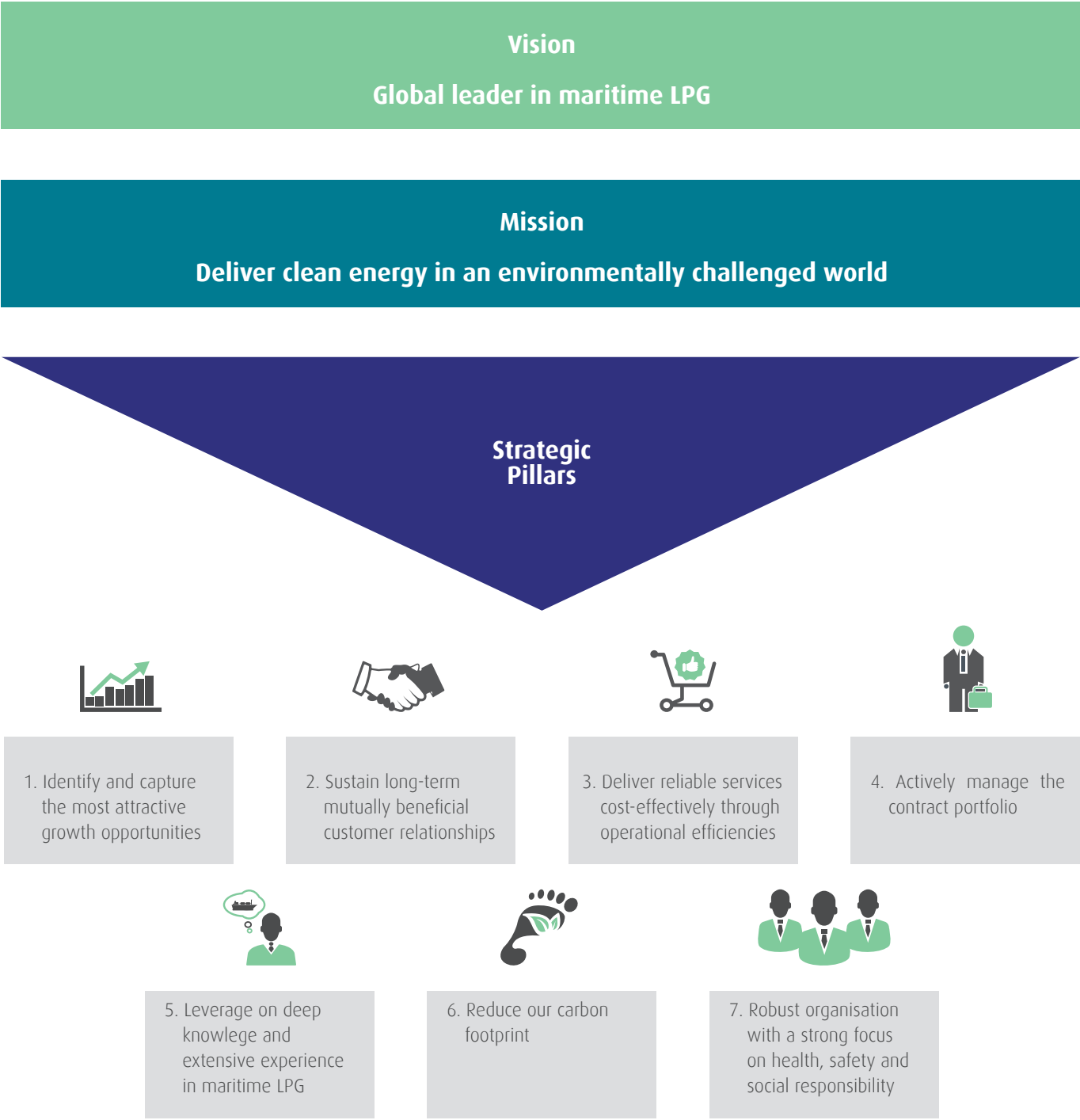




GLOBAL LEADER IN MARITIME LPG

Value Creation

Our leadership sets the strategic vision for the Company. The framework below captures the key pillars of our strategy and is designed to optimise shareholder returns, build customer satisfaction, and sustain our position as the global leader in maritime LPG solutions.



Our People



Living the Values	Talent Attraction and Retention	Employee Engagement	Rewards Strategy	Health, Safety and Social Responsibility
<p>Our core values of:</p> <p><b>1. We deliver on our promises,</b></p> <p><b>2. We act for the future,</b></p> <p><b>3. We always try to do better,</b></p> <p><b>4. We create positive energy through collaboration</b></p> <p>summarises our approach to business and serves as a common foundation for our fleet and shore employees.</p>	<p>Our priority is to ensure that we develop and maintain a highly skilled and committed workforce that is ready to meet current and future market demands.</p> <p>We prioritise training of our employees.</p> <p>Collaborative planning for professional development and career progression, helps us attract and retain talent who deliver the best results.</p>	<p>Our employee engagement survey guides our ongoing actions to make sure our people remain engaged, feel empowered and are energised to take on any challenges that may arise.</p>	<p>Our employees are rewarded based on company and individual performance and on how well they uphold the Company’s core values.</p> <p>Additionally, managers are assessed on how well they lead, engage and develop their teams. Critical to this is ensuring that our employees have clarity on the overall goal and are able to execute effectively through individual contributions.</p> <p>Incentives are designed to inspire continued excellence while adapting to evolving business and market trends.</p>	<p>We do not compromise when it comes to creating a safe and healthy work environment. It is equally important to us that all our employees act in a socially responsible manner.</p> <p>Our policies ensure that we comply with governing laws and regulations wherever we operate. We ensure that we provide our employees with a work environment that is free from discrimination, harassment and corruption. The Company has zero tolerance for such conduct.</p>



GLOBAL LEADER IN MARITIME LPG

Expanding our global presence through consolidation

In 2016, BW LPG made a strategic move to acquire Aurora LPG, a Norway based provider of marine transportation of LPG in the VLGC segment. The acquisition and ensuing expansion has bolstered the Company’s position as a market leader in the LPG transportation segment.



The consolidation is consistent with our overarching strategy of maintaining our market leadership by investing counter cyclically and growing through market downturns.

Both companies’ fleets are highly complementary and the balance sheet of the combined entity is strong. This provides investors with an attractive opportunity, offering long-term value.

A stronger platform amid current industry challenges

The consolidation will give BW LPG’s shareholders an attractive opportunity to be part of any future upside in the VLGC market. Integrating existing shareholders with a stronger platform that is financially robust and flexible, will allow the combined entity to become a strong player in the LPG industry.

World’s largest fleet of VLGCs

The combined entity will own and operate a total of 55 LPG carriers, the world’s largest. We will see the average age of our owned VLGCs decrease from 7.3 years to 6.2 years.

Improved LPG services

An enlarged, younger fleet will allow BW LPG to improve reliability and flexibility of our services, which will enable us to deliver a wide range of maritime LPG solutions to customers.

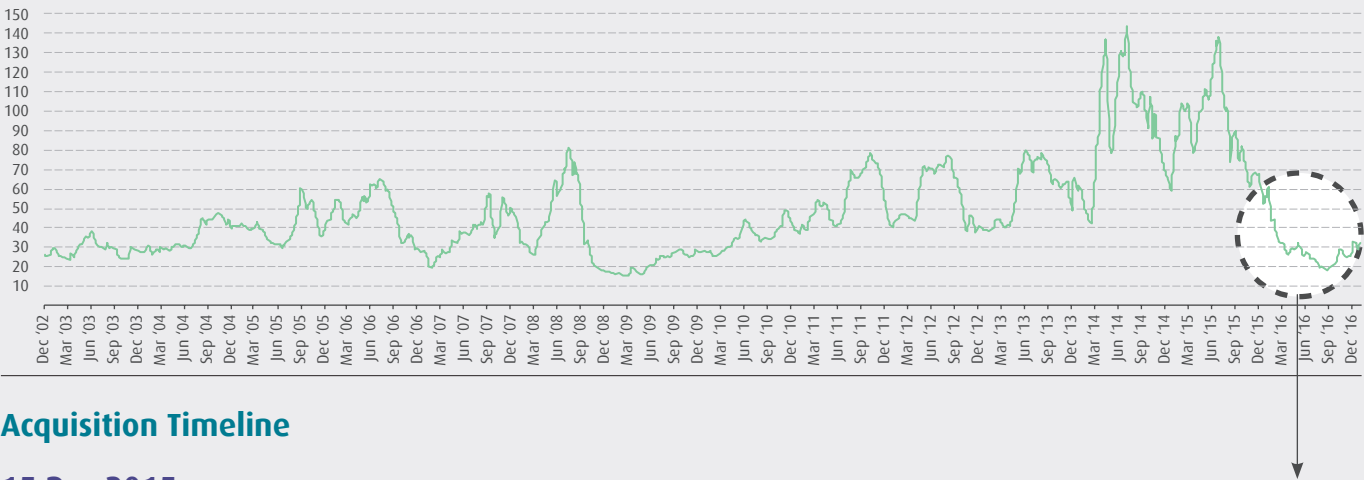
“We acquired Aurora LPG and with the world’s largest VLGC fleet, we can offer the most flexible and reliable services to our clients. As we always say, for BW LPG, the customer is the king.”

Martin Ackermann  
CEO, BW LPG

Timing the Cycle

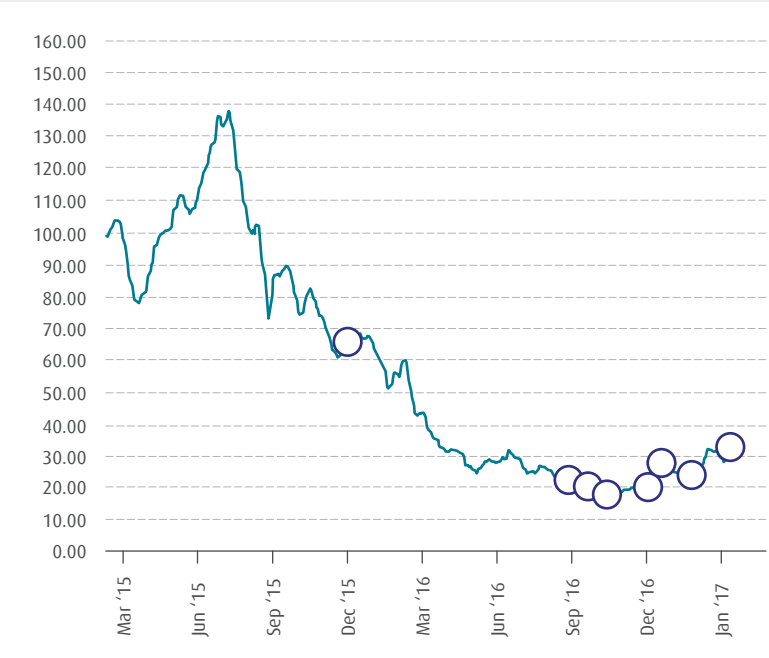
The acquisition of Aurora LPG illustrates our strategy of investing counter cyclically and growing through market downturns. We executed the acquisition at the lowest point in the cycle since 2009.

Baltic Index \$ Per Ton (Ras Tanura - Chiba)



Acquisition Timeline

- 15 Dec 2015**  
Acquires a 15% stake
- 19 Sept 2016**  
Acquires an additional 10.12%
- 20 Sept 2016**  
Acquires an additional 2.96% and launches voluntary offer
- 31 Oct 2016**  
Launches voluntary unconditional offer
- 5 Dec 2016**  
Voluntary unconditional offer period expires
- 12 Dec 2016**  
Implementation of compulsory acquisition of all shares
- 27 Dec 2016**  
Aurora LPG delisted
- 19 Jan 2017**  
Integration completed



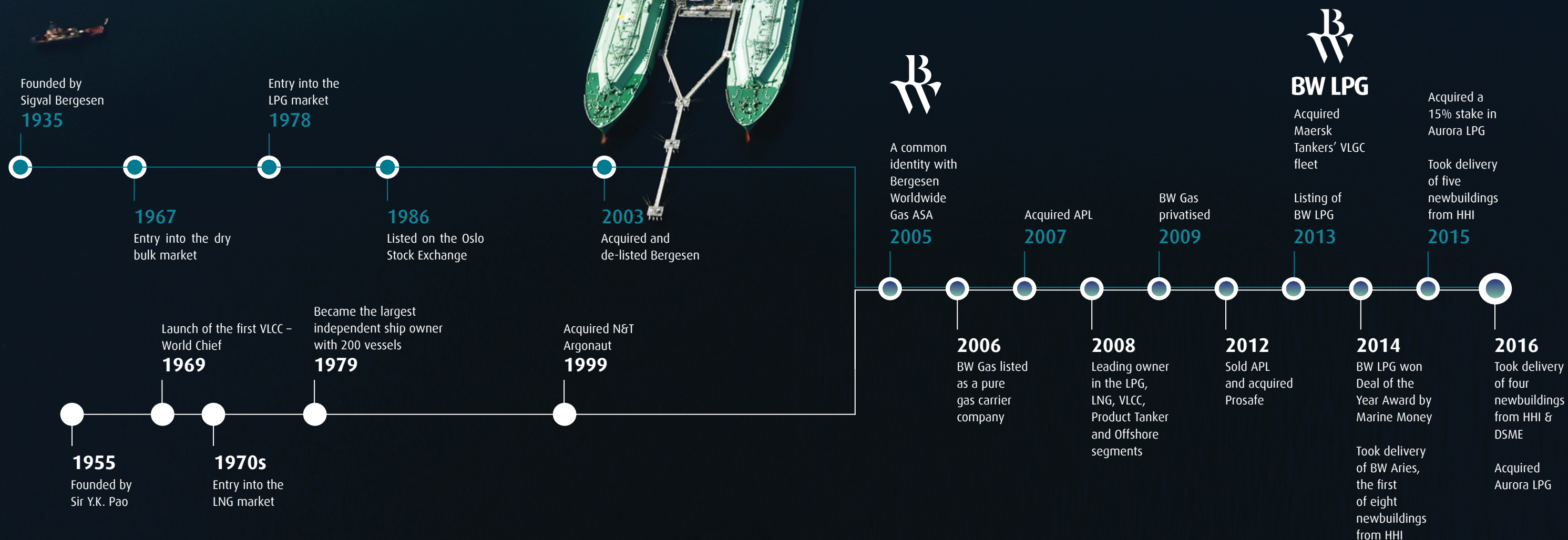
Nine modern and high-spec VLGCs added to the fleet

Sr.	Name	CBM	Built	Yard	Flag
1	BW Njord	84,000	2016	Hyundai HI (Ulsan)	Marshall Is.
2	BW Var	84,000	2016	Hyundai HI (Ulsan)	Marshall Is.
3	BW Balder	84,000	2016	Hyundai HI (Ulsan)	Marshall Is.
4	BW Brage	84,000	2016	Hyundai HI (Ulsan)	Marshall Is.
5	BW Freyja	84,000	2016	Hyundai HI (Gunsan)	Marshall Is.
6	BW Frigg	84,000	2016	Hyundai HI (Gunsan)	Marshall Is.
7	BW Odin	82,000	2009	Hyundai HI (Ulsan)	Marshall Is.
8	BW Tyr	82,000	2009	Hyundai HI (Ulsan)	Marshall Is.
9	BW Thor	82,000	2008	Hyundai HI (Ulsan)	Marshall Is.



# BW – BEST ON WATER

Since 1935, BW Group has grown from strength to strength, and is a leader in the delivery of clean energy around the world. BW LPG has been in LPG shipping for over four decades and has continued capturing growth and delivering value.





# Performing through the cycle

Having executed fleet growth during the market downturn, the Company continued to focus on operational improvements, reducing cost, enhancing our commercial performance and optimising human capital. The Board believes that these fundamentals will hold the Company in good stead in the current challenging market conditions.

Global LPG Exports carried by BW LPG in 2016

**13** million tonnes

Average worldwide port calls per day

**4.1**

Global Seaborne VLGC trade growth in 2016

**12%**



# BOARD OF DIRECTORS' REPORT

## CHAIRMAN'S STATEMENT

2016 was a year of surprises on the political front. For the LPG market, the softening of rates was less of a surprise given the number of new ships entering the market, although earnings declined with unexpected speed and ferocity.

In addition to a large influx of new vessels, the demand for large LPG ships came under pressure as a result of the shrinking price spread between U.S. and Asian LPG. Shipping demand was also impacted by the opening of the new Panama Canal extension, shortening distances for cargoes travelling from America to Asia. In sum, this resulted in significantly reduced charter rates and falling asset prices.

The longer-term outlook for LPG as a sector remains positive. Notwithstanding the shorter distances, U.S. exports continued to increase significantly in 2016. Asian demand for LPG continued to grow at a healthy pace, not least in China. Taking a long-term view of the business, and on the back of our strong balance sheet, we made a decision to acquire Aurora LPG towards the end of the year.

With this acquisition, we added nine VLGCs to our fleet. In combination with the delivery of six VLGC newbuildings recently, we now have a fleet of 55 vessels, with which we will continue to support our customers to deliver this important energy source to world markets.

In addition to fleet growth, we continue to focus on operational improvements, cost efficiency, and a responsive commercial organisation. While working towards better financial returns for our shareholders, we know that running a safe and dependable service underpins our reputation and future success.

## Financial Performance

Our operating revenue was USD 506.5 million in FY 2016 (USD 773.3 million in FY 2015).

TCE income decreased to USD 406.7 million from USD 626.5 million, mainly attributable to the decline in LPG spot rates.

These factors resulted in a decrease in TCE income of USD 192.2 million and USD 27.6 million respectively, in the VLGC and LGC segments.

Charter hire expenses decreased to USD 69.5 million in FY 2016 (USD 79.6 million in FY 2015) due to one fewer charter-in vessels.

Other operating expenses increased to USD 128.8 million in FY 2016 (USD 118.6 million in FY 2015) mainly attributable to an overall larger fleet size.

The Group reported a profit after tax of USD 23.6 million in FY 2016 (USD 326.1 million in FY 2015).

The decrease in profit was mainly due to the decline in TCE income arising from lower LPG spot rates and recognition of impairment charges on certain vessels of USD 144.1 million offset by the recognition of negative

goodwill of USD 110.5 million from the acquisition of Aurora LPG.

## Parent Company Accounts

Vessels and related assets, as well as external debt financing, are held in subsidiary companies within the Group.

The investment holding company balance sheet includes primarily cash and receivables from subsidiaries and related parties; as well as shareholders' equity, trade payables and accrued expenses.

Total assets are USD 980.6 million, shareholders' equity is USD 979.9 million, and total liabilities are USD 0.7 million. Income of USD 111.3 million is solely from dividends from subsidiaries and expenses of USD 3.8 million, which consists of overhead and other costs related to the operations of the investment holding company as a listed entity.

## Safety

Safety is a top priority at BW LPG and the Board is conscious that safety performance is a continuous process, and the Company has active programs in place with a focus on 'Zero Harm'.

In 2016, the safety statistics for the Company improved with a LTIF (Lost Time Injury Frequency per million working hours) rate of 0.59 compared to a rate of 0.75 in 2015. TRCF (Total Recordable Case Frequency) in 2016 stands at a rate of 1.32 compared to a rate of 1.95 in 2015.

## Corporate Governance

The Board of Directors has adopted a corporate governance policy reflective of the Company's commitment to good governance and taking into account standards of corporate governance in the listed environment in Norway. Deviations from the code are addressed in the Corporate Governance section of this Annual Report. The Board held five meetings in 2016.

## Risk

BW LPG is exposed to various market, operational, and financial risks. The most significant of these risks were set out in the IPO prospectus issued in November 2013. That document and other information on risks are available on the Company website at [www.bwlpg.com](http://www.bwlpg.com).

The Group employs an enterprise-wide risk assessment process to analyse and evaluate risk exposures and to allocate appropriate

resources to risk mitigation activities. The Group's risk mitigation activities take into account the unpredictability of shipping and financial markets. The Group's main risks relate to the inherently cyclical nature of the shipping industry and the consequent inherent volatility of financial performance; the potential for oversupply of shipping capacity to negatively impact freight rates and asset values; and the dependence on continued export volumes of relevant hydrocarbons to maintain demand for shipping.

## Outlook

We remain cautious on the market in the near term due to the end of the winter demand period, substantial newbuilding deliveries in the first half of 2017 and the potential for further inventory drawdowns in the U.S. keeping LPG prices elevated. The medium-term fundamentals for the VLGC trade are more positive as U.S. production is expected to track the recovery in oil prices. Supporting this are announcements of increased E&P spending by major US producers, and an increasing rig count in the U.S. Renewed LPG production growth and a decline in newbuilding deliveries by late 2017 should allow for improved freight rates in 2018 and beyond.

## Significant Events After 31 December 2016

In January 2017, BW LPG took delivery of BW Mindoro and BW Messina, the final two of four VLGC newbuildings from Daewoo Shipbuilding and Marine Engineering (DSME).

In January 2017 one Large Gas Carrier, BW Havfrost was sold for recycling.

At the date of this report, the Group has repaid Aurora LPG's bank borrowings of USD 141.3 million and has repurchased USD 3.3 million of the floating rate notes issued by Aurora LPG. The outstanding bank borrowings and floating rate notes are USD 191.0 million and USD 1.4 million respectively.

## Going Concern

In light of the Group's liquidity position, balance sheet strength, assets, employment, and continuing cash flow from operations, the Board confirms that the going concern assumption, upon which the Group's accounts are prepared, continues to apply.



ANDREAS SOHMEN-PAO  
CHAIRMAN  
Chair, Nomination Committee

JOHN B HARRISON  
VICE CHAIRMAN  
Chair, Audit Committee

DATO' JUDE P BENNY  
DIRECTOR  
Member, Remuneration Committee

ANDERS ONARHEIM  
DIRECTOR  
Member, Audit Committee

ANDREAS BEROUTSOS  
DIRECTOR

CARSTEN MORTENSEN  
DIRECTOR

ANNE GRETHE DALANE  
DIRECTOR  
Chair, Remuneration Committee



# BIOS OF BOARD OF DIRECTORS & MANAGEMENT

## Board of Directors

**Andreas Sohmen-Pao, Chairman**  
Chair, Nomination Committee  
Chairman of BW Group, BW Offshore, BW Pacific  
Former CEO of BW Group  
**Expertise in:** Maritime, finance, commercial, investments, strategy, M&A, management  
**Directorships:** 11  
**Born:** 1971 **Resident of:** Singapore  
**Nationality:** Austrian

**John B Harrison, Vice Chairman**  
Chair, Audit Committee  
Former Deputy Chairman of KPMG International  
**Expertise in:** Finance, audit, accounting, risk management, strategy, management  
**Directorships:** 7  
**Born:** 1956 **Resident of:** Hong Kong  
**Nationality:** English

**Dato’ Jude P Benny, Director**  
Member, Remuneration Committee  
Senior Partner of JTJB Lawyers  
**Expertise in:** Shipping litigation, admiralty law, insurance law, international arbitration, commercial, management,  
**Directorships:** 9  
**Born:** 1957 **Resident of:** Singapore  
**Nationality:** Singaporean

**Andreas Beroutsos, Director**  
Special adviser & EVP of Caisse de depot et placement du Quebec (CDPQ)  
**Expertise in:** Corporate finance, capital markets, investment banking, M&A, risk management, management  
**Directorships:** 3  
**Born:** 1965 **Resident of:** U.S.A  
**Nationality:** Greek

**Anders Onarheim, Director**  
Member, Audit Committee  
Former Managing Director of companies within Carnegie Group  
**Expertise in:** Corporate Finance, capital markets, investment banking, M&A, business development, management  
**Directorships:** 8  
**Born:** 1959 **Resident of:** Norway  
**Nationality:** Norwegian

**Carsten Mortensen, Director**  
CEO of BW Group  
Former CEO of D/S Norden  
**Expertise in:** Maritime, strategy, sales, operations, commercial, management  
**Directorships:** 4  
**Born:** 1966 **Resident of:** Denmark  
**Nationality:** Danish

**Anne Grethe Dalane, Director**  
Chair, Remuneration Committee  
CFO, Yara Crop Nutrition  
Former Chief HR Officer, Yara International  
**Expertise in:** Finance, human resources, audit, strategy, risk management, management  
**Directorships:** 2  
**Born:** 1960 **Resident of:** Norway  
**Nationality:** Norwegian

## Management

**Martin Ackermann, CEO**  
Former CEO of Evergas  
**Expertise in:** Maritime, sales, M&A, strategy, commercial, operations, management  
**Born:** 1977 **Resident of:** Singapore  
**Nationality:** Danish

**Elaine Ong, CFO**  
Former SVP, Finance of BW Group  
**Expertise in :** Maritime, finance, accounting, audit, risk management, investor relations, strategy, M&A  
**Born:** 1972 **Resident of:** Singapore  
**Nationality:** Singaporean

**Niels Rigault, SVP Commercial**  
Former Senior Partner of Inge Steensland  
**Expertise in:** Maritime, shipbroking, commercial, sales, strategy  
**Born:** 1976 **Resident of:** Singapore  
**Nationality:** Norwegian

**Pontus Berg, SVP, Technical & Operations**  
Former General Manager Greenship Gas France  
**Expertise in:** Maritime, Ship operations, technical management, newbuilding, efficiency management  
**Born:** 1976 **Resident of:** Singapore  
**Nationality:** Swedish

**Sonia Vaswani, Head of HR & Communications**  
Former Head of HR, MCC Transport  
**Expertise in:** Maritime, human resources, management, strategy  
**Born:** 1976 **Resident of:** Singapore  
**Nationality:** Singaporean

# 2016 MANAGEMENT REVIEW

2016 was a challenging year for the LPG sector, with volatile crude oil prices exerting pressure on the LPG trading and shipping markets. LPG freight rates adjusted steeply in the first quarter of the year and remained depressed due to weak international LPG price spreads and an elevated pace of fleet growth, which in combination led to cancellations of LPG cargoes and a contraction in the global LPG trade.

The U.S. continued to be the largest LPG exporter in the world and Asia continued to play a major role in balancing the global trade, bringing respite for an otherwise challenging period for the LPG market. One of the key developments in the maritime sector was the expansion of the Panama Canal, which has allowed for more LPG to reach growing markets in Asia. Total LPG seaborne trade rose 8.2% to 91 million tonnes in 2016, of which BW LPG captured over 13 million tonnes of LPG in 2016.

Our performance in 2016 is a validation of our prudent and conservative strategy demonstrated by our strong balance sheet and our market leading financing. We acquired Aurora LPG and we see this as consistent with our overarching strategy of maintaining our market leadership by investing counter cyclically and growing

through market downturns. With the world’s largest VLGC fleet, we can offer the most flexible and reliable services to our clients. As we always say, for BW LPG, the customer is king.

Over the last 12 months we have been quite active. We have taken delivery of six newbuildings, nine second hand vessels, sold three vessels - two of which were under leaseback arrangements, and added two timecharter-in newbuildings. With our modern fleet of 55 vessels and an average age of only 6.2 years, strong and reliable operations remain a core focus for servicing our global client base.

We have also strengthen our commercial platform. Niels Rigault joined our management team as Commercial Senior Vice President and we enhanced our global presence and proximity to our customers with the opening of offices in Oslo and in Houston. A sustained focus on operational improvements and considerable cost saving initiatives have enabled us to build a stronger operating platform, which will continue to deliver value to all our stakeholders.

There is much reason to remain positive about the long term outlook of the LPG market, with the rising demand in Asia and

continued U.S production growth. A softening in the U.S. domestic LPG pricing as a result of renewed LPG production growth and a sharp drop off in newbuilding deliveries by late 2017 should set the stage for a more sustainable rebound in freight rates in 2018 and beyond, if more tonnage is not added.

What defines our commitment to this sector is our belief in the future of LPG. We anticipate an increase in global LPG demand as more stringent environmental regulations are driving the need for cleaner fuel sources such as using LPG as marine fuel for vessels and using LPG for cooking and power generation in pollution steeped cities around the world. It is estimated that every year more than two million people in developing nations die from pollution from traditional cooking and three billion people lack access to clean, modern cooking. Our mission aims to help address this challenge - to deliver clean energy in an environmentally challenged world where problems such as pollution and energy poverty persist. We will continue to leverage our strengths and enhance our operations to do what we do best – deliver clean energy for our customers and for a sustainable future.

Detailed bios can be found on our website [www.bwlp.com/About-Us](http://www.bwlp.com/About-Us)

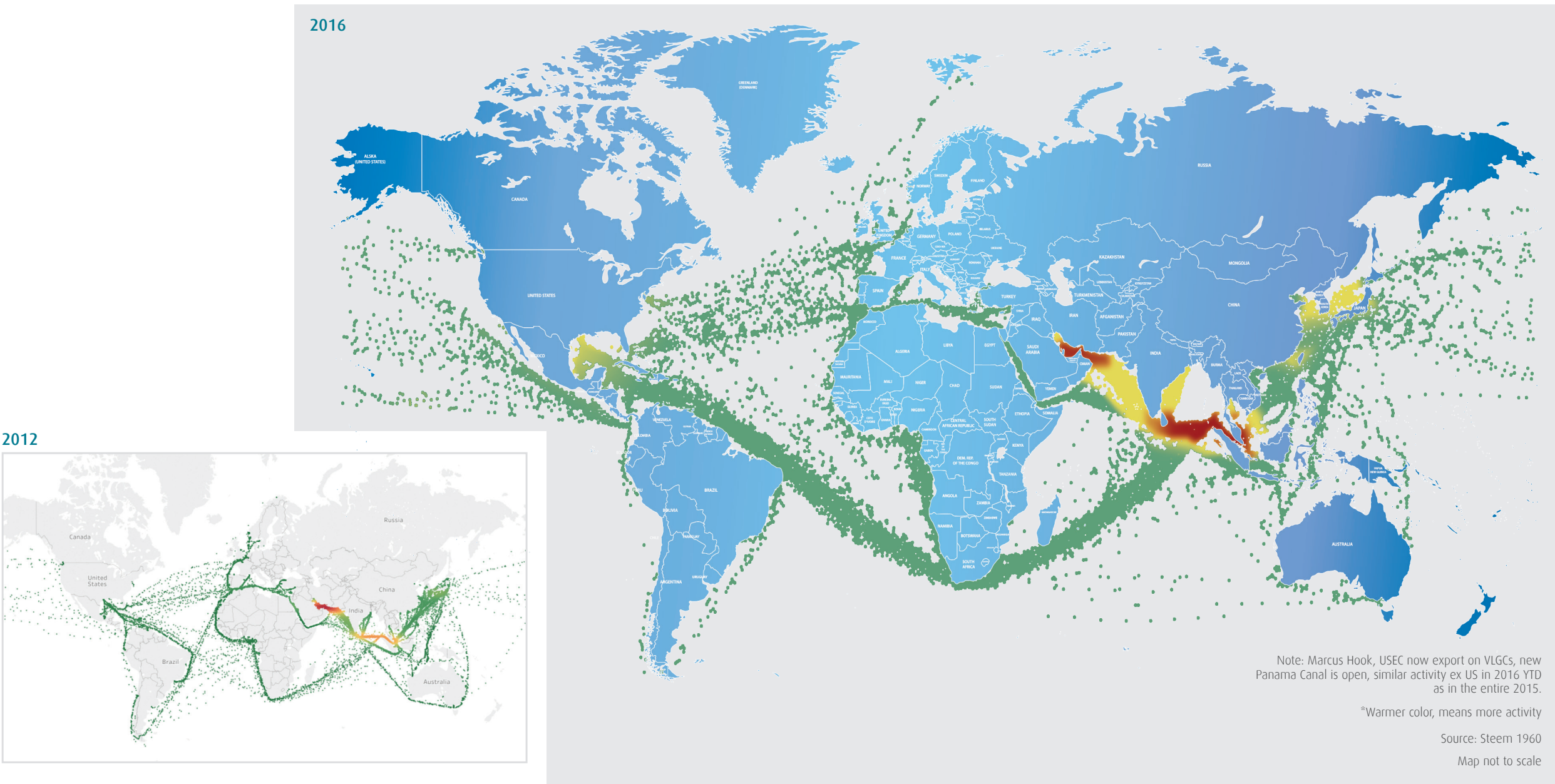




# 2016 MARKET AND BUSINESS REPORT

While 2014 and 2015 were strong years for VLGC charter rates, 2016 has been weak. The strong market in 2014 and 2015 came on the back of a sharp increase in the long-haul trade between the U.S. and the Far East. The shale boom left the U.S. with ample supply of LPG, causing prices to plummet domestically and making U.S. LPG the most competitive for placement in international markets.

## VLGC trading pattern density\* map



2016 Global Seaborne  
LPG Trade

91 million tonnes

LPG exports carried by  
sea

31% increase

Tonne Mile Average  
Annual Growth

14% increase from  
2013 to 2016

### North America

- U.S. will continue to have a surplus of LPG in the future.
- While neo-Panama Canal transits have risen to six per day the opening of the canal, there have been reports of congestion.

### Latin America

- Import growth led by retail demand in Brazil, Chile & Peru.
- Completion of Panama Canal will facilitate VLGC trade to West Coast of Latin America.

### Europe & Former Soviet Union

- While Russia LPG production and exports experienced a cutback in 2016, there are plans for LPG expansion further out.

### Asia

- NE Asia import growth led by propane dehydrogenation (PDH) demand in China & Korea.
- China imported 15.6m tonnes of LPG, from the U.S. and the Gulf, a 30% increase from 2015.
- China and India have the scope to increase retail consumption by 1.1m tonnes (5%) and 6.8m tonnes (39%) respectively.

### Middle East

- Growing exports in the Middle East due to additional gas production & easing of Iran sanctions.
- China accounted for 80% of the Iranian LPG exports in 2015 and this continued in 2016.

### Africa

- Both an exporter and importer of LPG, West Africa saw LPG exports dip to a monthly average of 180,000 tonnes in 3Q 2016.
- Africa has the potential to increase retail consumption by 9.5m tonnes (440%) from 2.2m tonnes to 11.7m tonnes, adjusting to the world average consumption.



The expansion of the Panama Canal was a game changer in global shipping in 2016, allowing greater product availability from the U.S. to growing Asia markets.

VLGCs the 2nd largest user of the new Panama Canal

32.2 %

of all transits at the new Panama Canal are transits by VLGCs

14.1 %

BW LPG vessel transits of total VLGC transits at the new Panama Canal

## Key highlights of 2016

Key highlights of 2016 included the opening of the new Panama Canal in June 2016, which has led to easier accessibility of LPG to Asia and higher cargo hauling capacities. However, the marine transportation industry has faced heavy headwinds. Newbuilding deliveries in 2016 caused oversupply, and consequently, decreased freight rates. Already-volatile crude prices fell further and economic turbulence in the industry intensified. In Asia though, the scenario was different. Exports to China, the world's largest LPG consumer, rose consistently. As the continent dealt with a supply deficit and looked for external sources to meet internal demand, international players saw several opportunities to mitigate negative impacts and drive a transformation across the industry.

## Market and Freight Rates

VLGC rates averaged USD 13,600 per day in the fourth quarter of 2016, or USD 26.3 per tonne on the benchmark Baltic route. Freight rates improved slightly due to an expansion of geographic LPG price spreads. This recovery in Asian LPG prices was led by winter heating season, as well as rising crude prices and delays in receiving U.S. sourced cargoes. Seaborne LPG trade grew by 3%

in the final quarter of 2016, compared to Q4, 2015. This was led by import growth of 20% and 5% in India and China, respectively, and slightly offset by the decline in Japanese imports. U.S. seaborne LPG export volumes rebounded strongly to approximately 7 million tonnes in Q4, 2016. Middle Eastern LPG export volumes also registered a healthy growth of 5% on the back of increased Saudi Arabian production.

## Customers and Contract Coverage

Global LPG trade is becoming increasingly complex with retail demand for LPG growing in the emerging demand centres of India, China and Latin America. BW LPG has made significant efforts in 2016 to develop sources of demand for LPG and is looking at petrochemical industries, retail and gas-topower markets while advocating the use of LPG by enabling trade. We work with leading national oil companies, international oil majors and trading companies. A highlight of 2016 was when VLGC BW Broker was nominated to load the first commissioning cargo from Phillips 66's (P66) new Freeport LPG Export Terminal, off the coast of Houston. This was a result of collaborative discussions between BW LPG, P66 Terminal and all technical personnel involved.

## U.S. LPG Production and Consumption

U.S. LPG production for 2016 was 76.5 million tonnes, up 1.8% year on year from 75.1 million tonnes. The growth was driven by an increase in propane production, with gas plant and refinery production registering 1.5% and 4.5% growth respectively, offset by a 9.1% decrease in refinery production of butane.

Domestic U.S. LPG consumption in 2016 decreased 1.5% year on year to 54.3 million tonnes, spurred by weaker propane retail demand (which was down by 3.4%) but offset by increased demand for butane to gasoline blending (which was up by 2.8%).

With the opening of the Neo-Panama Canal, VLGCs quickly became the vessel type transiting the canal most frequently. However going forward, we expect congestion to lead to delays as containerships are given priority over VLGCs, the first LNG shipments from the U.S. begin in earnest in 2018, and more vessels seek to transit the canal.

## VLGC Fleet Growth

The VLGC fleet counts 244 ships on the water, of which 16% were built in or before 1996 and 33% in or before 2006. For the VLGC segment, 26 ships will be delivered in 2017.

Furthermore 13 ships are expected to be delivered in the period of 2018 to 2020. BW LPG took delivery of six newbuildings and entered into two time charter-in agreements

effective in the year 2020. Today, BW LPG operates 20% of the VLGC fleet on water.



49 VLGC - Owned & Operated

20.1 %  
of global  
VLGC fleet



2 VLGC - Newbuildings

5.6 %  
of global VLGC  
newbuilds

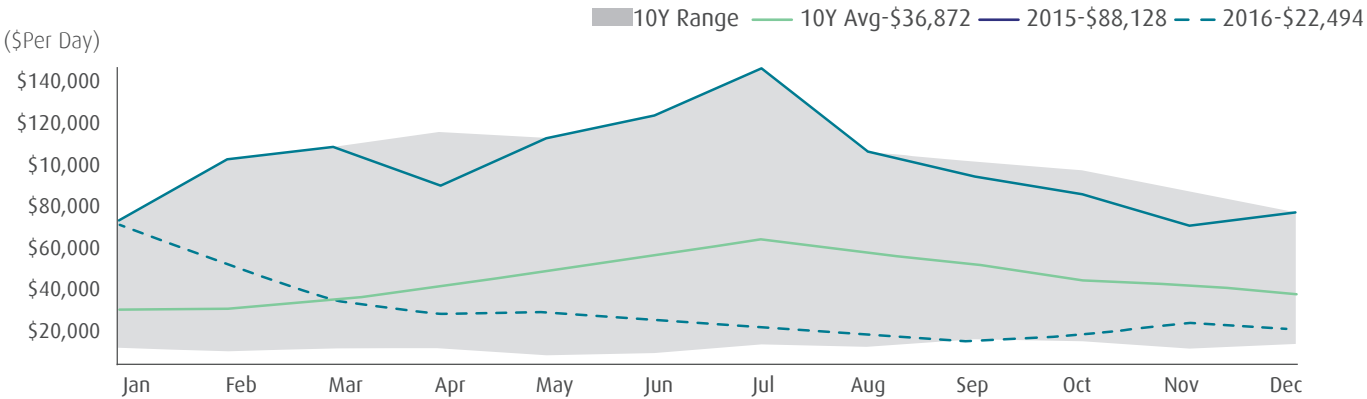


2016 MARKET AND BUSINESS REPORT

2016 in six graphs

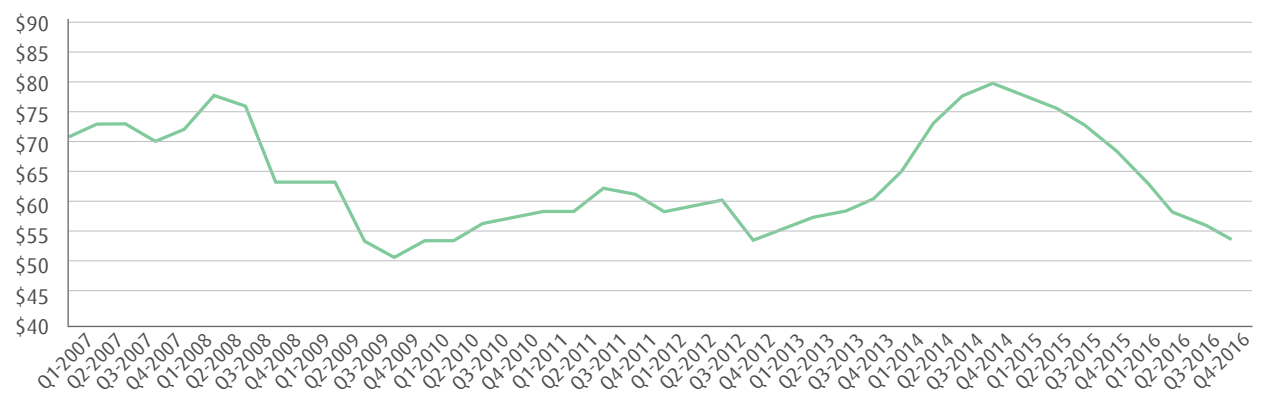
1. VLGC rates have fallen by 75% YoY in 2016...

Trailing Ten Year Monthly VLGC Spot Rates



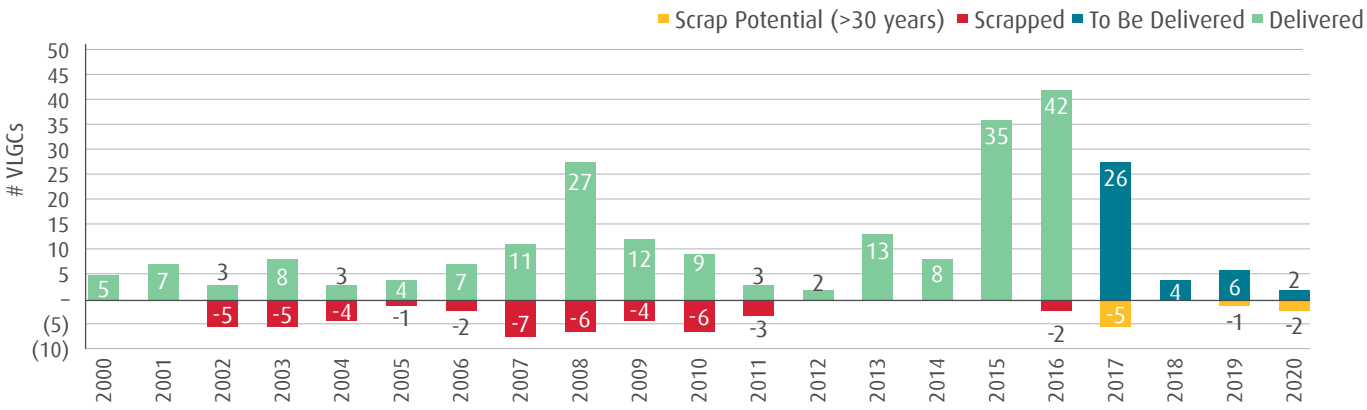
2. ...leading to a 23% reduction in secondhand prices

Quarterly 8yr Old VLGC Prices (\$MM)



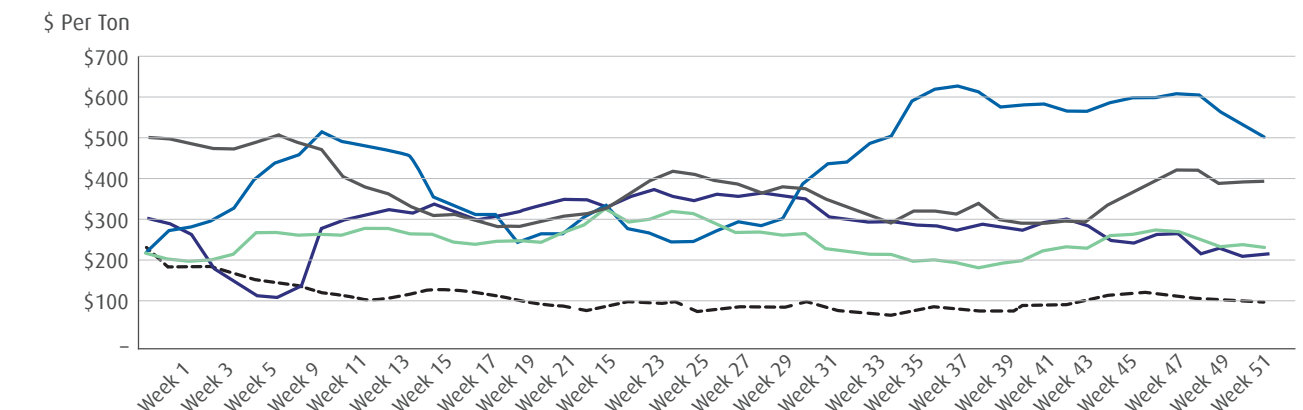
3. This is due to VLGC fleet growth of 42 ships or 22%...

VLGC Fleet Development 2000 - 2020



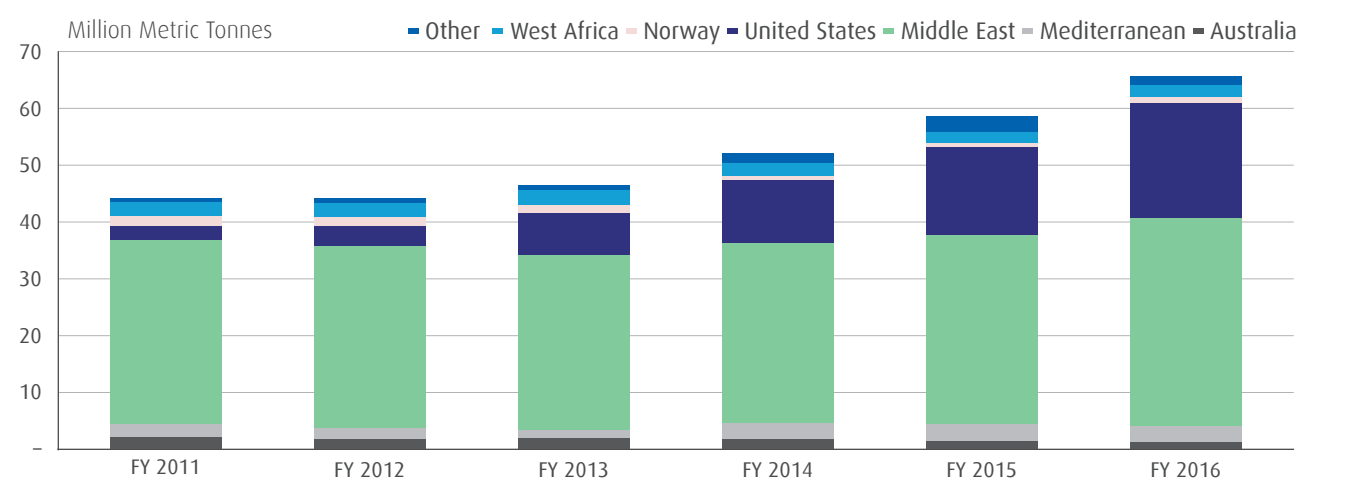
4. ...as well as a collapse in the arbitrage to \$91/ton, from \$240/ton in 2015

Historical Far East - US Propane Price Spreads



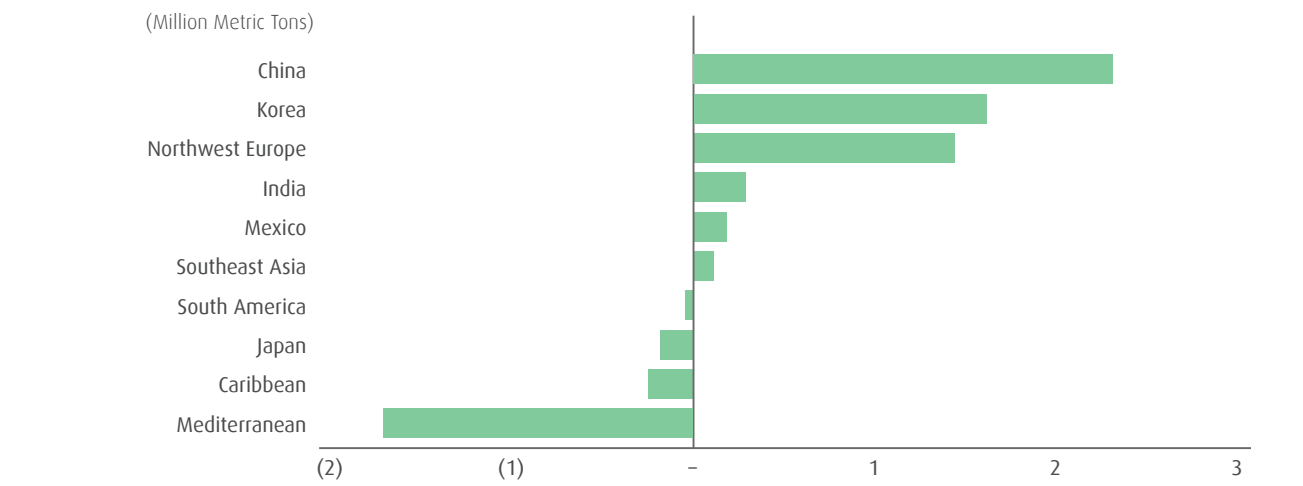
5. However, global VLGC trade has grew by 7mt or 12%...

2016 VLGC Trade By Exporter



6. ...with China (29%) & Korea (20%) driving import growth

Change in LPG Imports FY 2016 / FY 2015





# SHAREHOLDER INFORMATION

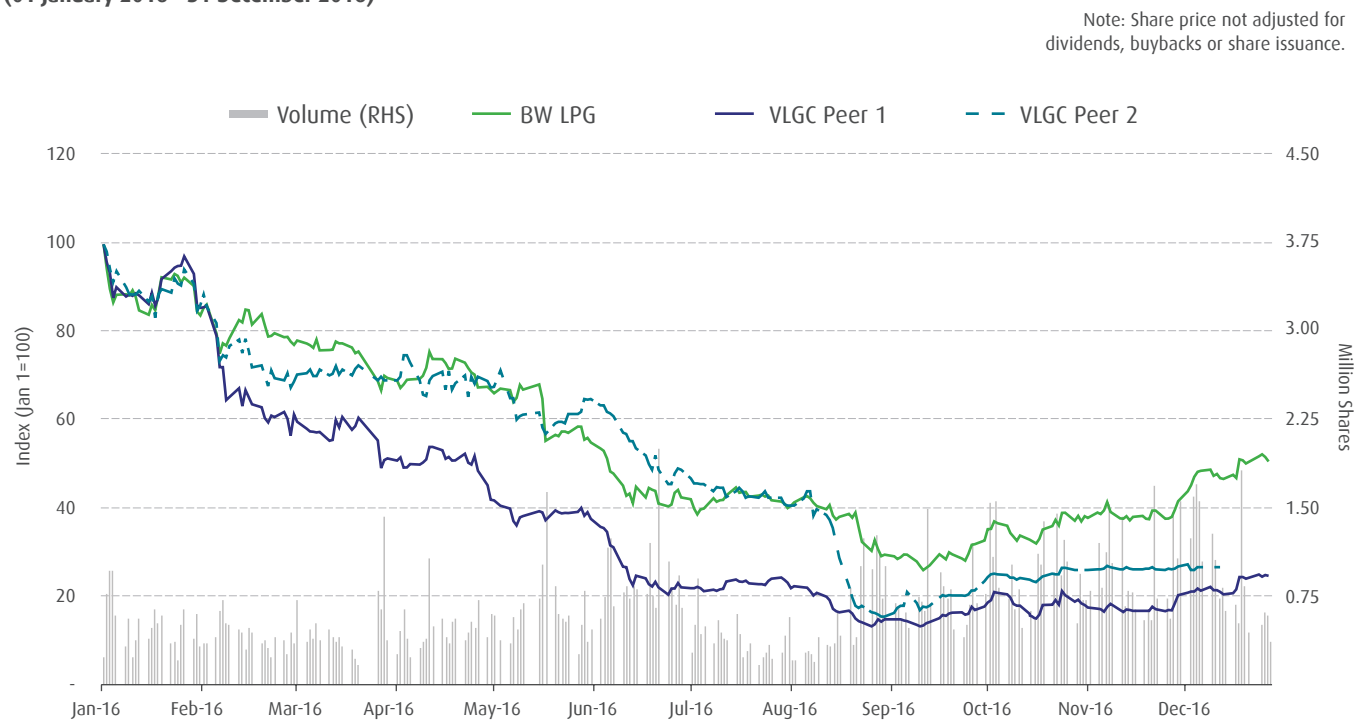
## 2016 Performance of shares on relative and absolute values

BW LPG's shares traded down in early 2016, closely tracking falling energy prices. Lingering concerns over excess oil and gas supplies and the resilience of U.S. production weakened crude oil prices in the third quarter, and by extension Asian naphtha

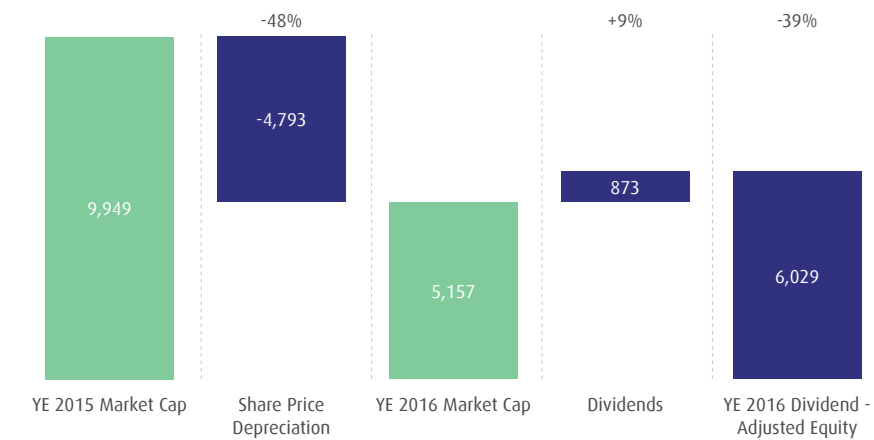
and propane prices. This resulted in fewer arbitrage opportunities and a fall in freight rates, causing the shares to continue underperforming through the third quarter. After bottoming in September, the shares recovered through the end of the year. The share price

recovery was led by an uptick in the physical freight market and an improvement in the energy market sentiment on the back of the OPEC production cut.

Indexed BW LPG Share Price Performance Relative to Norway-Listed VLGC Peers  
(01 January 2016 - 31 December 2016)



2016 Total Shareholder Return (NOK Million)



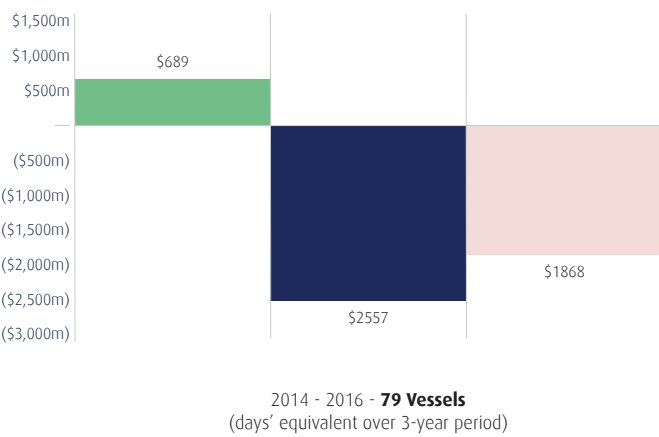
The shares started the year at NOK 71.75 before falling to the high-teens in the third quarter, and then experiencing a strong counter-seasonal rally to end the year at NOK 36.33. On a full year basis, the shares depreciated by 48%, which was offset by a dividend on 9%, resulting in a total shareholder return of -39% for the calendar year .

## BW LPG outperforms peer group on both cash flows and shareholder returns since IPO

### Operating Cash Flows (\$MM)

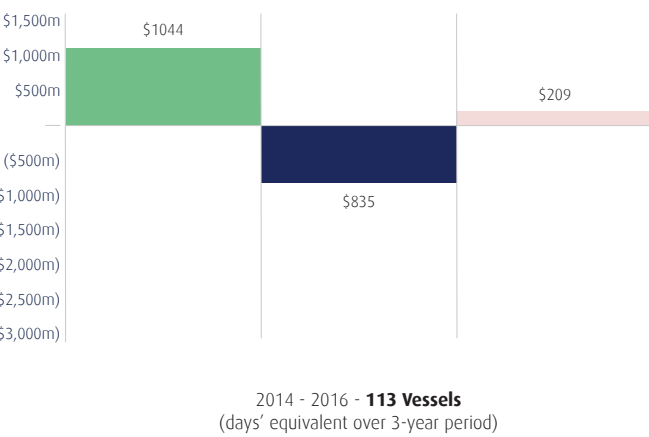
#### VLGC Peer Group Combined

Large financing gap due to shortfall between heavy growth capex programme and insufficient, volatile cash flows.



#### BW LPG

Stable operating cash flows in excess of growth capex financing requirement.

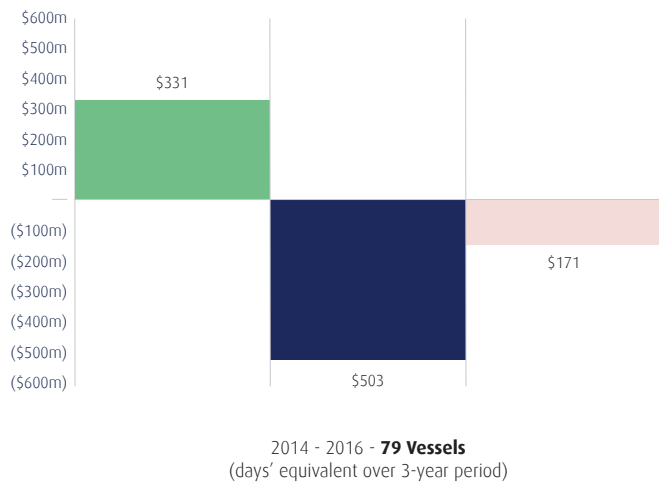


Operating Cash Flow, Net Growth Capex, Financing Surplus/(Gap)

### Equity Cash Flows (\$MM)

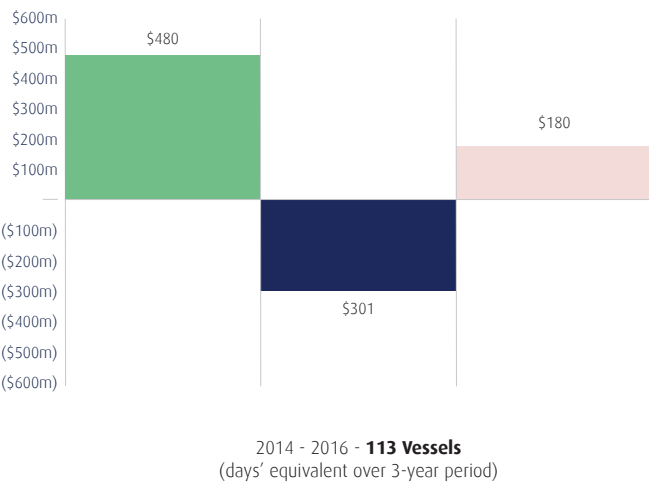
#### VLGC Peer Group Combined

Shareholders yet to recoup initial equity investment, highly cyclical return of capital.



#### BW LPG

Through-the-cycle return of capital to shareholders, with ample capacity to invest during downturns.



Dividends + Share Buybacks, Equity Issuance<sup>1</sup>, Net return of capital to Shareholders

Source: Company filings  
Note: VLGC peer group combined consists of Dorian LPG, Avance Gas & Aurora LPG.

Source: Company filings  
[1] Proceeds from November 2013 equity issuance are reflected in FY 2014 for BW LPG to facilitate comparison with VLGC peer group.



SHAREHOLDER INFORMATION

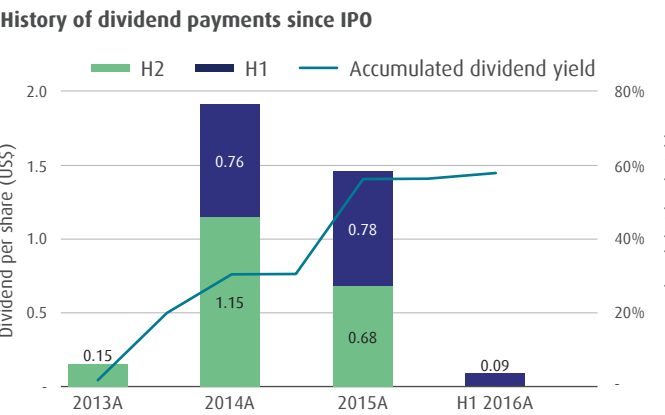
Dividends at Stated Policy of 50% of profits

The Company paid a final dividend of USD 0.68 (NOK 5.65) per share in May 2016 for the second half of 2015. The Company paid USD 0.09 (NOK 0.7382) per share in September 2016 as an interim dividend for the first half of 2016. Both dividend payments are at our stated policy of 50% of net profits. Of the 141,938,998 shares in issue, 69,294 are treasury shares acquired through a share buy-back programme and are not entitled to dividends.

	Earnings Per Share	Dividend Per Share	Payout Ratio	Share Price at Period End	Annualized Earnings Yield	Annualized Dividend Yield
H1 2015	\$1.03	\$0.78	75%	\$8.54	24%	18%
H2 2015	\$1.41	\$0.68	50%	\$8.30	34%	16%
H1 2016	\$0.04	\$0.09	50%	\$3.79	2%	5%
H2 2016	\$0.14	\$0.00	50%	\$4.20	7%	0%

Accumulated dividend yield of 58%

Since listing in 2013, we have paid out dividends of USD 3.61 (NOK 27.15) per share, USD 485 million in total as of 30 December 2016, with an accumulated dividend yield of 58% on the IPO price of NOK 47 per share.



Investor Relations Policy



We always:

- Respect the principle of equal treatment of all market players to ensure fair pricing of BW LPG's shares.
- Maintain an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public.
- Aim for a high degree of openness and communicate information in compliance with the disclosure requirements of the Oslo Stock Exchange.
- Communicate about our business performance and developments with all of our investors and analysts via:
  1. Annual and quarterly reports and press releases,
  2. Annual General Meetings, Investor & Analyst presentations and information sessions,

3. Industry seminars and events where industry participants and investors are represented.
- Maintain a Primary Insider Register with any changes to certain primary insiders'

shareholdings in accordance with Oslo Stock Exchange rules that are published on the Oslo Stock Exchange's internet news platform ([www.newspoint.no](http://www.newspoint.no)) and on our website.

- BW LPG will provide news updates via email within 24 hours of any announcements we make on our website and on Oslo Bors.

Diverse Shareholder Base

BW LPG gained many new shareholders in 2016 and there were a total of 4,168 shareholders at 31 December 2016, a 40% increase from 2015. Of the total

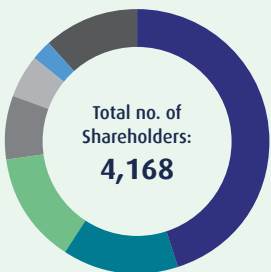
shareholders, the ten largest shareholders (including the BW Group), held 66.15% of the shares outstanding. Apart from BW Group, the largest geographical

shareholding of the Company was in Norway, with other major shareholdings in the United States, Luxembourg and Sweden.

Top 20 BW LPG Shareholders	Shares	% Ownership
BW Group	63,035,340 <sup>1</sup>	44.41
JP Morgan Chase Bank London	11,638,313	8.20
Sundt As	6,793,682	4.79
Folketrygdfondet	2,895,077	2.04
KLP Aksjenorge	1,940,776	1.37
JP Morgan Bank Luxembourg S.A.	1,913,885	1.35
Capital International Fund	1,862,025	1.31
Deutsche Bank AG	1,481,246	1.04
Swedbank Generator	1,233,703	0.87
Verdipapirfondet Pareto Investment	1,100,000	0.77
State Street Bank and Trust Company	982,591	0.69
Credit Suisse Securities (USA) LLC	947,349	0.67
Transpetrol Shipping Ltd	926,990	0.65
Clearstream Banking S.A.	898,571	0.63
Nordnet Bank AB	829,776	0.58
VPF Nordea Norge Verdi	824,622	0.58
Reliability LLC	819,169	0.58
State Street Bank and Trust Company	803,100	0.57
Fidelity Puritan Trust	802,929	0.57
State Street Bank and Trust Company	798,535	0.56
Total remaining shareholders	39,411,319	27.77
<b>Total</b>	<b>141,938,998</b>	<b>100.00</b>

<sup>1</sup> In aggregate BW Group Limited holds 63,693,439 shares. The balance of shares disclosed above, 63,035,340 is distributed among nominee accounts.

Geographical distribution of shareholders



45.19%	Bermuda
14.15%	Norway
13.62%	United Kingdom
7.73%	U.S.A
5.18%	Luxembourg
2.70%	Sweden
11.43%	Others



# An integrated approach towards sustainability

We believe that sustainability ensures continued growth and we remain focused on creating value while operating in a healthy and sustainable manner. We have established a rigorous Health Safety Security Environment and Quality (HSSEQ) program across our operations. BW LPG's key priorities are aligned with the ten universal principles of the UN Global Compact.

## Commitment to Sustainability

"Being a market leader involves more than just wealth and scale; we also bear the responsibility towards ensuring sustainable practices across our operations. Even in current volatile global economic conditions, we remain focused on efficient performance and sustainable operations."

**Martin Ackermann**  
CEO, BW LPG

## CO<sub>2</sub> Emission

**0.4** tonnes / nautical mile

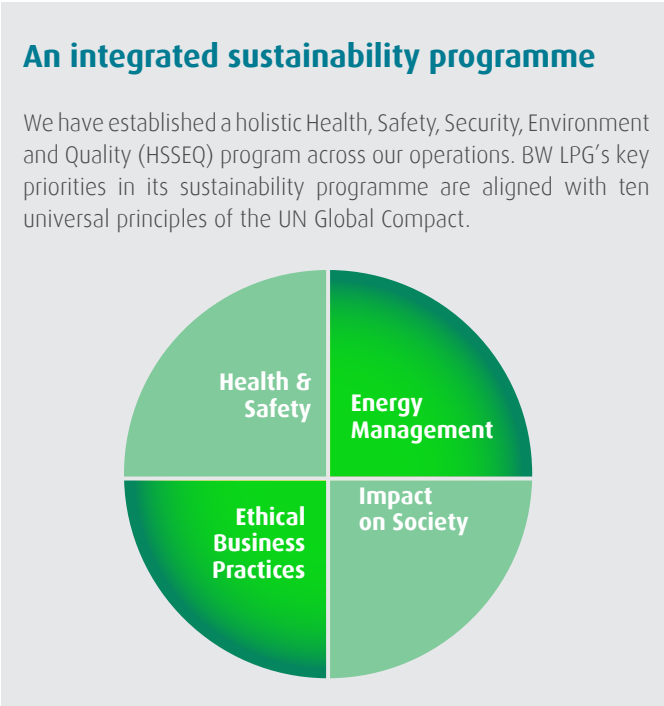
## SO<sub>x</sub> Emission

**6.59** kg / nautical mile



# A HEALTHY AND SAFE WORKING ENVIRONMENT

As the global leader in maritime LPG, BW LPG’s mission is to deliver clean energy in an environmentally challenged world. Our commitment to sustainable operations entails being a good corporate citizen in the many countries we operate in. To this end, we have established and maintained an integrated and holistic approach to Health, Safety, Security, Environment and Quality across our operations. These efforts are critical to the operational and commercial development of our business.

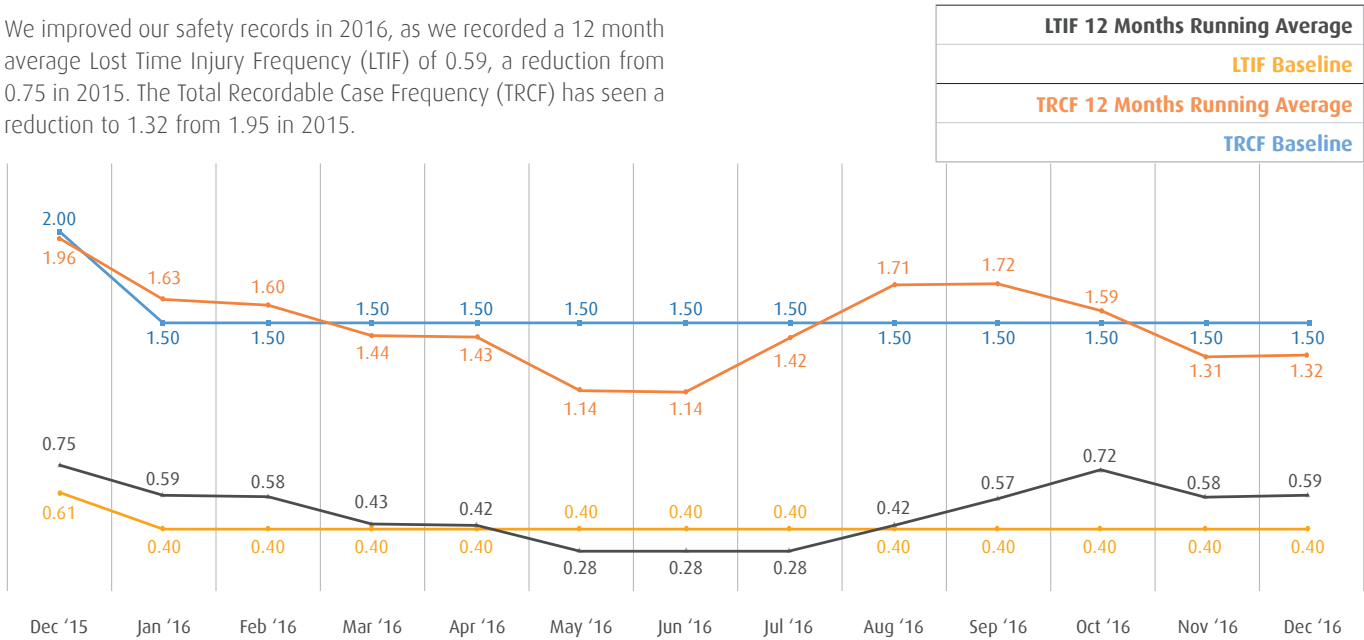


## Safety at BW LPG

BW LPG’s holistic safety management policy is built on the pillars of training, strong processes and having the right tools. We strive to provide the safest work environment possible for every employee. Our safety management policy is made up of the following:

- Clear restrictions on risky work activities.
- Minimising and mitigating identified risks in hazardous situations.
- Guidance from shipboard management teams on safe work practices.
- Safety training programmes and drills to prepare seafarers for challenges.

We improved our safety records in 2016, as we recorded a 12 month average Lost Time Injury Frequency (LTIF) of 0.59, a reduction from 0.75 in 2015. The Total Recordable Case Frequency (TRCF) has seen a reduction to 1.32 from 1.95 in 2015.



“The most important element of Zero Harm is the human element. There is a fundamental drive to always have safety at top of our minds. Managing behaviour is critical for the success of Zero Harm.”

**Pontus Berg**  
Senior Vice President, BW LPG Technical and Operations

## Zero Harm Initiative

Zero Harm is an organisation-wide safety campaign at BW LPG. Its goal is to ensure safety remains the priority across our operations. At BW LPG, we believe the human element, training and communication are critical requirements for the success of the campaign and for raising safety awareness.



BW LPG CEO Martin Ackermann and BW LPG SVP, Technical and Operations, Pontus Berg onboard VLGC BW Carina with crew members.



Visible Leadership	Learning from Incidents	Zero Harm Behaviours
Senior leaders are engaged and committed to our work on safety – visible in all staff contact at sea and on shore	We strengthen our systems in safety management and risk awareness continually, by applying learning from incidents	We understand the importance to address both procedures and behaviours
<ul style="list-style-type: none"><li>• Management supports Zero Harm</li><li>• Ship visits from Senior Management</li><li>• On board safety meetings with ship crew</li><li>• A fair culture</li></ul>	<ul style="list-style-type: none"><li>• Case studies/ Reflective learning</li><li>• Upgraded safety equipment &amp; PPE</li><li>• Root cause analysis (by TapRoot ©)</li><li>• Training adapted to workplace requirements</li><li>• Using Near Miss Reports as training material</li></ul>	<ul style="list-style-type: none"><li>• Behavioural competencies</li><li>• Resilience/ Reflective learning</li><li>• Safety campaigns &amp; initiatives</li><li>• Risk assessment/ Change management</li><li>• Navigational competence</li><li>• Work/ Rest hour management</li></ul>



A HEALTHY AND SAFE  
WORKING ENVIRONMENT

Security Initiatives

At BW LPG, we are committed to protect the security of our seafarers, vessels and cargo. Our counter-piracy strategy is guided by the principle of defence and we have measures in place to deter attacks and safeguard the well-being of crew on board. We were one of the first ship operators to implement the International Ship and Port Facility Security (ISPS) code, which contains rules and requirements for carriers and terminals to significantly improve vessel and port security against international terrorism.

“Maritime security is a commitment we take very seriously; keeping our seafarers out of harm’s way, protecting our assests and keeping customers’ cargo safe.”

**Prodyut Banerjee**  
Vice President, BW LPG Operations



BW LPG’s fleet security team follows a set of rigorous operational procedures, and relies on a number of intelligence resources to evaluate the risk of sea routes, and provide guidance on the most strategic route of travel.

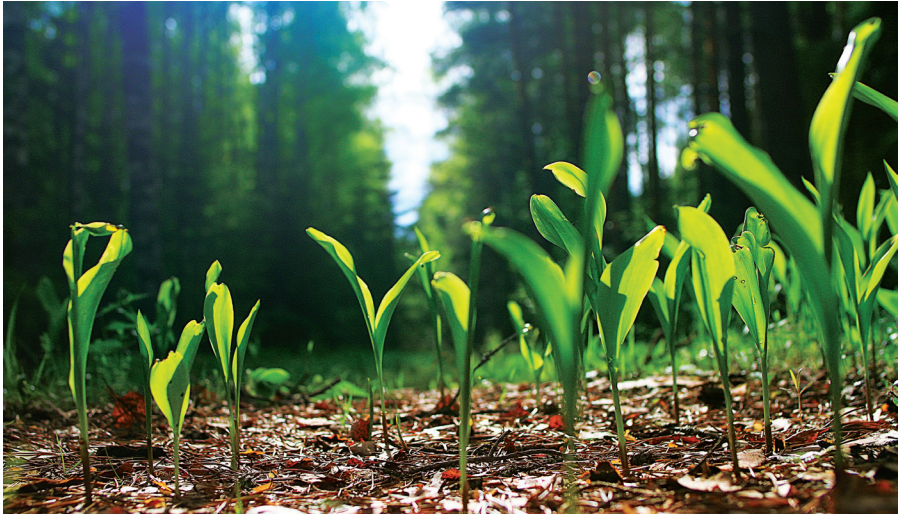
- To professionally handle the many transits through High Risk Areas (HRAs), we have a designated Global Head of Security responsible for monitoring and acting on security matters impacting seafarers and the fleet.
- All vessels transiting high-security areas follow a set of regularly updated guidelines which respect various reporting requirements as defined by the UK Maritime Trade Organisations, the Maritime Security Centre (Horn of Africa), various national authorities, flag states and charterers.
- Anti-piracy gear, such as razor wire and water hoses, are fitted on board vessels to deter hostile boarding.
- We employ ex-navy seals and royal marine guards onboard our vessels, who train our seafarers on handling dangerous and high security situations.
- Our vessels comply with international and flag state security requirements.
- BW LPG complies with BMP 4 for planning, entering, transiting and exiting HRAs in the Gulf of Aden and Indian Ocean.
- Voyages in areas of concern are based on decisions made using formal risk assessments.

ENERGY MANAGEMENT

Energy efficiency enables us  
to remain competitive

At BW LPG, caring for the environment goes beyond being compliant with regulations; it is a fundamental element of our core values. We are committed to keeping the future of our planet in mind wherever we do business.

A significant part of our operations are directed towards achieving fuel efficiency and reducing emissions. We have invested in technology to help reduce our environmental footprint. These initiatives will enable us to manage the environmental impact of our operations while providing competitive energy solutions to our customers.



Political Drivers

- Emissions to air
- Upcoming CO<sub>2</sub> quotas/ levy
- Extension of Emissions Control Areas (ECAS)
- Stronger requirements for low sulphur fuels

Financial Drivers

- Oil and bunker prices
- Growth in emerging markets
- Energy savings – cost savings
- Efficient vessels

Socio-Cultural Drivers

- Legal and ethical responsibility
- Secure health and environment in a proper way

Technological Drivers

- Innovation: New regulations force new technology and designs
- Eco-efficient vessels

Our Approach

BW LPG’s fleet is ISO 14001 certified. We have taken a holistic view on energy management involving the entire organisation and are committed to implementing processes and measures that will continually reduce our impact on the environment.

Reducing Emissions	Steadfastly complying with Low Sulphur fuels in Emission Control Areas around the world
	Enabling discharge terminals to return cargo vapours to vessel to create a closed ship to shore system thereby cutting down the emission of hydrocarbons to atmosphere
Cost Focus	Utilising Mass flow meters for the delivery of bunkers at select ports; Testing each stem of bunkers for quality control
	Ensuring we carry inventory of fuel oil optimised for each voyage and nothing more, thereby minimising deadweight
Performance	Driving a performance mindset across the team to enhance availability, utilisation and cost awareness
	Being agile in all aspects of Operational and Technical management; Utilising voyage obligations to maintain optimum speeds
Benchmarking	Abiding to the highest benchmarks of Tanker Industry Health, Safety and Environmental standards



ENERGY MANAGEMENT

We monitor our CO<sub>2</sub> emissions and remain well prepared for the upcoming European Union's CO<sub>2</sub> Monitoring Reporting and Verification (MRV) regulation and International Maritime Organisation's CO<sub>2</sub> Data Collection System (DCS). BW LPG is a member of Workgroup 5 for environmentally friendly shipping (WG5).

WG5 consists of five leading shipping companies such as BW, Klaveness,

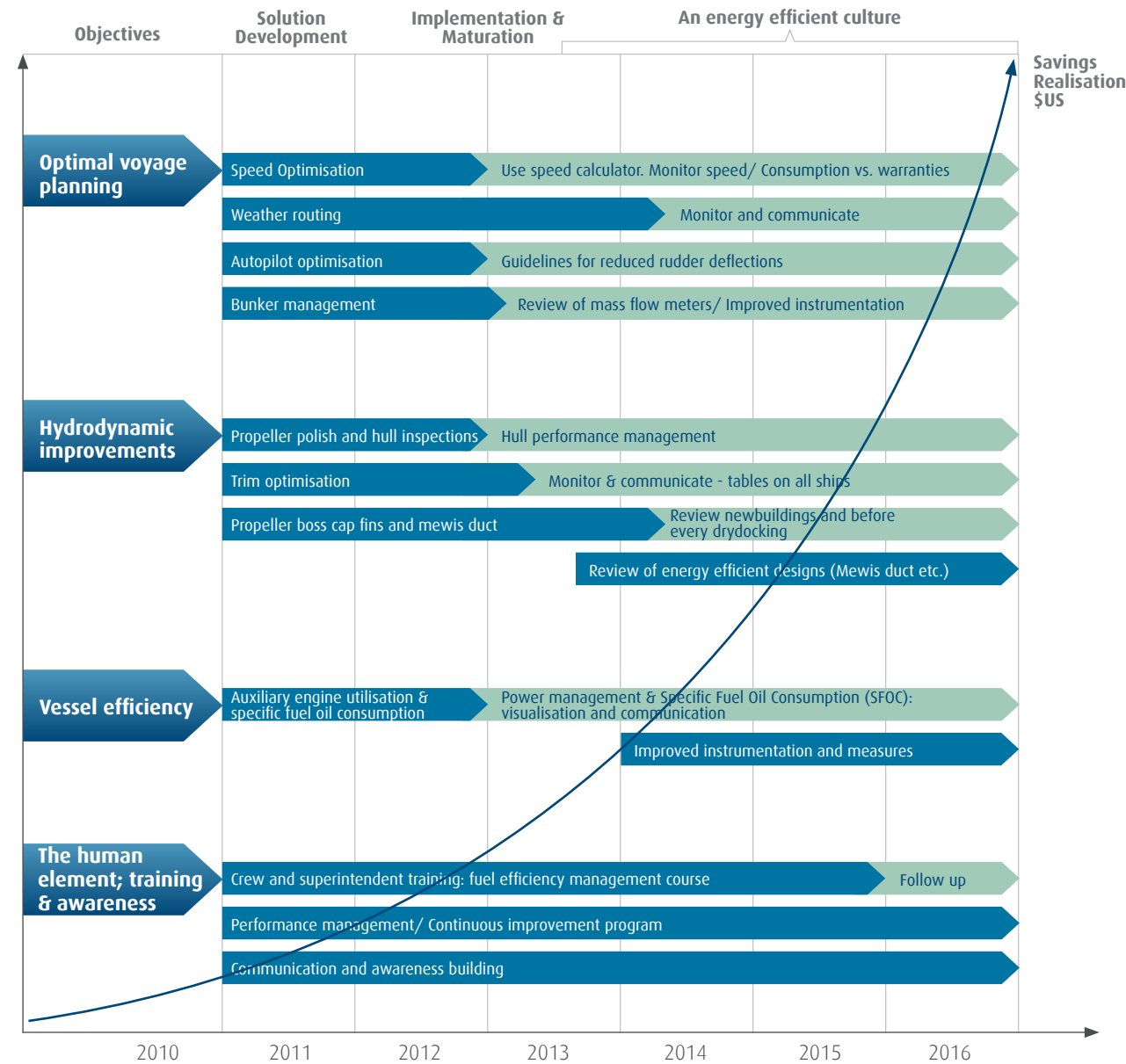
Wilhelmsen, Grieg Star and Solvang Shipping Group. WG5's purpose is to make a contribution towards the Norwegian Shipowners Association's environmental vision of "Zero harmful emissions to air and sea." We meet regularly to benchmark our environmental efforts and performance.

We also evaluate the environmental performance for all newbuildings which includes hull and propeller design machinery,

choice of antifouling system, instrumentation that can improve our fuel performance monitoring and fitting of energy saving devices such as Mewis Ducts and Propeller Boss Cap Fins.

The Company ensures all newbuildings support energy efficient operations, enabling our assets to remain competitive in the market.

We have in place a comprehensive, holistic energy management programme that spans across the organisation, from commercial to technical, involving various stages of planning and implementation, aligned with our identified objectives.



"Only with careful and continual monitoring of fuel efficiency will we achieve the desired optimisation, operational costs and a tangible reduction in environmental impact."

**Kevin Knott**  
Senior Manager, BW LPG Operations

Operational effectiveness in fuel management

Procuring bunkers for each vessel is just one functional aspect of operations. We strive to go beyond on every occasion and ensure that we carry the ideal inventory of fuel oil on board at any one time. Carrying just the right amount of fuel ensures we maximise on cargo carrying capacities and reduce transporting excessive 'deadweight' during long voyage legs.

We work to achieve the ideal combination of optimised costs and a tangible reduction in our impact to the environment.

1. A steadfast approach to getting the best quality fuel, meeting both environmental and technical criteria, and at the most economical price globally. We employ Mass Flow Metered barges for all bunker deliveries where available.
2. Ensuring that our vessels are appropriately stocked with the optimum inventory on board. Our contracts include laden voyage bunkering options, allowing for minimum bunker inventory.



Mass flow meter onboard one of our VLGCs



Bunker operations underway onboard VLGC BW Volans

3. Monitoring daily service consumption to ensure that machineries are at peak performance; promptly alerting the vessel and her technical superintendent to attend to inferior performance. Operators scrutinise daily reports from the vessels as well as end of voyage reconciliation of bunkers remaining on board.
4. Routing sea voyages through a path of least weather resistance. Professional weather routing services are utilised for every trans-oceanic voyage.
5. Endeavouring to arrive in ports just in time, to avoid near shore idling and emissions.

Communication is key to achieving these objectives. Ship managers, charterers, port agents, brokers and vessels are all kept closely aligned both during pre-fixture commitments and during the post fixture voyage execution. The operations department form the hub for this activity.



ENERGY MANAGEMENT

A modern and fuel efficient fleet

By investing in newbuilding programmes with HHI and DSME, BW LPG has enhanced its VLGC fleet with the addition of 12 brand new, fuel efficient carriers. These vessels enable us to deliver fuel efficient and competitive transportation services to our customers on a global basis.

In addition to improved hull and propeller designs, state-of-the-art hull coating and energy saving devices, BW LPG's newbuildings are equipped with:

- Electronic engines with online Pressure Mean Indicator measurement (PMI) enabling us to better tune and maintain a low fuel oil consumption
- Coriolis mass flow meters connected to the vessels automation system
- Kyma torque and thrust meter
- Ship@web logging computers that capture all parameters in the ship automation system including navigation, engine and fuel data. This provides automated data and a much higher resolution of available data that can be used for the analysis of vessel performance.

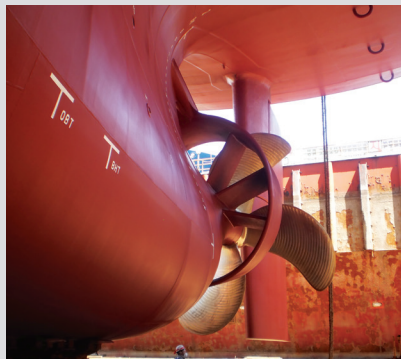
All eight ships from HHI are enrolled into Jotun's Hull Performance Service.



VLGC BW Leo exiting the Enterprise Terminal in the U.S.

"We took delivery of state-of-the-art newbuildings, setting a new standard in fuel efficiency for this type of vessel. These vessels allow us to deliver fuel efficient, high performance services to our customers."

**Serge Schwalenstocker,**  
Newbuilding department, BW LPG

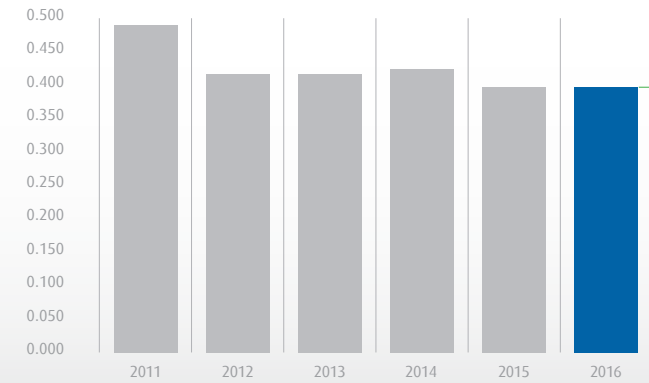


**Mewis Duct Installations**  
Fuel cost: USD 250/mt  
Average saving laden: 7%  
Average saving ballast: 6%  
Payback time: 2.6 years



**Propeller Boss Cap Fins**  
Fuel cost: USD 250/mt  
Average saving: 2% ballast/laden  
Payback time: 1.9 years

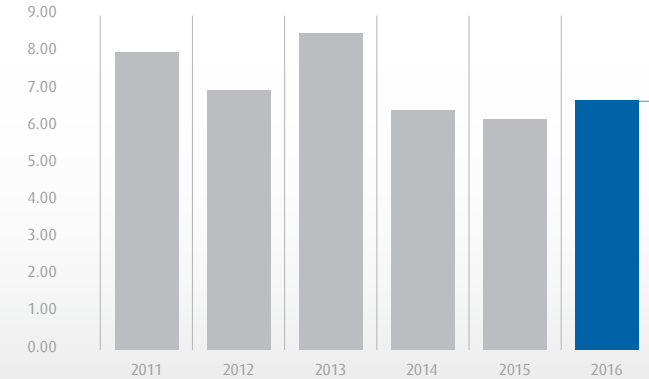
**CO<sub>2</sub> Emissions**  
(tonnes/nautical mile)



CO<sub>2</sub> emissions are proportionally linked to the reduction in our vessels' fuel consumption. Since the energy management project started in 2011, our carbon footprint has been reduced by 20%.

We managed to maintain carbon dioxide tonnes per nautical mile as the same level as 2015. This can be attributed to the applications of various energy reducing solutions continued in 2016.

**SO<sub>x</sub> Emissions**  
(kg/nautical mile)

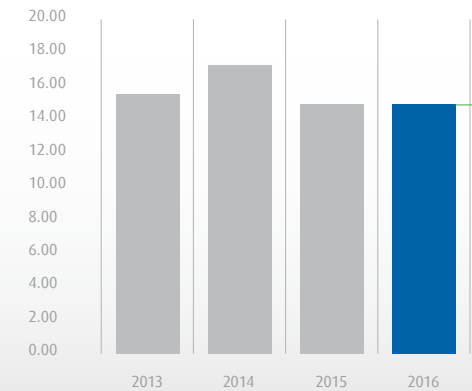


We aim to reduce our sulphur oxide emissions through the purchase of bunker with reduced sulphur content.

We saw a small increase in emissions between 2016 but have overall reduced sulphur oxide emissions by 22.6% since 2013.

\*graphs include all BW LPG vessels managed by BWFM and is based on total fuel consumed (ME, AEs, Boilers and incinerator)

**Average landed plastic waste**  
(m<sup>3</sup>)



All vessels are equipped with compactors and we avoid using disposable plastic bottles for drinking water.

We communicate regularly with our ship handlers about reducing the amount of plastic waste landed by our vessels.

All landed plastic waste is disposed for recycling.



# RESPONSIBLE BUSINESS PRACTICES

BW LPG is a global leader in maritime LPG and our reputation as a reliable provider of maritime energy transportation services is an asset. To that end, BW LPG is committed to maintaining high standards of integrity, conducting our business and achieving operational and financial results in an honest, fair and transparent manner.



BW LPG works with a large number of customers and suppliers and our responsible supply chain management is based on the International Maritime Purchasing Association and on the UN Global Compact's Ten Universal Principles which includes provisions on anti-corruption.

## Procurement and Collaboration with Suppliers

BW LPG's procurement policy ensures the procurement of quality materials and reliable services done in the a cost effective manner. All procurement transactions across the organisation are conducted in compliance with the company's safety, quality and environmental requirements.

In order to achieve this objective we:

- a. Ensure materials and services meet the required specifications;
- b. Consolidate purchase volumes and consider common-stock facilities;
- c. Require suppliers to provide appropriate product certification;
- d. Establish long-term relationships;
- e. Maintain confidentiality of contract details;
- f. Audit the performance of principal suppliers;

- g. Remain loyal to fleet agreements;
- h. Minimise the environmental impact of procurement decisions;
- i. Validate specifications to ensure that correct items are supplied;
- j. Ensure no use of asbestos in packing, services or in any kind of products

## Vessel Screening

- The BW LPG fleet has conducted 91 Ship Inspections Report Programme (SIRE) inspections with a global average of 3.03 observations per inspection.
- The BW LPG fleet has had 76 port state controls globally with an average of 1.20 deficiencies per inspection.
- Our SIRE target for 2016 is to be better than the Oil Companies International Marine Forum (OCIMF) benchmark for all segments and to have less than an average of 3.5 observations per inspection.

## Quality Management

BW LPG follows a comprehensive quality management system involving our commercial, technical and finance departments.

- The effectiveness and validity of our organisational processes are continuously monitored and simplified through audits and management reviews.
- BW LPG has implemented initiatives to improve management review processes and quality of reporting by enhancing seafarers' induction/training programmes.

## Audits

- External audits are carried out by DNV-GL, Lloyds, flag authorities, oil majors and charterers on a regular basis.
- Our International Safety Management (ISM) document of Compliance was

renewed in 2014 and is valid for five years. In addition, our fleet is ISO 9001 and ISO 14001 certified by DNV-GL.

- The fleet also follows the OCIMF Tanker Management and Self-Assessment scheme (TMSA).
- In 2015, various major oil companies carried out TMSA reviews and approvals were given for us to continue providing marine transportation services and solutions.

## Fighting Corruption

Our commitment to integrity is enshrined in our Code of Conduct, which employees are familiarised with at the commencement of their employment and annually thereafter. Policies on Whistleblowing and Anti-bribery and Corruption are deployed across the organisation. We comply with the principles set out in the UK Bribery Act, 2010. The following anti-bribery and corruption policy guides our interactions with suppliers, customers, members of the industry and other stakeholders at all levels of the organisation.

### Our Policy Guidelines:

- Comply with all applicable laws relating to anti-bribery and corruption in the jurisdictions in which we operate, with respect to the UK Bribery Act, 2010.
- Support any employee who passes up an opportunity or advantage that would compromise our standards.
- Ensure that our reputation for ethical behaviour and fair dealing with suppliers, customers, members of the industry and other stakeholders is maintained.
- Expect all employees to conduct themselves with high standards of integrity.



**MACN**  
Maritime Anti-Corruption Network

BW LPG is a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to benefit society at large. MACN and its members promote good corporate practice in the maritime industry for tackling bribery, facilitation payments and other forms of corruption.

MACN collaborates with key stakeholders, including governments and international organisations, such as the United Nations Development Programme (UNDP), to identify and mitigate the root causes of corruption in the maritime industry.

- Prohibit the giving or receiving of any gift, cash, entertainment or hospitality where the intention is to influence a business decision.
- Prohibit unofficial payments or gifts made to facilitate routine government action (facilitation payments) where there is an intention to influence a public official in the performance of his/her official function and gain an advantage in the conduct of business.
- Prohibit employees from asking for or suggesting any gifts and/or entertainment of any kind or amount from suppliers or any other person.
- The BW Anti-Bribery and Anti-Corruption policy is reflected at the bottom of all purchase orders and in our terms and conditions of all contracts.

### In order to achieve this we:

- Provide training, guidance to employees on BW LPG's anti-bribery policy.
- Report gifts and entertainment according to HR guidelines for shore based employees.
- Record gifts and entertainment exceeding a value of USD 300 on board vessels.
- Hold employees accountable for reporting infringements of any applicable laws in the jurisdictions in which BW LPG operates and in particular with respect to the UK Bribery Act, 2010.



# MANAGING OUR SOCIAL IMPACT

BW LPG recognises the importance of acting responsibly in our business and have remained focused on engaging as good corporate citizens, throughout our operations. Just as we aim to manage the environmental impact of our operations, we aim to manage the social impact of our presence by respecting the rights of people we employ and work with, and by contributing to the growing global demand for cleaner energy.



## Workplace diversity and skilled labour recruitment

We are committed to fostering, cultivating and preserving a culture of diversity and inclusion. The collective sum of individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of our Company's capabilities, reputation and culture.

Our diversity initiatives are applicable to our practices and policies on recruitment and selection, compensation and benefits, professional development and training, promotions, transfers, social and recreational programs, layoffs, terminations.

We ensure the development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and varied employee perspectives.
- Work-life balance through flexible work, schedules to accommodate employees' varying needs.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for diversity.

We comply with the Maritime Labour Convention with regards to recruitment of seafarers through our manning offices and agents. Our compliance with the Maritime Labour Convention ensures that the proper grievance mechanisms are in place for all crew members. All crew members are also covered under global and/or local trade union agreements.

## Respecting human rights

Aligned with the BW LPG code of conduct and corporate values, we are committed to respecting human rights across our operations.

Our approach is enshrined in our Health, Safety, Security, Environment and Quality (HSSEQ) policy and is informed by the UN Guiding Principles on Business and Human Rights (UNGP) and The Universal Declaration of Human Rights (UDHR) amongst other internationally recognised standards.



of world population lives in places where air quality levels exceed WHO limits

**2 Million** deaths a year are linked to exposure to outdoor air pollution.

**11.6%** of all deaths in 2012, were associated with indoor and outdoor air pollution.

**Nearly 90%** of air pollution related deaths occur in low and middle income countries.

"We are proud to partner with WLPGA to make a meaningful difference to those who still rely on traditional fuels."

**Martin Ackermann**  
CEO, BW LPG

## Making lives better with LPG

BW LPG proudly supports World LPG Association's Cooking for Life program through BW LPG's very own healthy "Running for Life" campaign.

### Air pollution - a leading cause of deaths

Food is fundamental to life, fuelling our bodies for the activities we do. It is a distressing contradiction that the act of preparing sustenance, is ironically a leading cause of death. Each year, 2 million people die from cooking-related indoor air pollution-caused illness – more than deaths from malaria, HIV/AIDS and tuberculosis combined.

Burning solid fuels releases soot into the air, causing respiratory infections, pulmonary disease, lung cancer, malnutrition, low birth weight and other conditions. Three billion people, largely the world's most vulnerable and poor in East Asia, the Sub-Continent and Sub-Saharan Africa, breathe in this deadly air.

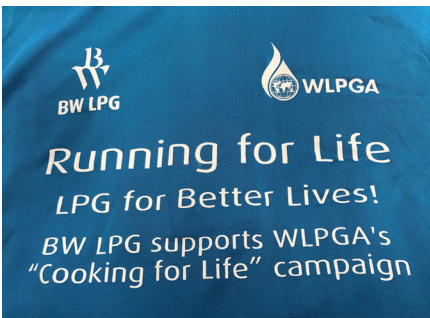
### A step in a better direction

Cooking for Life, a campaign of the World Liquefied Petroleum Gas Association (WLPGA), aims to facilitate the transition of one billion people from cooking with traditional and other dangerous or dirty fuels to cleaner-burning LPG by 2030.

According to WLPGA, the campaign brings together governments, public health officials, the energy industry and global non-governmental organizations to expand access to LPG and bring this modern alternative to the people who need it most; and to increase public awareness about the negative impact of traditional fuels on their health and the environment.



Cooking for Life programme in India



BW LPG CEO Martin Ackermann and staff starting the 42km marathon bright and early

The Cooking for Life campaign supports various projects that includes projects that helps villages in India switch from traditional fuels to LPG and using LPG for cooking and power generation in humanitarian settings such as refugee camps.

### Running for Life

BW LPG is proud to support the Cooking for Life campaign, with a Running for Life campaign held in conjunction with the Standard Chartered Marathon in Singapore on 4 December. Through this campaign, BW LPG raised awareness and funds for this initiative by pledging donations for every BW

LPG employee who completes the 10km, 21km and 42km of the Standard Chartered marathon in Singapore in December.

10 BW LPG employees signed up for the Standard Chartered Marathon. For some employees, it was a personal challenge, especially if running was not a sport they were engaged in prior to the campaign. Weeks of training ensued, in preparation for the big day.





# Creating long-term value with good governance

At BW LPG, we recognise the importance of good governance as it ensures business integrity across our operations. Transparent reporting by executive management, meticulous reviews by an international board of directors and a clear risk management framework are key elements of our corporate governance framework and these help us in creating long-term value for all stakeholders.



# RISK MANAGEMENT

BW LPG strives to provide competitive risk-adjusted returns to shareholders. Risk management is an integral part of value delivery and is fundamental to our business decision-making process. We have designed our dynamic yet strategic risk management framework to ensure minimal impact of any unfavourable events and market conditions.



BW LPG operates in dynamic markets that pose a wide range of operational, financial, environmental and political risks. Our Enterprise Risk Management (ERM) is based on the principles from ISO 31000:2009 and COSCO ERM Framework. BW LPG's aims for risk management include:

- Aligning strategy and performance with mission, vision and core values
- Increase the likelihood of achieving business objectives
- Improve the identification of opportunities and threats
- Comply with relevant legal and regulatory requirements and international norms
- Improve governance
- Improve stakeholder confidence and trust

## Strategic and External Risks

These are risks that relate to the markets, countries, segments, services and products, or from customers. They are addressed by the business strategies managed through the Company's annual strategy review process. In this process, the Board of Directors review provides input on the Executive Management's assessment of strategic and external risks. The Executive Management is responsible for ensuring that the intended and actual business direction, changes in markets, customers' expectations and requirements are reflected in corporate strategic planning.

## Regulatory and Compliance Risks

These are risks associated with ethical behaviour, both directly involving employees and through third parties or partners on behalf of the Company; with security of sensitive information; or related to compliance with laws and regulations, including environmental regulations, sanctions and anti-bribery laws. These risks are managed through regular analysis and mandatory awareness training, compliance reviews, legal due diligence, and internal audit checks.

## Commercial and Operational Risks

Operational risks are risks related to events occurring during planning and execution of business operations, involving for example elements such as cargo loss or damage, counterparties, asset loss, crew injury, environmental damage, or damage to, or loss of, assets. Appropriate control measures are incorporated in operations and insurance planning to mitigate these risks, with ongoing monitoring during execution to identify and address newly emerging risks. Incidents and near misses experienced are reviewed by the appropriate Heads of Departments to ensure that their root causes are comprehensively analysed, with suitable corrective actions determined and implemented. The risk management process for project planning is implemented using a risk register whereby commonly occurring risks are considered, with applicability assessed in terms of impact and probability. This register supports risk identification and follow-up of identified risks in projects and related improvement opportunities.

## Financial Risks

The Group's activities expose it to a variety of financial risks. The Group recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects on financial performance of the Group. Where applicable, the Group uses financial instruments such as interest rate swaps and bunker swaps to hedge certain financial risk exposures. The Group avoids speculation and risk management tools which may create new exposures as a result of their incompatibility with the risk targeted for mitigation. The financial risk management of the Group is handled by the Executive Management with guidance and input by the Board of Directors. The Group regularly monitors its risk framework, policy and reviews processes in place to ensure appropriate and efficient mitigation of risk.

### (a) Market risk

#### i. Fuel price risk

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. This risk is managed by pricing contracts of affreightment with fuel oil adjustment clauses where possible. In fixed price contracts of affreightment, the Group manages risk by entering into forward fuel contracts, backed by internationally recognised financial institutions. For short-term voyage contracts, the Group takes the current fuel costs into account when assessing contract pricing and therefore typically does not require additional specific coverage.

#### ii. Currency risk

The Group's business operations are typically not exposed to significant foreign exchange risk as it has no significant regular transactions denominated in foreign currencies. Where significant foreign exchange risk is identified, risk mitigation through forward contracts is considered to secure the exposure in the Group's functional currency (US dollars) at or subsequent to the time at which the transaction is committed.

### (b) Credit risk

Credit risk is diversified over a range of counterparties including several key charterers. The Group performs ongoing credit evaluation of its charterers and has policies in place to ensure that credit is extended only to charterers with appropriate credit histories or financial resources. The Group has policies in place for the control and monitoring of the concentration of credit risk. The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents. Cash and cash equivalents are mainly deposits and the Group has implemented policies to ensure that cash is only deposited with internationally recognised financial institutions with good credit ratings.

Trade receivables are substantially due from companies with good collection

track records with the Group. Where significant balances are past due or impaired, appropriate provisions are made against these exposures.

### (c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's borrowings are at variable rates. The Group has entered into interest rate swaps to swap floating interest rates to fixed interest rates for a certain portion of the Group's bank borrowings in order to limit the aggregate exposure over time to fluctuations in interest rates.

### (d) 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 deposits at banks and has access to an unutilised portion of revolving credit facilities offered by financial institutions.

### (e) Capital risk

The Group's objectives when managing capital, are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings. The Group monitors capital based on a leverage ratio (defined as total debt to total equity and debt). The Group pursues a policy aiming to achieve a ratio of below 60%. If the leverage ratio is higher than 60%, the Group will seek to return to a conservative financial level by disposing assets, deleveraging the balance sheet; and/or increasing fixed income coverage within a reasonable period of time.



# REPORT ON CORPORATE GOVERNANCE

One of the contributing factors to BW LPG’s success is the Company’s clear governance framework that guides our corporate behaviour. The clarity and precision of these guidelines are a reflection of the Board’s commitment to enforce transparency and accuracy.

BW LPG Limited (“BW LPG” or the “Company”) is an exempted company limited by shares, incorporated under the laws of Bermuda and listed on Oslo Børs (the Oslo Stock Exchange).

BW LPG is subject to the Bermuda Companies Act and sets out key aspects of Corporate Governance in the Company’s Memorandum of Association and Bye-laws. In addition, the Company is required to comply with certain aspects of the Norwegian Securities Trading Act, the Norwegian Accounting Act and the continuing obligations for companies listed on the Oslo Stock Exchange.

This Report describes the Company’s Corporate Governance practices with specific reference to the Code (as defined below). Explanations have been provided where there are deviations from the Code.

## 1. Implementation and Reporting on Corporate Governance

The Company’s Board of Directors (the “Board”) believes that the interests of the Company and the shareholders taken as a whole are best served by the adoption of business policies and practices which are legal, compliant, ethical, and open in relation to all dealings with customers, potential customers and other third parties. Such policies are designed to be fair and in accordance with market-leading practices on stakeholder relationships and to be sensitive to reasonable expectations of public interest.

The Board recognises that the manner in which the Company is governed is critical to the successful development of the Company over time. The Board therefore commits the Company to good Corporate Governance, and has endorsed and adopted on a “comply or explain” basis the Norwegian Code of Practice for Corporate Governance (English version of the original document “Norsk anbefaling - Eierstyring og selskapsledelse”) issued by the Norwegian Corporate Governance Board (the “Code”). The Code is available at [www.nues.no](http://www.nues.no).

The BW LPG Corporate Governance policy takes into account the Code and as such, includes self-regulatory corporate governance practices. The Company has developed its internal policies and practices, where appropriate, to meet requirements and recommendations of the Code.

The Corporate Governance of the Company is subject to review by the Board at least annually, and the Company’s governance documents are reviewed annually to ensure continued relevance and accuracy.

## 2. Business

The objectives of the Company are described in the Company’s Memorandum of Association. In accordance with common practice for Bermuda companies, the description of the Company’s objectives is wider and more extensive than recommended in the Code. Accordingly, this represents a deviation from Section 2 of the Code.

The Company’s objectives and main strategies are described in the Annual Report.

## 3. Equity and Dividends

The Board regularly evaluates the Company’s capital requirements to ensure that the Company has equity appropriate to its goals, strategy and risk profile.

The Board’s authority to alter the issued share capital and to purchase its own shares means that the Board, within the scope of the Bermuda Companies Act, is free to decide how the alteration of share capital and purchase or sale of its own shares shall take place. Pursuant to Bermuda law and in accordance with common practice for Bermuda incorporated companies, the powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code. This represents a deviation from Section 3 of the Code.

The 2016 Annual General Meeting of the Company has approved that the Board may grant authorisations for the Company to purchase its own shares. Such authorisations are valid for the period until the next Annual General Meeting.

The Board has decided on a dividend policy for BW LPG to provide a degree of predictability and transparency on the determination of dividend payouts to shareholders. The policy highlights that when determining the semi-annual dividend level; the Board will target a payout ratio of 50% of net profits after tax, and will take into consideration appropriate limits on leverage, capital expenditure plans, financing requirements, appropriate financial flexibility and anticipated cash flows. In addition to cash dividends, BW LPG may buy back shares as part of its total distribution of capital to shareholders. The policy details were made public via the Oslo Stock Exchange’s information system on 22 May 2014 and have been published at the Company’s website [www.bwlpg.com](http://www.bwlpg.com). Dividend payouts which were approved at the Annual General Meeting of the Company have been made in accordance with the dividend policy.

## 4. Equitable Treatment of Shareholders and Transactions with Close Associates

The Company has one class of shares, and each share has one vote at the General Meeting.

The Board’s authority to alter the issued share capital and to purchase its own shares means that the Board, within the scope of the Bermuda Companies Act, is free to decide how the alteration of share capital and purchase or sale of its own shares shall take place. The Board will monitor the process of alteration of share capital and purchase or sale of its own shares to ensure that the shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. Where the Board resolves to carry out a share issue without preemption rights for existing shareholders, then the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the share issue.

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company’s shares, the Company shall consider other ways to ensure equal treatment of shareholders.

In cases of material transactions between the Company and a shareholder, Director, Officer or Executive Personnel of the Company or persons closely related to any such parties, the Board will obtain a valuation from an independent third party.

Directors and Officers of the Company and Executive Personnel are required to notify the Board if they directly or indirectly have a significant interest in an agreement to be entered into by the Company.

The Company does not deviate from Section 4 of the Code.

## 5. Freely Negotiable Shares

In general, the shares in the Company are freely transferable. However, the Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any share in the register of members, or if required, refuse to direct any Registrar appointed by the Company to transfer

any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding shares or votes being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected a Norwegian business activity, or the Company otherwise being deemed a “Controlled Foreign Company” pursuant to Norwegian tax legislation. This represents a deviation from Section 5 of the Code; however, given liquidity in available markets the Company does not foresee that this provision will impact on the free transferability of its shares.

## 6. General Meetings

The Annual General Meeting of the Company will normally take place on or before 31 May each year.

BW LPG encourages all of its shareholders to participate in and to vote at General Meetings, as these are the forums where shareholders have the opportunity to exercise the highest level of authority in the Company. In order to facilitate shareholder participation:

- The notice and the supporting documents and information on the resolutions to be considered at the General Meeting shall be available on the Company’s website no later than 21 calendar days prior to the date of the General Meeting;
- The resolutions and supporting documentation, if any, shall be sufficiently detailed and comprehensive to allow shareholders to understand and form a view on matters that are to be considered at the General Meeting;
- The registration deadline, if any, for shareholders to participate at the General Meeting shall be set as closely to the date of the General Meeting as practically possible and permissible under the provision in the Bye-laws;
- The Board and the person who chairs the General Meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company’s Board and Committees (if applicable);
- The members of the Board, the Nomination Committee and the external auditor shall attend the General Meeting.

Shareholders who cannot be present at the General Meeting will be given the opportunity to vote by proxy or to participate by using electronic means. The Company shall in this respect:

- Provide information on the procedure for attending by proxy;
- Nominate a person who will be available to vote on behalf of shareholders as their proxy; and



REPORT ON CORPORATE GOVERNANCE

- Prepare a proxy form which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Pursuant to common practice for Bermuda incorporated companies, the Bye-laws of the Company stipulate that the Chairman of the Board shall chair the General Meetings in which he is present unless otherwise resolved by the General Meeting. In this respect, the Company deviates from Section 6 of the Code. However, there shall be routines to ensure that an independent person is available to chair the General Meeting or a particular agenda in regards to any individual matters related to the Chairman.

The Annual Report will be published on the Company's website and a printed version can be made available upon request.

7. Nomination Committee

The Company has a Nomination Committee with an elected Chairman. The Nomination Committee is laid down in the Company's Bye-laws with guidelines approved at the Annual General Meeting.

The Nomination Committee has the responsibility of proposing candidates for election to the Board and proposing remuneration to be paid to members of the Board, and for proposing candidates for election to the Nomination Committee and proposing the remuneration to be paid to members of the Nomination Committee.

The members of the Nomination Committee have been selected to take into account the interests of shareholders in general.

The Nomination Committee is available for contact with shareholders and maintains regular contact with the Board and the Company's Executive Personnel. As part of its work in proposing candidates for election to the Board, the Nomination Committee shall strive to consult with relevant shareholders concerning proposals for appointment of candidates.

Two of the three members of the Company's Nomination Committee are not members of the Board. Pursuant to the Nomination Committee guidelines, a member of the Board who is also a member of the Nomination Committee may offer himself for re-election to the Board. This represents a deviation from the recommendations in Section 7 of the Code and has been implemented to allow for continuity in the Board and the Nomination Committee.

In accordance with the recommendations of the Code, the Nomination Committee does not include the Company's Chief Executive Officer or any other executive personnel of the Company. However Mr. Andreas Sohmen-Pao is Chairman of the Board and the Nomination Committee. This does not comply with the Guidelines. The Company believes that this arrangement works well in practice as both the Board and Nomination Committee comprise a majority of independent members who vote independently; because shareholders have full access to the nomination committee which is listed on the Company website; and because given the shareholder structure, it is believed that there are benefits in having a common representative across both groups who can give insight to the nomination committee on board dynamics.

An up-to-date composition of the Nomination Committee is available on the Company's website and the Company shall provide shareholders with any deadlines for submitting proposals to the Nomination Committee.

8. Corporate Assembly and Board of Directors: The Composition and Independence of the Board

Pursuant to the Code, the composition of the Board shall ensure that it can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity, diversity and independence. A majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board should be independent of the Company's major shareholder(s). A major shareholder means a shareholder that owns ten percent (10%) or more of the Company's common shares or votes.

Members of the Board shall serve for a term of two years, after which they would be re-evaluated before being considered for re-election.

The composition of the Board satisfies the above recommendations. The Board consists of seven members, possessing the required expertise, capacity and diversity. All members of the Board are independent of the executive management of the Company and exercise proper supervision of the management of the Company and its operations. With the exception of Mr. Andreas Sohmen-Pao, Mr. Carsten Mortensen and Mr. John B Harrison who are not independent of the Company's largest shareholder, BW Group Limited, all members of the Board are independent of the Company's major shareholders, the management and material business connections of the Company. The composition of the Board is in compliance with Section 8 of the Code.

An up-to-date composition of BW LPG Board is available on the Company's website. Information has been included on the website and in the Annual Report to illustrate the expertise of the members of the Board.

The Company has resolved not to include information on the record of the Board members' attendance at Board meetings in the Annual Report as this is not required under Bermuda law. This represents a deviation from Section 8 of the Code.

9. The Work of the Board

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The duties and tasks of the Board are detailed in the Company's Bye-laws.

In order to conduct its work, the Board as well as each of the Board Committees is guided by their respective guidelines which are reviewed annually for effectiveness. Annually, the Board and the Board Committees fix in advance a number of regular scheduled meetings of the Board and Board Committees for the following calendar year, although additional meetings may be called for by the respective Chairmen. The Directors and members of the Board Committees shall normally meet in person but if so allowed by the Chairmen, Directors and members of the Board Committees may participate in any meeting of the Board and the Board Committees by means of electronic communications.

The Board has approved mandates for and established an Audit Committee, currently consisting of Board members Mr. John B Harrison (Chairman of the Audit Committee) and Mr. Anders Onarheim, a Remuneration Committee, consisting of Board members Ms. Anne Grethe Dalane (Chair of the Remuneration Committee) and Dato' Jude P Benny in order to ensure enhanced attention to financial reporting and remuneration of executive personnel. Additionally, a Nomination Committee has been established, consisting of Board member Mr. Andreas Sohmen-Pao (Chairman of the Nomination Committee), and non-Board members Mr. Ronny Langeland and Ms. Mai-Lill Ibsen. See Section 7 above for information on the Nomination Committee.

The Board has successfully carried out the annual evaluation exercise of its members in the areas of Board composition and roles both individually and as a Group, Board process, Board content and oversight. The various Board Committees were also reviewed for their effectiveness in executing their responsibilities.

The Company does not deviate from Section 9 of the Code.

10. Risk Management and Internal Control

The Board ensures that the Company has sound internal controls in place and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities, to support the quality of its financial reporting and to ensure compliance with laws and regulations. Such procedures and systems shall contribute to securing shareholders' investment and the Company's assets.

Management and internal control is based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, Health, Safety, Security, Environment & Quality (HSSEQ), Ship Operations and Project Management, in addition to implementation and the follow-up of a risk assessment process. The Company's management system is central to the Company's internal control and ensures that the Company's vision, policies, goals and procedures are known and adhered to. Further details on our people, our sustainable operations and our risk management policies can be found in the report on pages 8 and 9, 30 to 43, 46 and 47 respectively.

The Company has frequent and relevant management reporting of both operational and financial matters in place both to ensure adequate information for decision-making and to respond quickly to changing conditions.

The Board carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. Further details are reflected in pages 46 and 47 of the risk management report and pages 96 to 99 of the notes to the financial statements.

The Company does not deviate from Section 10 of the Code.

11. Remuneration of the Board of Directors

The Annual General Meeting of the Company decides the remuneration of the Board. The remuneration of the Board and its individual directors shall reflect its expertise, level of activity, responsibility, use of resources and the complexity of the business activities.

Members of the Board do not receive profit-related remuneration or share options.

Members of the Board and/or companies with whom Board members are associated shall not normally undertake special tasks for BW LPG in addition to the role as a member of the Board of the Company. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.



REPORT ON CORPORATE GOVERNANCE

Remuneration of the Directors of BW LPG is stated in the Annual Report of the Company.

The Company does not deviate from Section 11 of the Code.

12. Remuneration of the Executive Personnel

The Board has established Guidelines for Executive Remuneration. These guidelines have been communicated at the Annual General Meeting and made available to shareholders on the Company’s website. Any changes in these guidelines will be updated on the website and formally communicated at the Annual General Meeting.

Compensation and other remuneration of the Executive Personnel of the Company is reviewed annually and approved by the Board based on recommendations by the Remuneration Committee, which considers the performance of Executive Personnel and also gathers information from comparable companies before making its recommendation to the Board. Such recommendation aims to ensure convergence of the financial interests of the Executive Personnel and the shareholders.

Executive Personnel comprises the CEO, CFO, SVP, Commercial and SVP, Technical and Operations. The remuneration structure for Executive Personnel comprises primarily salaries; bonus; payments to defined contribution plans; insurance cover; company-provided phones; and other benefits which are minor in nature. These disclosures are viewed to be sufficiently transparent to meet shareholders’ information needs.

Executive personnel’s remuneration (US\$ ‘000)	
Salary	1,479
Payments to defined contribution plans	25
Bonus*	301
Total Remuneration for 2016	1,805

\*In 2016, payment of US\$240,000 was made for variable bonus for 2015’s performance. In addition, payment of US\$61,000 was made in relation to long term incentive scheme for 2015 performance.

Variable bonus for 2016’s performance will be paid in 2017.

There is no obligation to present the Guidelines for Executive Remuneration to the shareholders of a Bermuda incorporated company. The Company did not provide the remuneration of individual Executive Personnel as such disclosure may be prejudicial to its business interests given the highly competitive business environment the Company operates in. This represents a deviation from Section 12 of the Code.

13. Information and Communication

The Company is committed to providing information in a manner that contributes to establishing and maintaining confidence with important interest groups such as the Oslo Stock Exchange and financial markets in general as well as with stakeholders. The information shall be based upon transparency, openness and equal treatment of all shareholders. A precondition for the share value to reflect the underlying values in the Company is that all relevant information is disclosed to the market. Based on this, the Company will endeavour to keep the shareholders informed about profit developments, prospects and other relevant factors for their analysis of the Company’s position and value. It is emphasised that the information is uniform and simultaneous.

The Company publishes electronically an updated financial calendar with dates for important events such as the Annual General Meeting, publishing of interim reports, public presentations and payment of dividends (if applicable) on the Company’s website.

Public investor presentations are arranged in connection with submission of annual and quarterly results for the Company. The presentations are also available on the Company’s website. Furthermore, continuous dialogue is held with, and presentations are given to analysts and investors, ensuring at all times, through advance publication of share price sensitive information, that existing and prospective investors have symmetrical access to share price sensitive news.

Information issued to the Company’s shareholders will be published on the Company’s website at the same time as it is sent to the shareholders.

The Company does not deviate from Section 13 of the Code.

14. Take-overs

The Company has established key principles for how to act in the event of a take-over offer. In the event of a take-over process, the Board shall ensure that the Company’s shareholders are treated equally and that the Company’s activities are not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board will abide by the principles of the Code and also ensure that the following takes place:

- The Board will ensure that the offer is made to all shareholders, and on the same terms;

- The Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- The Board shall strive to be completely open about the take-over situation;
- The Board shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- The Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the shareholders in a General Meeting in accordance with applicable laws. The main underlying principles shall be that the Company’s common shares shall be kept freely transferable and that the Company shall not establish any mechanisms that can prevent or deter take-over offers unless this has been decided by the shareholders in a General Meeting in accordance with applicable law.

If an offer is made for the Company’s common shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board’s statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in point 8 above). Any such valuation should either be enclosed with the Board’s statement, or reproduced or referred to in the statement.

The Company does not deviate from Section 14 of the Code.

15. Auditor

The auditor is appointed by the Annual General Meeting of the Company and is responsible for the audit of the consolidated financial statements of the Company.

The auditor participates in the Audit Committee’s review and discussion of the annual accounts and quarterly interim accounts. The auditor also discusses the Key Audit Matters included in the Independent Auditor’s Report accompanying the annual accounts with the Audit Committee.

The auditor shall annually submit the main features of the plan for the audit of the Company to the Board or the Audit Committee.

The auditor shall participate in meetings of the Board that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company and/or the Audit Committee.

The auditor shall at least once a year present to the Board or the Audit Committee a review of the Company’s internal control procedures relating to its financial reporting process, including identified weaknesses and proposals for improvement.

The Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board shall determine the right of the executive management to use the auditor for purposes other than auditing.

The auditor shall annually confirm his independence in writing to the Audit Committee.

The Board shall give an account to the shareholders at the Annual General Meeting of the Company of the remuneration paid to the auditor, including details of the fee paid for audit work and any fees paid for other specific assignments.

The Company does not deviate from Section 15 of the Code.



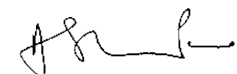
# FINANCIAL REPORTS

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## RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties facing the Group and the Company.

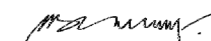
24 February 2017



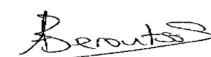
Andreas Sohmen-Pao  
Chairman



John B Harrison  
Vice Chairman



Dato' Jude P Benny  
Director



Andreas Beroutsos  
Director



Anne Grethe Dalane  
Director



Anders Onarheim  
Director



Carsten Mortensen  
Director



INDEPENDENT AUDITOR’S REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BW LPG LIMITED

Our Opinion

In our opinion, the consolidated financial statements of BW LPG Limited (“the Company”) and its subsidiaries (“the Group”) and the financial statements of the Company present fairly, in all material respects, the financial position of the Group and Company as at 31 December 2016, and its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRSs).

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the financial year then ended; and
- a summary of significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the balance sheet as at 31 December 2016;
- the statements of comprehensive income, changes in equity and cash flows for the financial year then ended; and
- a summary of significant accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of *Ethics for Professional Accountants* (IESBA Code), the Singapore Accounting and Corporate Regulatory Authority’s Code of *Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), together with the ethical requirements that are relevant to our audit of financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the IESBA Code.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BW LPG LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the matter
<p><i>Impairment of vessels and vessels under construction</i></p> <p><i>Refer to note 9 in the Group financial statements.</i></p> <p>We had focused our audit on the carrying value of the vessels because they are the main income-producing assets of the Group and the industry had seen a downward trend in the LPG vessel valuations and charter rates in 2016.</p> <p>As of 31 December 2016, the carrying value of the vessels and vessels under construction of the Group amounted to US\$2,412.7 million.</p> <p>Management had considered the existence of impairment indicators as of 31 December 2016 and performed an impairment test to ensure that the vessels were not carried at values in excess of their recoverable amounts as of 31 December 2016.</p> <p>In performing the impairment test, management had determined each vessel as one cash generating unit and estimated the recoverable amount of most of its vessels and vessels under construction based on valuations provided by independent vessel brokers. Management had also compared the estimated recoverable amounts against several independent vessel brokers’ valuations.</p> <p>Management had assessed that the brokers had the required competency and capability to perform the valuations. Management had also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.</p> <p>Arising from the impairment test, the Group recognised an impairment charge of US\$144.1 million for 2016 in the profit or loss.</p>	<p>We had reviewed management’s impairment test on the vessels and vessels under construction and performed audit procedures to satisfy ourselves that the carrying value of the vessels as at 31 December 2016 were not in excess of their recoverable amounts. We had focused on the VLGC segment as this segment made up 96% of the total vessel carrying value. Audit procedures we had undertaken include:</p> <ul style="list-style-type: none"><li>• Evaluating the independence, competency, capability and objectivity of brokers who provided the valuations of the vessels;</li><li>• Assessing the valuation methodologies and assumptions of the independent brokers and assessed that they were appropriate for the purpose of the impairment test;</li><li>• Recomputed the impairment charge of US\$144.1 million by agreeing to the valuation reports;</li><li>• Performed a sensitivity analysis of the impairment charge by comparing the carrying values of the vessels against the higher independent vessel brokers’ valuations and against the lower independent vessel brokers’ valuations and found that the impairment charge using the higher or the lower valuations would not be significantly different from the estimated recoverable amounts; and</li><li>• Reviewed the disclosures in the financial statements against the requirements of IFRS.</li></ul> <p>No significant exception was noted from our work.</p>



INDEPENDENT AUDITOR’S REPORT (CONTINUED)

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BW LPG LIMITED

Key audit matters	How our audit addressed the matter
<p><i>Acquisition of investment in Aurora LPG Holding ASA (“Aurora”)</i></p> <p><i>Refer to note 25 in the Group financial statements.</i></p> <p>The Group acquired an additional 18.9 million Aurora’s shares during 2016 for a consideration of US\$38.5 million. In December 2016, the Group obtained control over Aurora and as at 31 December 2016, the Group held 100% equity interest in Aurora.</p> <p>The acquisition of Aurora was achieved in stages and management had accounted for the acquisition as a step acquisition in accordance with IFRS 3 Business Combination. The accounting for this acquisition required judgments relating to the measurement of the components of the business combination (i.e. assets acquired, liabilities assumed, consideration transferred and the gain on a bargain purchase). The assets acquired and liabilities assumed were measured at their fair values, determined provisionally, at the acquisition date. The most significant assets and liabilities of Aurora were LPG vessels and bank borrowings. Management had assessed the valuation of the vessels by using valuations provided by independent vessel brokers and the loans at prevailing bank interest rate.</p> <p>As a result of the acquisition accounting, the Group recognised a negative goodwill of US\$110.5 million in its consolidated statement of comprehensive income.</p>	<p>In evaluating the Group’s acquisition accounting, we have:</p> <ul style="list-style-type: none"><li>• tested the identification and valuation of the identifiable assets and liabilities against available market data, in particular for the LPG vessels and bank borrowings;</li><li>• checked management’s computation of negative goodwill; and</li><li>• reviewed the disclosures in the financial statements against the requirements of IFRS.</li></ul> <p>No significant exception was noted from our work.</p>

We have determined that there are no key audit matters to communicate in our report arising from the audit of the separate financial statements of the Company.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report, which we obtained prior to the date of this auditor’s report, and excludes the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BW LPG LIMITED

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s and Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s and Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR’S REPORT (CONTINUED)

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BW LPG LIMITED

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 24 February 2017  
Partner in Charge: Kok Moi Lre

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Revenue	3	506,466	773,335
Voyage expenses	4	(99,811)	(146,843)
<b>TCE income^</b>		<b>406,655</b>	626,492
Other operating income	3	1,776	2,016
Charter hire expenses	4	(69,454)	(79,609)
Other operating expenses	4	(128,836)	(118,639)
<b>Operating profit before depreciation, amortisation and impairment (EBITDA)</b>		<b>210,141</b>	430,260
Amortisation charge	8	(4,910)	(4,910)
Depreciation charge	9	(94,566)	(79,806)
		<b>110,665</b>	345,544
Loss on disposal of other property, plant and equipment		(312)	-
Gain on disposal of a vessel		4,874	-
Impairment charge on vessels	9	(144,147)	-
Gain on disposal of available-for-sale financial assets		3,197	-
Impairment loss on available-for-sale financial assets		(31,461)	-
Negative goodwill arising from acquisition of a subsidiary	25	110,538	-
		<b>(57,311)</b>	-
<b>Operating profit (EBIT)</b>		<b>53,354</b>	345,544
Foreign currency exchange gain/(loss) - net		680	(192)
Interest income		188	143
Interest expense		(27,572)	(16,844)
Other finance expense		(2,785)	(1,764)
Finance expense - net		(29,489)	(18,657)
<b>Profit before tax for the financial year</b>		<b>23,865</b>	326,887
Income tax expense	7	(233)	(749)
<b>Profit after tax for the financial year (NPAT)</b>		<b>23,632</b>	326,138

^“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 consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Available-for-sale financial assets			
- fair value losses, net	10	(25,639)	(2,625)
- reclassification to profit or loss		28,264	-
Cash flow hedges			
- fair value gains/(losses)		1,916	(4,923)
- reclassification to profit or loss		4,488	2,448
<b>Other comprehensive income/(loss), net of tax</b>		<b>9,029</b>	<b>(5,100)</b>
<b>Total comprehensive income for the financial year</b>		<b>32,661</b>	<b>321,038</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		24,279	323,967
Non-controlling interests		(647)	2,171
		<b>23,632</b>	<b>326,138</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		33,308	318,867
Non-controlling interests		(647)	2,171
		<b>32,661</b>	<b>321,038</b>
<b>Earnings per share attributable to the equity holders of the Company</b> (expressed in US\$ per share)			
Basic/Diluted earnings per share	6	0.18	2.44

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

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Charter hire contracts acquired	8	7,561	12,471
<b>Intangible assets</b>		<b>7,561</b>	<b>12,471</b>
<b>Derivative financial instruments</b>	14	<b>7,695</b>	<b>601</b>
<b>Available-for-sale financial assets</b>	10	<b>-</b>	<b>31,580</b>
Vessels	9	2,278,309	1,662,116
Vessels under construction	9	74,061	161,762
Dry docking	9	60,350	39,683
Furniture and fixtures	9	274	373
<b>Total property, plant and equipment</b>		<b>2,412,994</b>	<b>1,863,934</b>
<b>Total non-current assets</b>		<b>2,428,250</b>	<b>1,908,586</b>
Inventories	12	12,687	9,072
Trade and other receivables	13	67,577	98,319
Derivative financial instruments	14	539	-
Asset held-for-sale	11	4,245	-
Cash and cash equivalents	15	80,563	93,784
<b>Total current assets</b>		<b>165,611</b>	<b>201,175</b>
<b>Total assets</b>		<b>2,593,861</b>	<b>2,109,761</b>
Share capital	16	1,419	1,363
Share premium	16	289,812	269,103
Treasury shares	16	(457)	(457)
Contributed surplus	16	685,913	685,913
Other reserves	16	(33,980)	(43,130)
Retained earnings		167,626	248,238
		<b>1,110,333</b>	<b>1,161,030</b>
<b>Non-controlling interests</b>		<b>7,043</b>	<b>9,689</b>
<b>Total shareholders' equity</b>		<b>1,117,376</b>	<b>1,170,719</b>

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



## CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Borrowings	17	979,590	766,937
Deferred income		-	248
Derivative financial instruments	14	389	1,207
<b>Total non-current liabilities</b>		<b>979,979</b>	<b>768,392</b>
Borrowings	17	431,245	120,060
Deferred income		248	496
Derivative financial instruments	14	5,306	5,900
Current income tax liabilities	7	188	822
Trade and other payables	18	59,519	43,372
<b>Total current liabilities</b>		<b>496,506</b>	<b>170,650</b>
<b>Total liabilities</b>		<b>1,476,485</b>	<b>939,042</b>
<b>Total equity and liabilities</b>		<b>2,593,861</b>	<b>2,109,761</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Note	Share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Contributed surplus US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Total US\$'000	US\$'000	US\$'000
Balance at 1 January 2016		1,363	269,103	(457)	685,913	(43,130)	248,238	1,161,030	9,689	1,170,719
Profit/(Loss) for the financial year		-	-	-	-	-	24,279	24,279	(647)	23,632
Other comprehensive income for the financial year		-	-	-	-	9,029	-	9,029	-	9,029
Total comprehensive income/(loss) for the financial year		-	-	-	-	9,029	24,279	33,308	(647)	32,661
Share-based payment reserve - Value of employee services		-	-	-	-	121	-	121	-	121
Distributions to non-controlling interests	23	-	-	-	-	-	-	-	(1,999)	(1,999)
Dividends paid	24	-	-	-	-	-	(104,891)	(104,891)	-	(104,891)
Issue of new common shares	16	56	20,714	-	-	-	-	20,770	-	20,770
Share issue expenses	16	-	(5)	-	-	-	-	(5)	-	(5)
Total transactions with owners, recognised directly in equity		56	20,709	-	-	121	(104,891)	(84,005)	(1,999)	(86,004)
<b>Balance at 31 December 2016</b>		<b>1,419</b>	<b>289,812</b>	<b>(457)</b>	<b>685,913</b>	<b>(33,980)</b>	<b>167,626</b>	<b>1,110,333</b>	<b>7,043</b>	<b>1,117,376</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company						Non-controlling interests	Total equity
Note	Share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Contributed surplus US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Total US\$'000	US\$'000	US\$'000
Balance at 1 January 2015	1,363	269,103	(22,445)	685,913	(43,286)	180,747	1,071,395	9,559	1,080,954
Profit for the financial year	-	-	-	-	-	323,967	323,967	2,171	326,138
Other comprehensive loss for the financial year	-	-	-	-	(5,100)	-	(5,100)	-	(5,100)
Total comprehensive (loss)/income for the financial year	-	-	-	-	(5,100)	323,967	318,867	2,171	321,038
Share-based payment reserve									
- Value of employee services	-	-	-	-	35	-	35	-	35
Sale of treasury shares	16	-	-	21,988	-	5,221	-	27,209	-
Distributions to non-controlling interests	23	-	-	-	-	-	-	(2,041)	(2,041)
Dividends paid	24	-	-	-	-	(256,476)	(256,476)	-	(256,476)
Total transactions with owners, recognised directly in equity	-	-	21,988	-	5,256	(256,476)	(229,232)	(2,041)	(231,273)
Balance at 31 December 2015	1,363	269,103	(457)	685,913	(43,130)	248,238	1,161,030	9,689	1,170,719

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
<b>Cash flows from operating activities</b>			
Profit before tax for the financial year		<b>23,865</b>	326,887
Adjustments for:			
- negative goodwill arising from acquisition of a subsidiary		<b>(110,538)</b>	-
- amortisation charge		<b>4,910</b>	4,910
- amortisation of deferred income		<b>(496)</b>	(496)
- depreciation charge		<b>94,566</b>	79,806
- derivative (gain)/loss		<b>(2,641)</b>	2,225
- gain on disposal of a vessel		<b>(4,874)</b>	-
- gain on disposal of available-for-sale financial assets		<b>(3,197)</b>	-
- loss on disposal of other property, plant and equipment		<b>312</b>	-
- impairment charge on vessels		<b>144,147</b>	-
- impairment loss on available-for-sale financial assets		<b>31,461</b>	-
- interest income		<b>(188)</b>	(143)
- interest expense		<b>27,572</b>	16,844
- other finance expense		<b>2,658</b>	1,666
- share-based payments		<b>121</b>	35
- unrealised currency translation gain		<b>(239)</b>	-
Operating cash flow before working capital changes		<b>207,439</b>	431,734
Changes in working capital:			
- inventories		<b>(3,615)</b>	6,557
- trade and other receivables		<b>36,537</b>	(11,143)
- trade and other payables		<b>2,219</b>	(6,023)
Cash generated from operations		<b>242,580</b>	421,125
Taxes paid		<b>(867)</b>	(602)
<b>Net cash provided by operating activities</b>		<b>241,713</b>	420,523
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(229,878)</b>	(467,322)
Proceed from sale of a vessel		<b>43,186</b>	-
Acquisition of a subsidiary, net of cash acquired	25	<b>(15,041)</b>	-
Investment in available-for-sale financial assets		<b>(27,919)</b>	(34,205)
Interest paid (capitalised interest expense)		<b>(3,232)</b>	(3,152)
Interest received		<b>188</b>	143
<b>Net cash used in investing activities</b>		<b>(232,696)</b>	(504,536)

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



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		488,054	650,687
Payment of financing fees		(6,044)	(4,331)
Repayments of bank borrowings		(369,711)	(282,383)
Repayments of finance lease		-	(9,556)
Interest paid		(25,090)	(14,032)
Dividends paid		(104,891)	(256,476)
Other finance expense paid		(2,552)	(1,525)
Share issue expenses		(5)	-
Sale of treasury shares		-	27,209
Distributions to non-controlling interests		(1,999)	(2,041)
<b>Net cash (used in)/provided by financing activities</b>		<b>(22,238)</b>	107,552
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the financial year	15	93,784	70,245
<b>Cash and cash equivalents at end of the financial year</b>	15	<b>80,563</b>	93,784

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shipowning and chartering (note 27).

These financial statements were authorised for issue by the Board of Directors of BW LPG Limited on 24 February 2017.

2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

*New standards, amendments to published standards and interpretations, adopted by the Group*

The Group has adopted the following relevant new standards and amendments to published standards as at 1 January 2016:

Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets

Amendments to IAS 16, ‘Property, plant and equipment’ and IAS 38 ‘Intangible assets’ on the clarification of acceptable methods of depreciation and amortisation. The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. These amendments do not have a significant impact on these financial statements as the Group does not depreciate its property, plant and equipment and amortise its intangible assets based on revenue generated by using the asset.

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1 ‘Presentation of financial statements’ on disclosure initiatives. The amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

These amendments do not have a significant impact on these financial statements.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is a summary of estimates and assumptions which have a material effect on the consolidated financial statements.

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at the balance sheet date and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage (LWT) of each vessel multiplied by the scrap steel price per LWT. If estimates of the residual values are revised, the amount of depreciation charge in the future years will be changed.

The useful lives of the vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for the vessels are revised or there is a change in useful lives, the amount of depreciation charge recorded in future years will be changed.

The estimated residual values for the vessels were revised as at 1 January 2016. The change in these estimates will increase depreciation expense of vessels from 1 January 2016 onwards. The effect of the change had increased depreciation expense of approximately of US\$3.7 million for FY 2016.

(2) Impairment

The Group assesses at the balance sheet dates whether there is any objective evidence or indication that the values of the intangible assets, and property, plant and equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset, and write down the asset to the recoverable amount. The assessment of the recoverable amount of vessels is estimated predominantly based on independent broker values or contracted cash flows discounted by an estimated discount rate.

Changes to these estimates may significantly impact the impairment charges recognised and future changes may lead to reversals of currently recognised impairment charges.

See note 9(c) for further disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

(3) Revenue recognition

All freight revenues and voyage expenses are recognised on a percentage of completion basis. Discharge-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under this method, freight revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption) and the distance of the trade route. Actual results may differ from estimates.

Revenue from time charters (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term (note 2(n)).

The Group revised its accounting policy for the timing of recognition of demurrage income from upon completion of a voyage to percentage of completion basis, consistent with the basis of recognising voyage freight revenue.

Demurrage income continues to be assessed at a percentage of the total estimated claims issued to customers. The estimation of this rate is based on the historical actual demurrage recovered over the total estimated claims issued to customers. As the effect of the change in policy is not significant, the comparative amounts have not been restated.

(4) Negative goodwill

The Group has recognised a negative goodwill arising from a step acquisition of a subsidiary in the profit or loss during the financial year. Please refer to note 25 for details of negative goodwill.

The accounting for this acquisition required judgements relating to the measurement of the components of the business combination (i.e. assets acquired, liabilities assumed, consideration transferred and the gain on a bargain purchase). The assets acquired and liabilities assumed were measured at their fair values at the acquisition date. The most significant assets and liabilities of the subsidiary were LPG vessels and bank borrowings. Significant judgements are used to estimate the vessels’ fair values. In making these estimates, management has relied on valuation of the vessels provided by independent brokers.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. Significant accounting policies (continued)

### (b) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts, off-hire charges and after eliminating sales within the Group.

#### (1) Rendering of services

Revenue from time charters accounted for as operating leases is recognised rateably over the rental periods of such charters, as service is performed. Revenue from voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of voyage freight using the discharge-to-discharge method. Under this method, voyage revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Demurrage revenue is recognised as revenue from voyage charter based on percentage of completion, consistent with the basis of recognising voyage freight revenue and is assessed at a percentage of the total estimated claims issued to customers. The estimation of this rate is based on the historical actual demurrage recovered over the total estimated claims issued to customers.

Losses arising from time or voyage charters are provided for in full as soon as they are anticipated.

The Group's vessels operate in chartering pools. For vessels operated by related pool manager, the Group accounts for its share of pool revenues, expenses, assets and liabilities in gross in the consolidated financial statements. For vessels operated by non-related pool manager, where the Group has no influence in the running of the pool, the Group accounts for its share of pool revenues and expenses on a net basis as part of revenue in the consolidated financial statements.

Pool revenues, expenses, assets and liabilities are allocated to the pool participants according to agreed upon formulae. The formulae used to allocate pool revenues to pool participants is on the basis of the number of days a vessel is available for operation in the pool with weighting adjustments made to reflect vessels' differing capacities and performance capabilities. The same principles are applied in determining the pool's expenses, assets and liabilities.

#### (2) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. Significant accounting policies (continued)

### (c) Group accounting

#### (1) Subsidiaries

##### (i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

##### (ii) Acquisitions

The Group uses the acquisition method of accounting to account for business combinations.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair values of the identifiable net assets acquired, is recorded as goodwill.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(c) Group accounting (continued)

(1) Subsidiaries (continued)

(iii) Disposals

When a change in the Group’s ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(2) Transactions with non-controlling interests

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(d) Intangible assets

Intangible assets are initially recognised at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets that are subjected to amortisation over their estimated remaining useful lives ranging from 16 to 21 months (2015: 28 to 33 months), are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(e) Property, plant and equipment

(1) Measurement

- (i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (note 2(f)).
- (ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.
- (iii) Additions in amounts less than US\$10,000 are expensed and taken to the profit or loss.

(2) Depreciation

- (i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision in estimate are accounted for on a prospective basis. The estimated useful lives are as follows:

Vessels	30 years
Dry docking	2.5 - 5 years
Furniture and fixtures	3 - 5 years

- (ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. The remaining carrying amount of the old dry docking as a result of the commencement of new dry docking will be written off to the profit or loss.

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

(4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. Significant accounting policies (continued)

### (f) Impairment of non-financial assets

Intangibles with finite lives, and property, plant and equipment are tested for impairment whenever there is any objective evidence or an indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset (or CGU) is reversed if, and only if, there has been a change in the estimates used to determine the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of this asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) is recognised in profit or loss.

### (g) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge or (b) cash flow hedge.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in profit or loss as derivative gain/(loss) when the change arises.

At the inception of the transaction, the Group documents the relationship between the hedging instruments and hedged items as well as, the risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is classified as a current asset or liability.

The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date.

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest swaps are recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. Significant accounting policies (continued)

### (h) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables and derivative financial instruments (for hedging). They are presented as non-current assets unless the equity security matures or management intends to dispose of the assets within 12 months after the balance sheet date.

Available-for-sale financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. They are initially recognised at fair value plus transaction costs and subsequently carried at fair value.

The Group assesses at each balance sheet date whether there is objective evidence that the available-for-sale financial assets are impaired and recognises an allowance for impairment when such evidence exists. Apart from objective evidence, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### (i) Loans and receivables

The Group's financial assets loans and receivables, are presented as "trade and other receivables" (note 13) and "cash and cash equivalents" (note 15) on the balance sheet.

Cash and cash equivalents and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When the asset becomes uncollectible, it is written off against the allowance amount. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in the prior periods.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities in the consolidated balance sheet unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(k) Borrowing costs

Borrowing costs are recognised in the consolidated profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs on borrowings acquired specifically for the construction of vessels are capitalised in the cost of the vessel under construction during the period of construction until the Group take delivery of the vessels. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

(l) Trade and other payables

Trade and other payables represent liabilities to pay for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(m) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices for financial assets are the current bid prices; the appropriate market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine fair value for the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised costs approximate their fair values due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Leases

(1) When the Group is the lessor:

Operating leases

Leases of vessels in which the Group does not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Vessels leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(2) When the Group is the lessee:

Operating leases

Leases of assets in which not substantially all risks and rewards of ownership are transferred to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the consolidated profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases

Leases of assets in which the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the reduction of the outstanding lease liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(o) Inventories

Inventories comprise mainly fuel oil remaining on board and ship stores. Inventories are measured at the lower of cost (on a first-in, first-out basis) and net realisable value.

(p) Provisions for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation where as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

(q) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements of the Group are presented in United States Dollars (“US\$”), which is the functional currency of the Company.

(2) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss within “finance expense – net”.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(r) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(1) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(2) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(3) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of shares is recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the shares granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares that are expected to be issued on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares that are expected to be issued on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

On the vesting date, the Company issued new shares or re-issue treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(s) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and short-term bank deposits, which are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(t) Share capital and treasury shares

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new common shares are deducted against share premium, a component of the share capital account.

When any entity within the Group purchases the Company’s common shares (“treasury shares”), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company’s equity holders, until they are cancelled, sold or reissued.

Any gain/loss on sale of treasury shares is recognised directly within equity and presented in capital reserve.

(u) Dividends to Company’s shareholders

Dividends to Company’s shareholders are recognised when the dividends are approved for payment.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to Management whose members are responsible for allocating resources and assessing performance of the operating segments.

(w) Non-current asset (or disposal groups) held-for-sale

Non-current asset (or disposal groups) is classified as asset held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if its carrying amount is recovered principally through a sale transaction rather than through continuing use. The asset is not depreciated or amortised while it is classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Revenue and other operating income

	2016 US\$'000	2015 US\$'000
Revenue from:		
- voyage charter	326,027	604,921
- time charter	180,439	168,414
	506,466	773,335
Other operating income:		
- sundry income	717	1,520
- dividend income	548	-
- rental income	15	-
- amortisation of deferred income	496	496
	1,776	2,016

4. Expenses by nature

	2016 US\$'000	2015 US\$'000
Fuel oil consumed	62,892	112,734
Port charges	25,510	13,644
Other voyage expenses	11,409	20,465
Voyage expenses	99,811	146,843
Charter hire expenses	69,454	79,609
Manning costs	57,702	51,124
Maintenance and repair expenses	34,674	38,366
Insurance expenses	4,750	4,863
Other vessel operating expenses	14,865	11,271
Vessel operating expenses	111,991	105,624
Employee compensation (note 5)	6,225	5,419
Directors’ fees	497	428
Audit fees	405	320
Non-audit services fees	-	31
Other operating expenses	9,718	6,817
Non-vessel related operating expenses	16,845	13,015
Total voyage, charter hire and other operating expenses	298,101	345,091



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Employee compensation

	2016 US\$'000	2015 US\$'000
Wages and salaries	5,810	5,083
Share-based payments - equity settled	121	35
Post-employment benefits - contributions to defined contribution plans	294	301
	<b>6,225</b>	5,419

6. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year.

	2016	2015
Net profit attributable to equity holders of the Company (US\$'000)	24,279	323,967
Weighted average number of common shares outstanding ('000)	136,577	133,071
Basic/Diluted earnings per share (US\$ per share)	<b>0.18</b>	2.44

The Company operates an equity-settled, share-based compensation plan. Upon the end of the vesting periods on 31 December 2016 and 2017, common shares of 2,199 and 2,197 (2015: 11,118) may be issued to certain employees, respectively. These potential common shares do not have a material impact on the computation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Income tax expense

(a) Income tax expense

Tax expense attributable to profit is made up of:

- profit for the financial year:
- current income tax
- overprovision in prior financial year

2016 US\$'000	2015 US\$'000
233	792
-	(43)
<b>233</b>	749

(b) Movement in current income tax liabilities

At beginning of financial year  
Income tax expense  
Income tax paid  
At end of financial year

2016 US\$'000	2015 US\$'000
822	675
233	749
(867)	(602)
<b>188</b>	822

There is no income, withholding, capital gains or capital transfer taxes payable in Bermuda. Income tax expense reconciliation is as follows:

	2016 US\$'000	2015 US\$'000
Profit before tax	<b>23,865</b>	326,887
Tax calculated at a tax rate of 0% (2015: 0%)	-	-
Effects of:		
- different tax rates in other countries	233	792
- overprovision in prior financial year	-	(43)
Income tax expense	<b>233</b>	749

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 8. Intangible assets

	2016 US\$'000	2015 US\$'000
<i>Charter hire contracts acquired</i>		
At beginning of the financial year	12,471	17,381
Amortisation charge	(4,910)	(4,910)
At end of the financial year	7,561	12,471

### 9. Property, plant and equipment

	Vessels US\$'000	Dry docking US\$'000	Vessels under construction US\$'000	Furniture and fixtures US\$'000	Total US\$'000
<i>Cost</i>					
At 1 January 2016	1,967,321	68,521	161,762	620	2,198,224
Additions	2,585	17,886	212,368	305	233,144
Acquisition of a subsidiary (note 25)	583,247	14,251	-	-	597,498
Disposals	(55,175)	(1,566)	-	(620)	(57,361)
Transfer on delivery of vessels	291,069	9,000	(300,069)	-	-
Reclassified to asset held-for-sale (note 11)	(65,688)	(3,045)	-	-	(68,733)
Write off on completion of dry docking costs	-	(13,391)	-	-	(13,391)
At 31 December 2016	2,723,359	91,656	74,061	305	2,889,381
<i>Accumulated depreciation and impairment charge</i>					
At 1 January 2016	305,205	28,838	-	247	334,290
Depreciation charge	75,659	18,815	-	92	94,566
Impairment charge	144,147	-	-	-	144,147
Reclassified to asset held-for-sale (note 11)	(61,629)	(2,859)	-	-	(64,488)
Disposals	(18,332)	(97)	-	(308)	(18,737)
Write off on completion of dry docking costs	-	(13,391)	-	-	(13,391)
At 31 December 2016	445,050	31,306	-	31	476,387
<i>Net book value</i>					
At 31 December 2016	2,278,309	60,350	74,061	274	2,412,994

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 9. 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
<i>Cost</i>					
At 1 January 2015	1,523,570	53,223	153,838	620	1,731,251
Additions	76,688	7,883	386,237	-	470,808
Transfer on delivery of vessels	367,063	11,250	(378,313)	-	-
Write off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	1,967,321	68,521	161,762	620	2,198,224
<i>Accumulated depreciation and impairment charge</i>					
At 1 January 2015	241,146	17,050	-	123	258,319
Depreciation charge	64,059	15,623	-	124	79,806
Write off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	305,205	28,838	-	247	334,290
<i>Net book value</i>					
At 31 December 2015	1,662,116	39,683	161,762	373	1,863,934

- (a) Vessels with an aggregate carrying amount of US\$2,051.0 million as at 31 December 2016 (2015: US\$1,261.7 million) were secured on borrowings amounting to US\$1,286.1 million (2015: US\$837.3 million) (note 17).
- (b) For the year ended 31 December 2016, interest amounting to US\$3.3 million (2015: US\$3.5 million) has been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.2% (2015: 2.1%) per annum.
- (c) The Group recognised an impairment charge of US\$144.1 million (2015: nil) to write down the carrying amount of certain vessels 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 fair value less cost to sell was determined 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 (note 21(f)). The spread of values given by the third party valuers was no higher than US\$3.0 million per vessel. 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 10. Available-for-sale financial assets

	2016 US\$'000	2015 US\$'000
At beginning of the financial year	31,580	-
Additions	27,919	34,205
Fair value losses recognised in other comprehensive income	(25,639)	(2,625)
Consideration for acquisition of a subsidiary (note 25)	(19,105)	-
Redemption of floating rate notes	(14,755)	-
At end of the financial year	-	31,580

As at 31 December 2015, the Group held 15.0% equity interest in Aurora LPG Holding ASA ("Aurora LPG").

During 2016 and prior to the Group obtaining control of Aurora LPG (note 25), the Group acquired an additional 17.8% equity interest in the company for US\$13.1 million (NOK108.1 million) and US\$14.8 million (NOK122.3 million) of floating rate notes ("Aurora FRN") issued by the company. The Group also recognised US\$31.5 million of impairment loss and US\$0.5 million of dividend income on the Aurora LPG shares in the profit or loss during the nine month period ended 30 September 2016.

Upon acquisition of Aurora LPG as a subsidiary of the Group on 5 December 2016:

- The 32.8% equity interest in Aurora LPG held as available-for-sale financial assets was accounted for as part of the purchase consideration at its last transacted market price of NOK16.8 per share, amounting to US\$19.1 million (NOK163.5 million) (note 25);
- The fair value gain on Aurora LPG shares of US\$3.2 million during the fourth quarter of 2016 was reclassified to profit or loss; and
- The Aurora FRN held by the Group was accounted for as a redemption of liabilities at their fair value.

### 11. Asset held-for sale

	2016 US\$'000	2015 US\$'000
Vessel (note 9)	4,245	-

The vessel was sold for recycling in January 2017.

### 12. Inventories

	2016 US\$'000	2015 US\$'000
Fuel oil, at cost	12,687	9,072

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 13. Trade and other receivables

	2016 US\$'000	2015 US\$'000
Trade receivables – non-related parties	51,799	81,838
Other receivables – non-related parties	2,692	3,310
Other receivables – related parties^	5,789	4,083
	60,280	89,231
Prepayments	7,297	9,088
	67,577	98,319

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

Other receivables due from related parties comprise mainly advances for vessel operating expenses. They are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other receivables, principally denominated in US\$, approximate their fair values.

### 14. Derivative financial instruments

	31 December 2016		31 December 2015	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Interest rate swaps	7,695	(5,572)	601	(4,882)
Bunker swap	539	-	-	(2,225)
Forward foreign exchange contracts	-	(123)	-	-
	8,234	(5,695)	601	(7,107)

As at 31 December 2016, the Group had interest rate swaps with total notional principal amounting to US\$626.5 million, of which US\$170.2 million had a contract date starting in 2017.

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 1.5% per annum to 2.2% per annum and would receive a variable rate equal to either US\$ three-month LIBOR or US\$ six-month LIBOR. Hedge accounting was adopted by the Group 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 bunker swaps had been presented within "voyage expenses" in the Consolidated Statement of Comprehensive Income.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15. Cash and cash equivalents

	2016 US\$'000	2015 US\$'000
Cash at bank and on hand	52,989	38,061
Short-term bank deposits	27,574	55,723
	<b>80,563</b>	93,784

Please refer to note 25 for the effects of the acquisition of a subsidiary on the cash flows of the Group.

### 16. Share capital and other reserves

						Other reserves				
	Number of common shares	Share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Contributed surplus US\$'000	Capital reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Share- based payment reserve US\$'000	Total US\$'000
At 1 January 2016	136,291,455	1,363	269,103	(457)	685,913	(36,259)	(2,625)	(4,281)	35	912,792
Value of employee services	-	-	-	-	-	-	-	-	121	121
Issue of new common shares <sup>(a)(i)</sup>	5,647,543	56	20,714	-	-	-	-	-	-	20,770
Share issue expenses	-	-	(5)	-	-	-	-	-	-	(5)
Available-for-sale financial assets (note 10)										
- fair value loss recognised in other comprehensive income	-	-	-	-	-	-	(25,639)	-	-	(25,639)
- reclassification to profit or loss	-	-	-	-	-	-	28,264	-	-	28,264
Cash flow hedges										
- fair value gain recognised in other comprehensive income	-	-	-	-	-	-	-	1,916	-	1,916
-reclassification to profit or loss	-	-	-	-	-	-	-	4,488	-	4,488
<b>At 31 December 2016</b>	<b>141,938,998</b>	<b>1,419</b>	<b>289,812</b>	<b>(457)</b>	<b>685,913</b>	<b>(36,259)</b>	<b>-</b>	<b>2,123</b>	<b>156</b>	<b>942,707</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 16. Share capital and other reserves (continued)

						Other reserves				
	Number of common shares	Share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Contributed surplus US\$'000	Capital reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Share- based payment reserve US\$'000	Total US\$'000
At 1 January 2015	136,291,455	1,363	269,103	(22,445)	685,913	(41,480)	-	(1,806)	-	890,648
Value of employee services	-	-	-	-	-	-	-	-	35	35
Sale of treasury shares <sup>(e)</sup>	-	-	-	21,988	-	5,221	-	-	-	27,209
Available-for-sale financial assets (note 10)										
- fair value loss recognised in other comprehensive income	-	-	-	-	-	-	(2,625)	-	-	(2,625)
Cash flow hedges										
- fair value loss recognised in other comprehensive income	-	-	-	-	-	-	-	(4,923)	-	(4,923)
-reclassification to profit or loss	-	-	-	-	-	-	-	2,448	-	2,448
At 31 December 2015	136,291,455	1,363	269,103	(457)	685,913	(36,259)	(2,625)	(4,281)	35	912,792

#### (a) Issued and fully paid share capital

- The Company issued 5,647,543 new common shares amounting to US\$20.8 million (NOK177.7 million) as part consideration for the acquisition of Aurora LPG (note 25), thereby increasing the outstanding common shares in issue to 141,938,998 common shares as at 31 December 2016.
- The Company operates an equity-settled, share-based compensation plan. Upon the end of the vesting periods on 31 December 2016 and 2017, common shares of 2,199 and 2,197 may be issued to certain employees, respectively.
- All issued common shares are fully paid with a par value of US\$0.01 (2015: US\$0.01) per share.
- Fully paid common shares carry one vote per share and carry a right to dividends as and when declared by the Company.

#### (b) Share premium

The difference between the consideration for common shares issued and their par value are recognised as share premium.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Share capital and other reserves (continued)

(c) Capital reserve

As at 31 December 2016, negative capital reserve amounted to US\$36.3 million, which comprises negative reserve arising from the business acquisition of entities under common control using the pooling-of-interest method of accounting of US\$41.5 million and a gain on disposal of treasury shares of US\$5.2 million (note 16 (e)).

Capital reserve is non-distributable.

(d) Share-based payment reserve

Certain employees are entitled to receive common shares in the Company. This award is recognised as an expense in the consolidated profit or loss with a corresponding increase in the share-based payment reserve over the vesting periods. For the year ended 31 December 2016, an expense of US\$121,000 (2015: US\$35,000) was recognised in the consolidated profit or loss with a corresponding increase recognised in the share-based payment reserve.

(e) Treasury shares

	No. of shares		Amount	
	2016 '000	2015 '000	2016 US\$'000	2015 US\$'000
Balance as at 1 January	69	3,400	457	22,445
Sale	-	(3,331)	-	(21,988)
Balance as at 31 December	69	69	457	457

In December 2015, 3,330,706 shares were sold for a consideration of NOK237.8 million (US\$27.2 million). The gain on disposal of the treasury shares amounting to US\$5.2 million is recognised directly in “capital reserve” (note 16(c)). No treasury shares were sold in 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Borrowings

	2016 US\$'000	2015 US\$'000
<b>Non-current</b>		
Bank borrowings	979,590	766,937
	979,590	766,937
<b>Current</b>		
Interest payable	4,869	2,792
Bank borrowings	421,393	117,268
Floating rate notes	4,983	-
	431,245	120,060
	1,410,835	886,997

In 2013, the Group entered into a seven-year US\$700.0 million Senior Secured Term Loan and Revolving Credit Facility (“US\$700 million Facility”), which comprised a term loan facility of US\$500.0 million and revolving credit facility of US\$200.0 million to repay a shareholder loan and to provide general corporate and working capital. The term loan is amortised quarterly with a bullet payment at the end of the facility. The revolving credit of US\$200.0 million was increased to US\$300.0 million in 2016.

In 2015, the Group signed a 12-year Facility Agreement for a debt facility of up to US\$400.0 million (“US\$400 million Facility”) to provide post-delivery financing for seven VLGC newbuilds. The facility is amortised quarterly with a bullet payment at the end of the facility.

In 2016, the Group signed a 12-year debt facility of up to US\$220.8 million (“US\$221 million Facility”) to provide post-delivery financing for four VLGC newbuilds. The facility is amortised quarterly with a bullet payment at the end of the facility.

In 2016, the Group upsized its two-year unsecured revolving credit facility to US\$150.0 million from US\$100.0 million (“US\$150 million Facility”) to provide general corporate and working capital.

In 2016, the Group also acquired Aurora LPG. As at 31 December 2016, Aurora LPG had amounts due under two facilities; namely a four-year facility of up to US\$150.0 million (“US\$150 million Term Loan Facility”) and a banking facility of up to US\$200.0 million facility (“US\$200 million ECA Facility”). These two facilities are secured to mortgage over eight vessels of Aurora LPG. Both facilities are amortised quarterly with a bullet payment at the end of the facilities.

Bank borrowings from the above six facilities as at 31 December 2016 amounted to US\$1,405.8 million (31 December 2015: US\$887.0 million), of which US\$1,286.1 million (2015: US\$837.3 million) are secured by mortgages over certain vessels of the Group (note 9).

In addition, pursuant to the acquisition of Aurora LPG in 2016, the Group has also assumed the floating rate notes issued by Aurora LPG. As at 31 December 2016, these notes amounted to US\$5.0 million. They are unsecured and due in August 2017.

The Group’s borrowings are subject to covenants compliance. The Group had complied with these covenants except for bank borrowings and floating rate notes of Aurora LPG amounting to US\$332.3 million and US\$5.0 million, respectively. As a result of the breaches of the covenants relating to the borrowing of Aurora LPG, the banks and the notes holders are contractually entitled to request for immediate repayment of these borrowings. Accordingly, Aurora LPG’s borrowings have been presented as current liability on the balance sheet as at 31 December 2016. As of the date of the issuance of these financial statements, US\$141.3 million of the borrowings and US\$3.3 million of floating rate notes relating to Aurora LPG have been prepaid. The Group has adequate cash from operations and undrawn credit facilities as well as committed new loan facilities to re-finance Aurora LPG’s remaining unpaid borrowings.

The carrying amounts of current and non-current borrowings approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 18. Trade and other payables

	2016 US\$'000	2015 US\$'000
Trade payables – non-related parties	28,519	14,473
Other payables – non-related parties	288	183
Other payables – related parties^	186	18
Charter hire received in advance	2,519	12,770
Other accrued operating expenses	28,007	15,928
	<b>59,519</b>	43,372

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

The carrying amounts of trade and other payables, principally denominated in US\$, approximate their fair values.

Other payables due to related parties are unsecured, interest-free and are payable on demand.

### 19. Related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

#### (a) Services

	2016 US\$'000	2015 US\$'000
Support service fees charged by related parties^	4,370	4,466
Ship management fees charged by related parties^	8,688	8,549

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

#### (b) Key management's remuneration

	2016 US\$'000	2015 US\$'000
Salaries and other short-term employee benefits	1,780	1,535
Post-employment benefits - contributions to defined contribution plans, share-based payment and termination benefits	137	78
Directors' fees	497	428
	<b>2,414</b>	2,041

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 20. Commitments

#### (a) Capital commitments

As of 31 December 2016, the Group had shipbuilding contracts for the construction of two VLGC newbuilds (31 December 2015: six VLGC newbuilds), which were delivered in January 2017.

The total cost of the two VLGC newbuilds amounted to US\$138.2 million (31 December 2015: US\$424.4 million for six newbuilds). As at 31 December 2016, the Group had paid US\$69.5 million (31 December 2015: US\$156.5 million) in instalments and these payments had been capitalised and included in "vessels under construction". Capital commitments contracted for these two VLGC newbuilds at the balance sheet date but not recognised as at the balance sheet date were as follows:

	2016 US\$'000	2015 US\$'000
Vessels under construction	<b>68,704</b>	267,921

One of the two VLGC newbuilds was sold and leased back under an operating lease arrangement immediately upon delivery.

#### (b) 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 operating leases contracted for at the balance sheet date but not recognised as receivables, were as follows:

	2016 US\$'000	2015 US\$'000
Not later than one year	96,846	109,815
Later than one year but not later than five years	69,670	146,578
	<b>166,516</b>	256,393

#### (c) 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 operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	2016 US\$'000	2015 US\$'000
Not later than one year	67,528	70,161
Later than one year and not later than five years	180,708	166,323
Later than five years	192,147	135,079
	<b>440,383</b>	371,563

Included in the above future aggregate minimum lease payments are operating lease commitment amounting to US\$126.0 million on two time charter-in VLGCs currently under construction at Mitsubishi Heavy Industries with deliveries expected in 2020.

A lease commitment of approximately US\$63.0 million on a VLGC that was sold and leased back has not been included in the above as the contract was entered into in January 2017.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. 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 financial performance of the Group. Where applicable, the Group uses financial instruments such as interest rate swaps and bunker swaps to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Fuel price risk

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. In 2016, fuel oil costs comprised 28% (2015: 42%) of the Group’s total operating expenses (excluding amortisation, depreciation and charter hire expenses).

(ii) Currency risk

The Group’s business operations are not exposed to significant foreign exchange risk as it has no significant regular transactions denominated in foreign currencies.

(iii) 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 17). If the US\$ interest rates increase/decrease by 50 basis points (2015: 50 basis points) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by approximately US\$2.7 million (2015: US\$2.7 million) as a result of higher/lower interest expense on these borrowings; the total comprehensive income will be higher/lower by approximately US\$8.0 million (2015: US\$9.7 million).

(b) Credit risk

Credit risk is diversified over a range of counterparties including several key charterers. The Group performs ongoing credit evaluation of its charterers and has policies in place to ensure that credit is extended only to charterers with appropriate credit histories or financial resources. In this regard, the Group is of the opinion that the credit risk of counterparty default is appropriately mitigated. In addition, although the trade and other receivables consist of a small number of customers, the Group has policies in place for the control and monitoring of the concentration of credit risk. The Group has implemented policies to ensure cash is only deposited with internationally recognised financial institutions with good credit ratings.

The Group’s credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Bank deposits are not impaired and are mainly deposits with banks with credit-ratings assigned by international credit-rating agencies. Trade receivables are neither past due nor impaired and are substantially from companies with a good collection track record with the Group. There is no significant balance as at the balance sheet date that is past due or impaired as substantial portions of the trade and other receivables represent accrued revenue for voyage charters-in-progress at the balance sheet date and unbilled demurrage receivables. The maximum exposure is represented by the carrying value of each financial asset on the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(c) 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.

Please see further disclosure in note 17 in relation to borrowings of Aurora LPG.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date on an undiscounted basis.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
<b>At 31 December 2016</b>				
Trade and other payables	59,519	-	-	-
Bank borrowings	455,896	235,507	470,418	418,933
	<b>515,415</b>	<b>235,507</b>	<b>470,418</b>	<b>418,933</b>
	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
<b>At 31 December 2015</b>				
Trade and other payables	43,372	-	-	-
Bank borrowings	134,191	92,222	375,437	372,850
	<b>177,563</b>	<b>92,222</b>	<b>375,437</b>	<b>372,850</b>

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital based on a leverage ratio (defined as total debt to total equity and debt). The Group pursues a policy aiming to achieve a target ratio of below 60%. If the leverage ratio is higher than 60%, the Group will seek to return to a conservative financial level by disposing assets, deleveraging the balance sheet; and/or increasing fixed income coverage within a reasonable period of time.

The Group’s leverage ratio at 31 December 2016 is 56% (2015: 43%).

Except for the breaches of covenants described in note 17, the Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(e) Financial instruments by category

The aggregate carrying amounts of loans and receivables, available-for-sale financial assets, financial derivative instruments and financial liabilities at amortised cost are as follows:

	2016 US\$'000	2015 US\$'000
Loans and receivables	140,843	183,015
Available-for-sale financial assets	-	31,580
Financial derivative instruments assets/(liabilities) - net	2,539	(6,506)
Financial liabilities at amortised cost	1,467,835	917,599

(f) Fair value measurements

Financial assets and liabilities are measured at fair value and classified by level of the following fair value measurement hierarchy:

- (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).

2016

*Assets*

Derivative financial instruments

**Total assets**

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Derivative financial instruments	-	8,234	8,234
<b>Total assets</b>	-	8,234	8,234

*Liabilities*

Derivative financial instruments

**Total liabilities**

Derivative financial instruments	-	5,695	5,695
<b>Total liabilities</b>	-	5,695	5,695

2015

*Assets*

Available-for-sale financial assets

Derivative financial instruments

Total assets

Available-for-sale financial assets	31,580	-	31,580
Derivative financial instruments	-	601	601
<b>Total assets</b>	31,580	601	32,181

*Liabilities*

Derivative financial instruments

Total liabilities

Derivative financial instruments	-	7,107	7,107
<b>Total liabilities</b>	-	7,107	7,107

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(f) Fair value measurements (continued)

The Group's available-for-sale financial assets fair value of US\$31.6 million was based on quoted market prices at the balance sheet date in 2015 (note 10). The quoted market price used for the available-for-sale financial assets held by the Group in 2015 was the current bid price. These instruments were included in Level 1.

The Group's financial derivative instruments measured at fair value are within Level 2 of the fair value hierarchy (note 14). The fair value of financial derivative instruments that were not traded in an active market was determined by using valuation techniques. The fair values of interest rate swaps and bunker swaps were calculated at the present value of estimated future cash flows based on observable yield curves.

(g) Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subject to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented as gross on the consolidated balance sheet.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22. Segment information

The Group has two main operating segments:

- (i) Very Large Gas Carriers (VLGCs); and
- (ii) Large Gas Carriers (LGCs)

The operating segments are organised and managed according to the size of the LPG vessels. Management monitors the performance of these operating segments for the purpose of making decisions on resource allocation and performance assessment. This assessment is based on operating profit before depreciation, impairment, amortisation, gain or loss on disposal of property, plant and equipment and gain or loss on disposal of subsidiaries ("EBITDA"). This measurement basis excludes the effects of gain or loss on disposal of property, plant and equipment, impairment charges, and gain or loss on disposal of subsidiaries that are not expected to recur regularly in every financial period. Interest income is not allocated to segments, as financing is determined based on an aggregate investment portfolio rather than by segments. Unallocated items include general expenses that are not attributable to any segments.

The reconciliation of the reports reviewed by Management based on EBITDA to the basis as disclosed in these consolidated financial statements is as follows:

	VLGC US\$'000	LGC US\$'000	Total US\$'000
<b>2016</b>			
Revenue	459,766	46,700	506,466
Voyage expenses	(95,902)	(3,909)	(99,811)
TCE income	<b>363,864</b>	<b>42,791</b>	<b>406,655</b>
EBITDA	200,357	25,645	226,002
Gain on disposal of a vessel	4,874	-	4,874
Finance expense - net	22	102	124
Depreciation charge	(82,016)	(12,458)	(94,474)
Amortisation charge	(4,910)	-	(4,910)
Impairment charge on vessels	(105,770)	(38,377)	(144,147)
	12,557	(25,088)	(12,531)
Unallocated items:			
- negative goodwill arising from acquisition of a subsidiary			110,538
- others			(74,142)
Profit before tax for the financial year			<b>23,865</b>
<b>Segment assets as at 31 December 2016</b>	<b>2,393,897</b>	<b>95,114</b>	<b>2,489,011</b>
Segment assets include:			
Additions to:			
- vessels	585,832	-	585,832
- vessels under construction	212,368	-	212,368
- dry docking	30,552	1,585	32,137
<b>Segment liabilities as at 31 December 2016</b>	<b>1,437,655</b>	<b>2,133</b>	<b>1,439,788</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22. Segment information (continued)

	VLGC US\$'000	LGC US\$'000	Total US\$'000
2015			
Revenue	694,664	78,671	773,335
Voyage expenses	(138,598)	(8,245)	(146,843)
TCE income	556,066	70,426	626,492
EBITDA	390,801	52,203	443,004
Finance expense - net	(182)	(1)	(183)
Depreciation charge	(65,613)	(14,069)	(79,682)
Amortisation charge	(4,910)	-	(4,910)
	320,096	38,133	358,229
Unallocated items			(31,342)
Profit before tax for the financial year			<b>326,887</b>
Segment assets as at 31 December 2015	1,816,302	150,642	1,966,944
Segment assets include:			
Additions to:			
- vessels	76,688	-	76,688
- vessels under construction	386,237	-	386,237
- dry docking	4,498	3,385	7,883
Segment liabilities as at 31 December 2015	898,617	3,615	902,232

### Reportable segments' assets

The amounts provided to Management with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. For the purposes of monitoring segment performance and allocating resources between segments, Management monitors vessels, dry docking, charter hire contracts acquired, inventories, trade and other receivables, and intangible assets that can be directly attributable to each segment.

	<b>2016 US\$'000</b>	2015 US\$'000
Segment assets	<b>2,489,011</b>	1,966,944
<b>Unallocated items:</b>		
Cash and cash equivalents	<b>80,563</b>	93,784
Derivative financial instruments	<b>8,234</b>	601
Available-for-sale financial assets	-	31,580
Other receivables	<b>15,779</b>	16,479
Property, plant and equipment	<b>274</b>	373
Total assets	<b>2,593,861</b>	2,109,761

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22. Segment information (continued)

### Reportable segments' liabilities

The amounts provided to Management with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments. Borrowings and certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	2016 US\$'000	2015 US\$'000
Segment liabilities	1,439,788	902,232
<b>Unallocated items:</b>		
Derivative financial instruments	5,695	7,107
Other payables	30,814	28,881
Current income tax liabilities	188	822
Total liabilities	1,476,485	939,042

### Geographical information

Non-current assets which comprise mainly vessels, operate 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.

## 23. Distributions to non-controlling interests

	2016 US\$'000	2015 US\$'000
Distributions to non-controlling interests in		
- KS Havgas Partners	1,238	1,350
- PR Bergesen d.y. Shipping DA	761	691
	1,999	2,041

The partnerships, which are subsidiaries of the Group, had made distributions in accordance with the requirements of the partnership agreements. Distributions above reflect those amounts that were paid to non-controlling interests.

## 24. Dividends paid

	2016 US\$'000	2015 US\$'000
Final dividend in respect of FY 2015 of US\$0.68 (2015: In respect of FY 2014: US\$1.15) per share	92,631	152,818
Interim dividend in respect of H1 2016 of US\$0.09 (2015: In respect of H1 2015: US\$0.78) per share	12,260	103,658
	104,891	256,476

No final dividend for FY 2016 will be recommended at the Company's forthcoming annual general meeting (FY 2015: US\$0.68 per share, US\$92.6 million).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 25. Business combinations

On 5 December 2016, the Group obtained control of Aurora LPG Holding ASA ("Aurora LPG") listed on the Oslo Axess at the closing of a voluntary unconditional tender offer for all the shares in Aurora LPG. On 12 December 2016, the Company implemented a compulsory acquisition of all remaining shares in Aurora LPG which resulted in the Company owning 100% equity interest in Aurora LPG.

The principal activity of Aurora LPG is that of vessel owning and chartering. As a result of the acquisition, the Group is expected to increase its market share. It also expects to reduce costs through economies of scale.

Details of the consideration paid, the assets acquired and liabilities assumed, the effects on the cash flows of the Group, determined provisionally at the acquisition date, were as follows:

	2016 US\$'000
(a) Purchase consideration	
Cash paid	17,686
Previously held interest (note 10)	19,105
Consideration in common shares in the Company (note 16 (a) (i))	20,770
<b>Total consideration transferred for the business</b>	57,561
(b) Effect on cash flows of the Group	
Cash paid (as above)	17,686
Add: transaction costs	1,386
Less: cash and cash equivalents in subsidiary acquired	(4,031)
<b>Cash outflow on acquisition</b>	15,041
(c) Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,031
Property, plant and equipment (note 9)	597,498
Trade and other receivables (note 13)	5,796
<b>Total assets</b>	607,325
Borrowings	(424,017)
Trade and other payables	(15,209)
<b>Total liabilities</b>	(439,226)
<b>Identifiable net assets acquired</b>	168,099
Less: Negative goodwill (note 25 (e))	(110,538)
<b>Consideration transferred for the business</b>	57,561



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Business combinations (continued)

(d) Acquisition-related costs

Acquisition-related costs of \$1.4 million are included in “other operating expenses” in the consolidated statement of comprehensive income and in investing cash flows in the consolidated statement of cash flows.

(e) Negative goodwill

The negative goodwill of US\$110.5 million arising from the acquisition is mainly attributable to the share price of Aurora LPG being traded at a discount to the fair value of their net assets at acquisition date which comprise mainly of vessels and bank borrowings.

(f) Revenue and profit contribution

The acquired business contributed revenue of US\$4.5 million and net loss of US\$0.1 million to the Group from the period from 5 December 2016 to 31 December 2016.

Had Aurora LPG been consolidated from 1 January 2016, the Group’s consolidated revenue and consolidated net loss for the year ended 31 December 2016, excluding the effects of acquisition accounting, would have been US\$547.6 million and US\$116.6 million, respectively.

26. Subsequent events

- (a) The final two of our four VLGCs newbuilds from Daewoo Shipbuilding and Marine Engineering were delivered in January 2017. Concurrently, one was sold and leased back to the Group immediately upon delivery. Both vessels were deployed in the Group’s contract portfolio upon delivery.
- (b) One LGC was sold for recycling in January 2017.
- (c) Subsequent to year end, the Group has prepaid Aurora LPG’s bank borrowings of US\$141.3 million and has repurchased US\$3.3 million of the floating rate notes issued by Aurora LPG. The remaining outstanding bank borrowings and floating rate notes are US\$191.0 million and US\$1.4 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Listing of companies in the Group

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<b>Equity holding 2016</b>	Equity holding 2015
<i>(i) Subsidiary held by the Company</i>				
BW LPG Holding Limited	Investment holding	Bermuda	<b>100%</b>	100%
<i>(ii) Significant subsidiaries held by BW LPG Holding Limited</i>				
BW Gas LPG Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Gas LPG Chartering Limited	Chartering	Bermuda	<b>100%</b>	100%
BW Austria Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW VLGC Limited (formerly known as BW Borg Limited)	Shipowning	Bermuda	<b>100%</b>	100%
BW Lord Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Prince Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Princess Limited	Shipowning	Bermuda	<b>100%</b>	100%
LPG Transport Service Ltd.	Shipowning	Bermuda	<b>100%</b>	100%
BW Liberty Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Loyalty Limited	Shipowning	Bermuda	<b>100%</b>	100%
KS Havgas Partners	Shipowning	Norway	<b>78%</b>	78%
PR Bergesen d.y. Shipping DA	Shipowning	Norway	<b>86%</b>	86%
AS Havgas Partners	Investment holding	Norway	<b>100%</b>	100%
BW Green Transport AS	Chartering	Norway	<b>100%</b>	100%
BW Green Carriers AS	Chartering	Norway	<b>100%</b>	100%
BW LPG Partners Pte Ltd	Shipowning	Singapore	<b>100%</b>	100%
BW LPG Partners AS	Investment holding	Norway	<b>100%</b>	100%
BW LPG AS	Management	Norway	<b>100%</b>	100%
BW LPG Pte Ltd	Management	Singapore	<b>100%</b>	100%
BW Cyan Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Summit Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Constellation I Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Constellation II Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Constellation III Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Constellation IV Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Okpo Limited	Shipowning	Bermuda	<b>100%</b>	100%
BW Seoul Limited	Shipowning	Bermuda	<b>100%</b>	100%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Listing of companies in the Group (continued)

<u>Name of companies</u>		<u>Principal activities</u>	<u>Country of incorporation</u>	<b>Equity holding 2016</b>	Equity holding 2015
<i>(ii) Significant subsidiaries held by BW LPG Holding Limited (continued)</i>					
BW LPG LLC	a	Management	United States	<b>100%</b>	-
Aurora LPG Holding AS	b	Management	Norway	<b>100%</b>	-
		Investment			
Aurora Shipping Holding AS	b	Holding	Norway	<b>100%</b>	-
Aurora Shipping I AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping II AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping III AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping IV AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping V AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping VI AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping VII AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping VIII AS	b	Shipowning	Norway	<b>100%</b>	-
Aurora Shipping IX AS	b	Shipowning	Norway	<b>100%</b>	-

(a) Companies incorporated during the financial year  
(b) Companies acquired during the financial year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. New or revised accounting standards and interpretations

A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

**IFRS 9 ‘Financial instruments’**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group does not expect significant impact on the adoption of IFRS 9.

**IFRS 15 ‘Revenue from contract with customers’**

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group does not expect significant impact on adoption of IFRS 15.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. New or revised accounting standards and interpretations (continued)

IFRS 16 ‘Leases’

IFRS 16 replaces IAS 17. IFRS 16 is expected to change the balance sheet, income statement and cash flow statement of an entity with off balance sheet 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 lease. 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 standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group expects to recognise its operating lease commitments (note 20 (c)) and a corresponding right-of-use assets on its balance sheet on adoption of IFRS 16.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.



P A R E N T  
C O M P A N Y  
F I N A N C I A L  
S T A T E M E N T S

110	Statement of Comprehensive Income of Parent Company
111	Balance Sheet of Parent Company
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Dividend from a subsidiary		111,315	252,850
Other operating expenses	3	(3,790)	(3,679)
		107,525	249,171
Other finance income		51	1,398
<b>Profit before tax for the financial year</b>		<b>107,576</b>	250,569
Income tax	4	-	-
<b>Profit after tax and total comprehensive income for the financial year</b>		<b>107,576</b>	250,569

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

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Interest in a subsidiary	5	980,418	956,499
<b>Total non-current assets</b>		<b>980,418</b>	956,499
Other receivables	6	170	247
Cash and cash equivalents	7	10	12
<b>Total current assets</b>		<b>180</b>	259
<b>Total assets</b>		<b>980,598</b>	956,758
Share capital	8	1,419	1,363
Share premium	8	289,812	269,103
Contributed surplus	8	685,913	685,913
Share-based payment reserve	8	156	35
Retained earnings		2,556	(129)
<b>Total shareholders' equity</b>		<b>979,856</b>	956,285
Trade and other payables	9	742	473
<b>Total liabilities</b>		<b>742</b>	473
<b>Total equity and liabilities</b>		<b>980,598</b>	956,758

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



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Share-based payment reserve US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Total US\$'000
Balance at 1 January 2016		1,363	269,103	685,913	35	(129)	956,285
Profit for the financial year		-	-	-	-	107,576	107,576
Total comprehensive income for the financial year		-	-	-	-	107,576	107,576
Share-based payment reserve - Value of employee services	8	-	-	-	121	-	121
Issue of new common shares	8	56	20,714	-	-	-	20,770
Share issue expenses		-	(5)	-	-	-	(5)
Dividends paid	12	-	-	-	-	(104,891)	(104,891)
Total transactions with owners, recognised directly in equity		56	20,709	-	121	(104,891)	(84,005)
Balance at 31 December 2016		1,419	289,812	685,913	156	2,556	979,856

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Share-based payment reserve US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Balance at 1 January 2015		1,363	269,103	685,913	-	5,778	962,157
Profit for the financial year		-	-	-	-	250,569	250,569
Total comprehensive income for the financial year		-	-	-	-	250,569	250,569
Share-based payment reserve - Value of employee services	8	-	-	-	35	-	35
Dividends paid	12	-	-	-	-	(256,476)	(256,476)
Total transactions with owners, recognised directly in equity		-	-	-	35	(256,476)	(256,441)
Balance at 31 December 2015		1,363	269,103	685,913	35	(129)	956,285

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US\$'000	2015 US\$'000
<strong>Cash flows from operating activities</strong>		
Profit for the financial year	107,576	250,569
Adjustments for:		
- share-based payment	121	35
- dividend income	(111,315)	(252,850)
Operating cash flow before working capital changes	(3,618)	(2,246)
Changes in working capital:		
- other receivables	77	157
- trade and other payables	269	(105)
<strong>Net cash used in operating activities</strong>	(3,272)	(2,194)
<strong>Cash flow from investing activities</strong>		
Dividends received	111,315	252,850
(Payment to)/Proceeds from a subsidiary	(23,919)	5,612
<strong>Net cash provided by investing activities</strong>	87,396	258,462
<strong>Cash flows from financing activities</strong>		
Issue of new common shares	20,770	-
Share issue expenses	(5)	-
Dividends paid	(104,891)	(256,476)
<strong>Net cash used in financing activities</strong>	(84,126)	(256,476)
<strong>Net decrease in cash and cash equivalents</strong>	(2)	(208)
Cash and cash equivalents at beginning of the financial year	12	220
<strong>Cash and cash equivalents at end of the financial year</strong>	10	12

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is that of investment holding.

These financial statements were authorised for issue by the Board of Directors of BW LPG Limited on 24 February 2017.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

New standards, amendments to published standards and interpretations

The Company has adopted the following relevant new standards and amendments to published standards as at 1 January 2016:

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1 ‘Presentation of financial statements’ on disclosure initiatives. The amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Amendments to IAS 27 Separate financial statements

Amendments to IAS 27 Separate financial statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions which have a material effect on the financial statements.

(b) Revenue and income recognition

Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Interest in a subsidiary

Investments in subsidiaries, including receivables from the subsidiary that is a long-term source of capital and financing to the subsidiary, are carried at cost less accumulated impairment losses in the Company’s balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Impairment of non-financial assets

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (“CGU”) to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset (or CGU) is reversed if, and only if, there has been a change in the estimates used to determine the asset’s (or CGU’s) recoverable amount since the last impairment loss was recognised. The carrying amount of this asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) is recognised in the profit or loss.

(e) Loans and receivables

The Company has only one class of non-derivative financial assets, loans and receivables. They are presented as “other receivables” (note 6) and “cash and cash equivalents” (note 7) on the balance sheet.

Cash and cash equivalents and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(e) Loans and receivables (continued)

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When the asset becomes uncollectible, it is written off against the allowance amount. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in the prior periods.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

(f) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(g) Fair value estimation of financial assets and liabilities

The carrying amounts of current financial assets and liabilities carried at amortised costs approximate their fair values due to the short-term nature of the balances.

(h) Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation where as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(i) Foreign currency translation

(1) Functional currency

The financial statements of the Company are presented in US\$, which is the functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit or loss.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and short-term bank deposits, which are subject to an insignificant risk of change in value.

(k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new common shares are deducted against share premium, a component of the share capital account.

(l) Dividends to Company’s shareholders

Dividends to Company’s shareholders are recognised when the dividends are approved for payment.

3. Expenses by nature

	2016 US\$’000	2015 US\$’000
Directors’ fees	497	428
Share-based payments – equity settled	121	35
Support service fees charged by subsidiaries	1,341	2,533
Other expenses	1,831	683
<b>Total other operating expenses</b>	<b>3,790</b>	<b>3,679</b>

4. Income tax

No provision for tax has been made for the year ended 31 December 2016 and 2015 as the Company does not have any income that is subject to income tax based on the tax legislation applicable to the Company.

There is no income, withholding, capital gains or capital transfer taxes payable in Bermuda.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Interest in a subsidiary

	2016 US\$’000	2015 US\$’000
Equity investments at cost	685,910	685,910
Receivables from a subsidiary	294,508	270,589
	<b>980,418</b>	<b>956,499</b>

The receivables from a subsidiary are a long-term source of capital and financing to the subsidiary. Accordingly, they are deemed to represent an addition to the Company’s net investment in the subsidiary.

Details of the subsidiary held directly by the Company are as follows:

<u>Name of company</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<b>Equity holding 2016</b>	Equity holding 2015
BW LPG Holding Limited	Investment holding	Bermuda	<b>100%</b>	100%

6. Other receivables

	2016 US\$’000	2015 US\$’000
Other receivables – related parties^	7	76
Other receivables – non-related parties	163	163
	<b>170</b>	<b>239</b>
Prepayments	-	8
	<b>170</b>	<b>247</b>

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

The carrying amounts of other receivables, principally denominated in US\$, approximate their fair values.

Other receivables due from related parties are unsecured, interest-free and are repayable on demand.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term bank deposits.

Cash and cash equivalents are principally denominated in US\$.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 8. Share capital and other reserves

	Number of common shares	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Share-based payment reserve US\$'000	Total US\$'000
At 1 January 2016	136,291,455	1,363	269,103	685,913	35	956,414
Value of employee services	-	-	-	-	121	121
Issue of common shares <sup>(a)(i)</sup>	5,647,543	56	20,714	-	-	20,770
Share issue expenses	-	-	(5)	-	-	(5)
<b>At 31 December 2016</b>	<b>141,938,998</b>	<b>1,419</b>	<b>289,812</b>	<b>685,913</b>	<b>156</b>	<b>977,300</b>

	Number of common shares	Share capital US\$'000	Share premium US\$'000	Contributed surplus US\$'000	Share-based payment reserve US\$'000	Total US\$'000
At 1 January 2015	136,291,455	1,363	269,103	685,913	-	956,379
Value of employee services	-	-	-	-	35	35
At 31 December 2015	136,291,455	1,363	269,103	685,913	35	956,414

#### (a) Issued and fully paid share capital

- (i) The Company issued 5,647,543 new common shares amounting to US\$20.8 million (NOK177.7 million) as part consideration for the acquisition of Aurora LPG, thereby increasing the outstanding common shares in issue to 141,938,998 common shares as at 31 December 2016.
- (ii) The Company operates an equity-settled, share-based compensation plan. Upon the end of the vesting periods on 31 December 2016 and 2017, common shares of 2,199 and 2,197 may be issued to certain employees, respectively.
- (iii) All issued common shares are fully paid with a par value of US\$0.01 (2015: US\$0.01) per share.
- (iv) Fully paid common shares carry one vote per share and carry a right to dividends as and when declared by the Company.

#### (b) Share premium

The difference between the consideration for common shares issued and their par value are recognised as share premium.

#### (c) Share-based payment reserve

Certain employees are entitled to receive common shares in the Company. This award is recognised as an expense in the income statement of the Company with a corresponding increase in the share-based payment reserve over the vesting period. For the year ended 31 December 2016, an expense of US\$121,000 (2015: US\$35,000) was recognised in the income statement with a corresponding increase recognised in the share-based payment reserve.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 9. Trade and other payables

	2016 US\$'000	2015 US\$'000
Trade payables – non-related parties	92	18
Other accrued operating expenses	650	455
	<b>742</b>	<b>473</b>

The carrying amounts of trade and other payables, principally denominated in US\$, approximate their fair values.

### 10. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties during the financial year at terms agreed between the parties:

#### (a) Services

	2016 US\$'000	2015 US\$'000
Support service fees charged by subsidiaries	1,341	2,533

#### (b) Key management's remuneration

	2016 US\$'000	2015 US\$'000
Directors' fees	497	428

### 11. Financial risk management

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company.

#### (a) Market risk – Currency risk

The Company's business operations are not exposed to significant foreign exchange risk as it has no significant regular transactions denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Financial risk management (continued)

(b) Credit risk

The Company’s credit risk is primarily attributable to other receivables and cash and cash equivalents. Bank deposits are not impaired and are mainly deposits with banks with credit-ratings assigned by international credit-rating agencies. Other receivables are neither past due nor impaired. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

(c) 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. The Company maintains sufficient cash for its daily operations via short-term cash deposit at banks and funding from its subsidiaries.

The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<u>Less than 1 year</u> US\$'000
<b>At 31 December 2016</b>	
Trade and other payables	<u>742</u>
	<u>Less than 1 year</u> US\$'000
At 31 December 2015	
Trade and other payables	<u>473</u>

(d) Capital risk

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, or collect dividends from the subsidiary.

The Company is not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Financial risk management (continued)

(e) Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	<b>2016</b> <b>US\$'000</b>	2015 US\$'000
Loans and receivables	<b>170</b>	251
Financial liabilities at amortised cost	<u><b>742</b></u>	<u>473</u>

12. Dividends paid

	<b>2016</b> <b>US\$'000</b>	2015 US\$'000
Final dividend in respect of FY 2015 of US\$0.68 (2015: In respect of FY 2014: US\$1.15) per share	<b>92,631</b>	152,818
Interim dividend in respect of H1 2016 of US\$0.09 (2015: In respect of H1 2015: US\$0.78) per share	<u><b>12,260</b></u>	<u>103,658</u>
	<u><b>104,891</b></u>	<u>256,476</u>

No final dividend for FY 2016 will be recommended at the Company’s forthcoming annual general meeting (FY 2015 : US\$0.68 per share, US\$92.6 million).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. New or revised accounting standards and interpretations

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9 ‘Financial instruments’

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2016. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company does not expect significant impact on the adoption of IFRS 9.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

BW LPG’S FLEET LIST

UPDATED AS OF 08 FEBRUARY 2017

BW LPG is the world’s leading owner and operator of LPG vessels. BW LPG currently owns and operates 55 Very Large Gas Carriers (VLGC) and Large Gas Carriers (LGC) including two VLGC newbuildings with a total carrying capacity of 4.5 million cbm.

VLGC FLEET 82,000 - 84,000 CBM

Name	Built	CBM	Yard	Flag
BW Mindoro	2017	84,000	Daewoo (DSME)	Isle of Man
BW Messina	2017	84,000	Daewoo (DSME)	Panama
BW Tucana	2016	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Volans	2016	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Magellan	2016	84,000	Daewoo (DSME)	Isle of Man
BW Malacca	2016	84,000	Daewoo (DSME)	Isle of Man
BW Njord	2016	84,000	Hyundai HI (Ulsan)	Marshall Is.
BW Var	2016	84,000	Hyundai HI (Ulsan)	Marshall Is.
BW Balder	2016	84,000	Hyundai HI (Ulsan)	Marshall Is.
BW Brage	2016	84,000	Hyundai HI (Ulsan)	Marshall Is.
BW Freyja	2016	84,000	Hyundai HI (Gunsan)	Marshall Is.
BW Frigg	2016	84,000	Hyundai HI (Gunsan)	Marshall Is.
BW Carina	2015	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Gemini	2015	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Leo	2015	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Libra	2015	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Orion	2015	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Aries	2014	84,195	Hyundai HI (Ulsan)	Isle of Man
BW Kyoto	2010	83,298	MHI Nagasaki	Singapore
BW Austria	2009	84,614	Daewoo (DSME)	Norwegian Int’l
BW Tokyo	2009	83,270	MHI Nagasaki	Singapore
BW Odin	2009	82,000	Hyundai HI (Ulsan)	Marshall Is.
BW Loyalty	2008	84,631	Daewoo (DSME)	Norwegian Int’l
BW Lord	2008	84,614	Daewoo (DSME)	Norwegian Int’l
BW Princess	2008	82,383	Hyundai HI (Ulsan)	Norwegian Int’l
BW Oak	2008	82,291	Hyundai Samho HI	Isle of Man
BW Tyr	2008	82,000	Hyundai HI (Ulsan)	Marshall Is.
BW Thor	2008	82,000	Hyundai HI (Ulsan)	Marshall Is.
BW Liberty	2007	84,597	Daewoo (DSME)	Norwegian Int’l
BW Maple	2007	82,291	Hyundai Samho HI	Isle of Man
BW Cedar	2007	82,291	Hyundai HI (Ulsan)	Isle of Man
BW Birch	2007	82,291	Hyundai HI (Ulsan)	Isle of Man
BW Prince	2007	82,000	Hyundai HI (Ulsan)	Norwegian Int’l
BW Confidence	2006	83,270	MHI Nagasaki	Isle of Man
Berge Ningbo	2006	82,252	Hyundai HI (Ulsan)	Hong Kong
Berge Nantong	2006	82,244	Hyundai HI (Ulsan)	Hong Kong
BW Energy	2002	82,200	Kawasaki HI Sakaide	Isle of Man
BW Boss	2001	84,333	Kawasaki HI Sakaide	Bahamas
Maharshi Vishwamitra	2001	84,333	Kawasaki HI Sakaide	India
BW Vision	2001	82,200	Kawasaki HI Sakaide	Bahamas

BW LPG’S FLEET LIST

UPDATED AS OF 08 FEBRUARY 2017

VLGC FLEET 78,000 - 80,000 CBM

Name	Built	CBM	Yard	Flag
BW Pine	2011	80,156	Kawasaki HI Sakaide	Isle of Man
Yuricosmos	2010	78,907	MHI Nagasaki	Panama
BW Sakura	2010	78,901	MHI Nagasaki	Isle of Man
Yuyo Spirits	2009	78,902	MHI Nagasaki	Panama
BW Broker	2007	80,138	Kawasaki HI Sakaide	Liberia
BW Trader	2006	78,631	Daewoo (DSME)	Singapore
BW Empress	2005	78,908	MHI Nagasaki	Isle of Man
BW Denise	2001	78,551	Stocznia Gdynia	Norwegian Int’l
Berge Summit	1990	78,488	MHI Nagasaki	Bahamas

LGC FLEET 57,000 - 59,000 CBM

Name	Built	CBM	Yard	Flag
BW Nice	2003	59,343	Kawasaki HI Sakaide	Bermuda
BW Nantes	2003	59,343	Kawasaki HI Sakaide	Bermuda
BW Havis	1993	57,214	Kvaerner Govan	Norwegian Int’l
BW Helios	1992	57,160	Kvaerner Govan	Norwegian Int’l

VLGC Newbuildings

Name	Built	CBM	Yard	Ownership
Hull No. 2335	2020	84,000	Mitsubishi H.I	Time-charter
Hull No. 2336	2020	84,000	Mitsubishi H.I	Time-charter

GLOSSARY OF SHIPPING TERMS

Term	Definition
Ammonia	Raw material used among others in fertiliser production
Bcm	Billion cubic meters
BMP 4	Best Management Practice for Protection against Somalia Based Piracy
Btu	British thermal unit
Bunker fuel	A hydrocarbon mineral oil used or intended to be used for the operation or propulsion of a ship
Cbm	Cubic meter. A unit for gas vessel’s capacity for carrying gas
Charter	The hiring of a vessel, or use of its carrying capacity, for either (i) a specified period of time or (ii) a specific voyage or set of voyages
Classification Society	An independent organisation, which certifies that a vessel has been built and maintained in accordance with the rules and regulations of such organisation. The organisation also may agree with agencies of countries in which a vessel is registered or trades to perform services to assist such agencies, including assuring that the vessel complies with conventions of which that country is a member
CoA	Contract of Affreightment. Under a CoA, the ship owner provides capacity to transport a certain amount of cargo within a specified period from on place to a destination designated by the customer. All of the ship’s operating, voyage and capital costs are borne by the shipowner. The freight rate is normally agreed on a per cargo tonne basis. The freight rate can be fixed or floating, or a combination of both
Commercial Management	Commercial management includes chartering negotiations and operation of the vessel in accordance with the terms of the charter parties
Dry docking	The removal of a vessel from the water for inspection and/or repair of submerged parts
Dwt	Dead weight tonne. A vessel’s cargo carrying capacity measured in tonnes
Hull	The shell or body of a vessel
LGC Large Gas Carrier	Gas carrier of 50,000-70,000 cbm
LPG	Liquefied Petroleum Gas
LTI	Lost Time Incident
MGC	Medium gas carrier. Gas carrier below 50,000 cbm
Newbuilding	A new vessel under construction
Petrochemical gases	Industrial processed gases such as ethylene, propylene, butadiene and VCM



GLOSSARY OF SHIPPING TERMS

Term	Definition
Pool	Arrangement pursuant to which vessels owned by different owners are chartered into a pool and the manager of the pool markets the vessels as a single, cohesive fleet, operating them under spot contracts, COA s and time charters. The income from the vessels included in the pool is distribute to individual owners according to an agreed upon pool point system whereby each vessel receives its share of the pool’s earnings according to the vessel’s earning potential
Spot market	The market for chartering a vessel for single voyages on the basis of current market levels
Spot rate	The rate for chartering a vessel on the spot market
Spot voyage	A spot voyage is typically a single round trip that is priced on a current or spot market value. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the agreed upon freight rate expressed on a per cargo tonne basis. The owner is responsible for the payment of all expenses including voyage expenses (including bunker fuel, agency and port costs), operating expenses and capital costs of the vessel
Technical Management	Technical management is the daily operation of a vessel, including maintenance, supplies and manning
Time charter	Under time charters, vessels are chartered to customers for fixed periods of time at rates that are generally fixed. The charterer pays all voyage costs. The owner of the vessel receives monthly charter payments on a per day basis and is responsible for the payment of all vessel operating expenses (including manning, maintenance, repair and docking) and capital costs of the vessel
TCE income	Gross freight less voyage related costs
Tonne mile	Unit cargo x distance; i.e. 10 tonnes carried 25 miles = 250 tonne miles
Tonnage tax	An annual tax to the government at fixed rates, based on the net tonnage of the vessel
Vessel recycling	The sale of a vessel for dismantling and reprocessing the building materials
VLGC Very Large Gas Carrier	Gas carrier above 70,000 cbm







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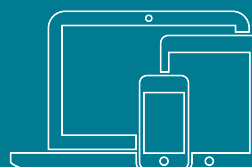
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