BW LPG Limited
Condensed Consolidated Interim Financial Information
Q1 2014

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# HIGHLIGHTS – Q1 2014

- Time Charter Equivalent (TCE) earnings were US$100.4 million in Q1 2014, compared with US$52.2 million in Q1 2013.

- VLGC TCE rates averaged US$32,700/day in Q1 2014, compared with US$20,500/day in Q1 2013.

- EBITDA of US$51.5 million in Q1 2014 was better than EBITDA of US$20.4 million in Q1 2013 due primarily to the improvement in TCE earnings, with operating and charter hire expenses higher due to fleet growth.

- Net profit after tax of US$30.8 million in Q1 2014 compared to a net loss of US$13.7 million in Q1 2013, mainly due to stronger TCE earnings in Q1 2014 and an impairment charge of US$17.8 million in Q1 2013.

- Vessel valuations as at 31 March 2014 remain strong compared to 31 December 2013, with no indicators for impairment.

- On 28th February 2014, the Group exercised its option for the construction of two VLGCs at Hyundai Heavy Industries, to be delivered in the first half of 2016, thereby increasing the number of newbuilds on order to eight.

# SELECTED KEY FINANCIAL INFORMATION

| All figures in US$ millions | Q1 2014 | Q1 2013 | Inc/(Dec)% |
|---|---|---|---|
| *Income Statement* | | | |
| Operating revenue | 150.8 | 84.9 | +77.6% |
| TCE income | 100.4 | 52.2 | +92.3% |
| EBITDA | 51.5 | 20.4 | +152% |
| Net profit/(loss) | 30.8 | (13.7) | N.M^ |
| Basic & diluted EPS (US$ per share)# | 0.23 | (13.66) | N.M^ |
| | 31 March 2014 | 31 December 2013 | |
| *Balance Sheet* | | | |
| Cash & cash equivalents | 71.3 | 110.9 | |
| Total assets | 1,599.5 | 1,631.4 | |
| Total liabilities | 593.7 | 656.7 | |

\# Earnings/(Loss) per share calculations for the financial periods as presented in these financial statements have been adjusted to reflect the effect of the changes in number of shares (Note 6)

^ "N.M." denotes not meaningful

# PERFORMANCE REVIEW: Q1 2014

Operating revenue was US$150.8 million in Q1 2014, compared to US$84.9 million in Q1 2013. TCE income increased to US$100.4 million from US$52.2 million, mainly attributable to improved performance from the VLGC segment and increased fleet size. In particular, the fleet acquired from Maersk was fully deployed in Q1 2014. These factors resulted in an increase in TCE income of US$51.7 million in the VLGC segment. This increase in TCE income was partially offset by a decrease of US$3.5 million in TCE income from the LGC segment, resulting from technical off-hire and commercial waiting time.

Charter hire expenses have increased to US$24.2 million in Q1 2014 (US$13.8 million in Q1 2013) with operating expenses increasing to US$25.5 million (US$18.2 million in Q1 2013). Both charter hire and operating expenses have risen on account of the increased total size of the fleet operated by the Group, from 30 vessels as at 31 March 2013 to 36 vessels by 31 March 2014.

Operating profit before depreciation, amortisation and impairment of US$51.5 million increased from US$20.4 million in Q1 2013, resulting from improved TCE income partially offset by the increases in operating expenses.

Net finance expense increased to US$3.8 million in Q1 2014 from US$0.9 million in Q1 2013, primarily due to new borrowings in Q4 2013 to support fleet growth.

Vessel market values remain strong as at 31 March 2014, with no indicators of impairment.

Consequently, the Group reported a net profit after tax of US$30.8 million in Q1 2014 compared to a net loss of US$13.7 million in Q1 2013.

## BALANCE SHEET

As at 31 March 2014, total assets amounted to US$1,599.5 million (US$1,631.4 million as at 31 December 2013) of which US$1,378.8 million represented the carrying value of the Group's vessels (including dry docking) and vessels under construction as follows:

| All figures in US$ millions | VLGC | LGC | Total |
|---|---|---|---|
| Vessels (including dry-dock) | 1,112.0 | 163.8 | 1,275.8 |
| Vessels under construction | 103.0 | - | 103.0 |
| | 1,215.0 | 163.8 | 1,378.8 |

Cash and cash equivalents amounted to US$71.3 million as at 31 March 2014 (US$110.9 million as at 31 December 2013). Cash flows from operating activities generated a net cash surplus of US$68.7 million, which together with available cash and cash equivalent were subsequently utilised for instalment payments for newbuilds of US$39.4 million and repayment of borrowings and interest payments of US$68.8 million during Q1 2014.

The Group holds committed contracts with Hyundai Heavy Industries Co., Ltd. ("HHI") for the construction of eight VLGCs. As at 31 March 2014, out of the total US$589.6 million capital commitment, the Group had paid US$101.4 million in instalment payments.

## DEVELOPMENTS SUBSEQUENT TO QUARTER END

The Group extinguished the finance lease obligation relating to BW Trader by making a prepayment on 7 April 2014. Consequently, the title to the vessel was transferred to the Group.

## MARKET OUTLOOK

Since 31 December 2013, LPG export markets have continued to develop favorably, driven particularly by rapidly expanding exports from the US. The growth in LPG export tonne-miles seems set to continue, given visibility of additional export terminal capacity planned to come online in the US and ongoing commissioning of new petrochemical plants in Asia.

In late November 2013 it was announced that sanctions on Iranian exports of certain petrochemical products (including possibly LPG) would be temporarily lifted, which we estimate could see an incremental 3 million tonnes per annum become available for international consumption. This will be subject to the successful conclusion of ongoing negotations between the US, EU and Iran and is unlikely to manifest until at least the end of 2014. Iranian cargoes are not a target market of the Group and this development is not anticipated to have a significant market impact.

Following the successful completion of the acquisitions of five owned VLGCs and five charter-in VLGCs from Maersk, the Group is well-positioned to benefit from the increasing requirements for sea-borne transportation of LPG from the US. Fleet size to capitalize on the growing export market will be enhanced by the BW LPG newbuilding program, with eight new BW LPG VLGCs due to be delivered between October 2014 and October 2016. Newbuilding orders continue to grow, and the market will see significant deliveries of new tonnage, in particular in 2015 and 2016. While the growth in demand for tonnage is visible in 2014 and 2015, it is more difficult to project the impact of incremental deliveries on supply/demand balance for tonnage beyond 2015, as the outlook for global export volumes and the destinations of cargoes (together impacting tonne-mile demand) is less clear.

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Report on review of condensed consolidated interim financial information to the shareholders of BW LPG Limited and its subsidiaries

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of BW LPG Limited (the "Company") and its subsidiaries (the "Group") as of 31 March 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period from 1 January 2014 to 31 March 2014 that are set out on page 5 to 21. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 23 May 2014

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| (Unaudited figures in US$ thousands) | Note | (Reviewed) Q1 2014 | Q1 2013 |
|---|---|---|---|
| Revenue | | 150,760 | 84,925 |
| Voyage expenses | | (50,369) | (32,736) |
| TCE income # | | 100,391 | 52,189 |
| Other operating income | | 835 | 124 |
| Charter hire expense | | (24,249) | (13,783) |
| Other operating expenses | | (25,452) | (18,168) |
| Operating profit before depreciation, amortisation and impairment | | 51,525 | 20,362 |
| Loss on disposal of property, plant and equipment | | - | (882) |
| | | 51,525 | 19,480 |
| Amortisation charge | 3 | (1,228) | (1,774) |
| Depreciation charge | 4 | (15,675) | (12,712) |
| Impairment charge - net | 4 | - | (17,772) |
| Operating profit/(loss) | | 34,622 | (12,778) |
| Foreign currency exchange gain/(loss) - net | | 6 | (21) |
| Interest income | | 41 | 2 |
| Interest expense | | (2,859) | (923) |
| Derivative loss | | (362) | - |
| Other finance expense | | (672) | (2) |
| Finance expense – net | | (3,846) | (944) |
| Profit/(Loss) before tax for the financial period | | 30,776 | (13,722) |
| Income tax | | (23) | - |
| Profit/(Loss) after tax for the financial period | | 30,753 | (13,722) |
| Other comprehensive income: | | | |
| Items that may be subsequently reclassified to income statement | | | |
| - Cash flow hedges | | 288 | - |
| Other comprehensive income, net of tax | | 288 | - |
| Total comprehensive income/(loss) for the financial period | | 31,041 | (13,722) |

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

| (Unaudited figures in US$ thousands) | Note | (Reviewed) Q1 2014 | Q1 2013 |
|---|---|---|---|
| **Profit/(Loss) attributable to:** | | | |
| Equity holders of the Company | | 30,634 | (13,655) |
| Non-controlling interests | | 119 | (67) |
| | | 30,753 | (13,722) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Company | | 30,922 | (13,655) |
| Non-controlling interests | | 119 | (67) |
| | | 31,041 | (13,722) |
| **Earnings/(Loss) per share attributable to the equity holders of the Company** | | | |
| (expressed in US$ per share) | | | |
| Basic and diluted earnings/(loss) per share^ | | 0.23 | (13.66) |

# "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.

^ Earnings/(Loss) per share calculations for the financial periods as presented in these financial statements have been adjusted to reflect the effect of the changes in number of shares (Note 6).

## CONSOLIDATED INTERIM BALANCE SHEET

| (Unaudited figures in US$ thousands) | Note | (Reviewed) 31 March 2014 | (Audited) 31 December 2013 |
|---|---|---|---|
| Charter-hire contracts acquired | 3 | 21,063 | 22,291 |
| Intangible asset | | 21,063 | 22,291 |
| | | | |
| Derivative financial instruments | 5 | 315 | - |
| | | | |
| Vessels | 4 | 1,248,200 | 1,261,290 |
| Vessels under construction | 4 | 103,034 | 65,241 |
| Dry docking | 4 | 27,592 | 28,436 |
| Others | 4 | 623 | 316 |
| Total property, plant and equipment | | 1,379,449 | 1,355,283 |
| | | | |
| Total non-current assets | | 1,400,827 | 1,377,574 |
| | | | |
| Inventories | | 23,954 | 20,719 |
| Trade and other receivables | | 103,414 | 122,029 |
| Derivative financial instruments | 5 | - | 184 |
| Cash and cash equivalents | | 71,300 | 110,907 |
| Total current assets | | 198,668 | 253,839 |
| | | | |
| Total assets | | 1,599,495 | 1,631,413 |
| | | | |
| Share capital | 6 | 1,363 | 1,363 |
| Share premium | | 268,987 | 268,987 |
| Contributed surplus | | 685,913 | 685,913 |
| Other reserves | | (41,150) | (41,467) |
| Retained earnings | | 80,837 | 50,203 |
| | | 995,950 | 964,999 |
| Non-controlling interest | | 9,849 | 9,730 |
| Total shareholder's equity | | 1,005,799 | 974,729 |
| | | | |
| Borrowings | 7 | 440,327 | 503,362 |
| Deferred income | | 1,117 | 1,241 |
| Total non-current liabilities | | 441,444 | 504,603 |
| | | | |
| Borrowings | 7 | 102,584 | 105,227 |
| Deferred income | | 496 | 496 |
| Derivative financial instruments | | 179 | |
| Current income tax liabilities | | 23 | - |
| Trade and other payables | | 48,970 | 46,358 |
| Total current liabilities | | 152,252 | 152,081 |
| | | | |
| Total liabilities | | 593,696 | 656,684 |
| | | | |
| Total equity and liabilities | | 1,599,495 | 1,631,413 |

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in US$ thousands)

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Contributed surplus | Capital reserves | Hedging reserves | Share-based payment reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2014 | 1,363 | 268,987 | 685,913 | (41,480) | - | 13 | 50,203 | 964,999 | 9,730 | 974,729 |
| Total comprehensive income for the period | - | - | - | - | 288 | - | 30,634 | 30,922 | 119 | 31,041 |
| Share-based payment reserve – Value of employee services | - | - | - | - | | 29 | - | 29 | - | 29 |
| Balance at 31 March 2014 | 1,363 | 268,987 | 685,913 | (41,480) | 288 | 42 | 80,837 | 995,950 | 9,849 | 1,005,799 |

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(Unaudited figures in US$ thousands)

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Contributed surplus | Capital reserves | Hedging reserves | Share-based payment reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2013 | 10 | - | - | 67,687 | - | - | (72,382) | (4,685) | 9,105 | 4,420 |
| Total comprehensive loss for the period | - | - | - | - | - | - | (13,655) | (13,655) | (67) | (13,722) |
| Balance at 31 March 2013 | 10 | - | - | 67,687 | - | - | (86,037) | (18,340) | 9,038 | (9,302) |

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

| (Unaudited figures in US$ thousands) | (Reviewed) Q1 2014 | Q1 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) before tax for the financial period | 30,776 | (13,722) |
| Adjustments for: | | |
| - amortisation charge of intangible assets | 1,228 | 1,774 |
| - amortisation of deferred income | (124) | (124) |
| - depreciation charge | 15,675 | 12,712 |
| - impairment charge | - | 17,772 |
| - derivative loss | 336 | - |
| - interest income | (41) | (2) |
| - interest expense | 2,859 | 923 |
| - share-based payments | 29 | - |
| Operating cash flow before working capital changes | 50,738 | 19,333 |
| Changes in working capital: | | |
| - inventories | (3,235) | (1,957) |
| - trade and other receivables | 18,615 | 6,809 |
| - trade and other payables | 2,880 | 23,052 |
| Cash generated from operations | 68,998 | 47,237 |
| Taxes paid | - | (108) |
| **Net cash provided by operating activities** | 68,998 | 47,129 |
| **Cash flow from investing activities** | | |
| Purchases of property, plant and equipment | (39,362) | (38,875) |
| Interest paid (capitalised interest expense) | (479) | - |
| Interest received | 41 | 2 |
| **Net cash used in investing activities** | (39,800) | (38,873) |
| **Cash flows from financing activities** | | |
| Repayments of bank borrowings | (62,500) | - |
| Repayment of finance lease | (3,338) | (3,143) |
| Interest paid | (2,967) | (375) |
| **Net cash used in financing activities** | (68,805) | (3,518) |
| **Net (decrease)/increase in cash and cash equivalents** | (39,607) | 4,738 |
| Cash and cash equivalents at beginning of the financial period | 110,907 | 22,221 |
| **Cash and cash equivalents at end of the financial period** | 71,300 | 26,959 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

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

## 1. General information

BW LPG Limited (the "Company") is 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.

This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 23 May 2014.

This condensed consolidated interim financial information has been reviewed, but not audited. See Page 4 for the auditor's review report.

## 2. Significant accounting policies

(a) Basis of preparation

The condensed consolidated interim financial information for the first quarter ended 31 March 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

In the preparation of this set of condensed consolidated interim financial information, the same accounting policies have been applied as those used in the preparation of the annual financial statements for the year ended 31 December 2013.

The Group has not early adopted the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2015 or later periods. The Group does not anticipate the adoption of these changes to have a material impact on the condensed interim financial information.

*Critical accounting estimates and assumptions*

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013. In 4Q2013, the Group revised its estimation of realisable demurrage income to better align with industry practice. This revision resulted in an increase in profit in Q1 2014 of US$6.0 million.

## 3. Intangible assets

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 March 2013 |
|---|---|---|
| *Charter hire contracts acquired* | | |
| At beginning of financial period | 22,291 | 42,429 |
| Exercise of purchase option^ (Note 4) | - | (9,935) |
| Amortisation charge | (1 ,228) | (1,774) |
| At end of financial period | 21,063 | 30,720 |

^ The charter hire contracts and purchase options acquired in prior years were attached to vessels chartered-in by the Group. In Q1 2013, the Group exercised an option to purchase a vessel at the end of its charter-in period. Upon exercise of the purchase option, the carrying value of the purchase option was transferred to the cost of the vessel (Note 4).

## 4. Property, plant and equipment

(Unaudited figures in US$ thousands)

| | Vessels | Dry docking | Vessels under construction | Others | Total |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2014 | 1,449,082 | 41,260 | 65,241 | 316 | 1,555,899 |
| Additions | - | 1,741 | 37,793 | 307 | 39,841 |
| Write-off on completion of drydocking | - | (634) | - | - | (634) |
| At 31 March 2014 | 1,449,082 | 42,367 | 103,034 | 623 | 1,595,106 |
| *Accumulated depreciation and impairment charge* | | | | | |
| At 1 January 2014 | 187,792 | 12,824 | - | - | 200,616 |
| Depreciation charge | 13,090 | 2,585 | - | - | 15,675 |
| Write-off on completion of drydocking | - | (634) | - | - | (634) |
| At 31 March 2014 | 200,882 | 14,775 | - | - | 215,657 |
| *Net book value* | | | | | |
| At 31 March 2014 | 1,248,200 | 27,592 | 103,034 | 623 | 1,379,449 |

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

| | | | | | |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2013 | 1,154,360 | 31,273 | - | - | 1,185,633 |
| Additions | 35,966 | 2,909 | - | - | 38,875 |
| Exercise of purchase option (Note 3) | 9,935 | - | - | - | 9,935 |
| Disposal | (60,946) | (4,537) | - | - | (65,483) |
| Write-off on completion of drydocking | - | (940) | - | - | (940) |
| At 31 March 2013 | 1,139,315 | 28,705 | - | - | 1,168,020 |
| *Accumulated depreciation and impairment charge* | | | | | |
| At 1 January 2013 | 209,867 | 13,381 | - | - | 223,248 |
| Depreciation charge | 9,801 | 2,911 | - | - | 12,712 |
| Impairment charge | 18,877 | - | - | - | 18,877 |
| Write-back of impairment charge | (1,105) | - | - | - | (1,105) |
| Disposal | (8,783) | (2,421) | - | - | (11,204) |
| Write-off on completion of drydocking | - | (940) | - | - | (940) |
| At 31 March 2013 | 228,657 | 12,931 | - | - | 241,588 |
| *Net book value* | | | | | |
| At 31 March 2013 | 910,658 | 15,774 | - | - | 926,432 |

(a) The Group had mortgaged certain vessels with an aggregate carrying amount of US$1,121.1 million at 31 March 2014 (March 2013: US$ nil) as security for bank borrowings amounting to US$481.5 million (March 2013: US$ nil).

(b) As at 31 March 2013, the Group had mortgaged vessels with an aggregate carrying amount of US$549.9 million as security for bank borrowings of the Group's previous ultimate holding corporation amounting to US$1,455.0 million.

(c) For the period ended 31 March 2014, the Group did not recognise any impairment charge or write-back thereof, whereas for the same period last year, the Group had recognised a net impairment charge of US$17.8 million, which represents the adjustments of certain vessel values to their recoverable amounts. The recoverable amounts of the vessels were mainly determined based on fair value (based on independent third party valuation reports which made reference to comparable transaction prices of similar LPG vessels) less costs to sell.

(d) For the period ended 31 March 2014, interest amounting to US$1.2 million (March 2013: US$ nil) has been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.1% (March 2013: nil) per annum.

## 5. Derivative financial instruments

| (Unaudited figures in US$ thousands) | 31 March 2014 Assets | 31 March 2014 Liabilities | 31 December 2013 Assets | 31 December 2013 Liabilities |
|---|---|---|---|---|
| *Cash-flow hedges:* | | | | |
| Interest rate swaps | 288 | - | - | - |
| *Fair-value hedges:* | | | | |
| Bunker swaps | - | (152) | 184 | - |
| | 288 | (152) | 184 | - |

The above interest rate swaps comprise of two contracts that expire on 25 February 2019:

(i) With notional amount of US$21.9 million which commences on 25 February 2015; and
(ii) With notional amount of US$19.8 million which commences on 25 February 2016

Interest rate swaps are transacted to hedge interest rate risk. Effectively, the Group pays fixed interest rates ranging from 1.725% per annum to 2.227% per annum and receives a variable rate equal to US$3-month LIBOR.

The Group had not entered into any interest rate swaps as at 31 December 2013.

## 6. Share capital

The Company's share capital as at 31 March 2014 comprises 136,276,383 (December 2013: 136,276,383) fully paid ordinary shares with a par value of US$0.01 (December 2013: US$0.01) per share, amounting to a total of US$1,362,764 (December 2013: US$1,362,764).

On 28 October 2013, the Company split every one ordinary share of US$1 each into 100 ordinary shares of US$0.01 each. The earnings/(loss) per share calculations for the financial period as presented in these financial statements have been adjusted to reflect the change in the numbers of shares.

## 7. Borrowings

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Non-current | 440,327 | 503,362 |
| Current | 102,584 | 105,227 |
| | 542,911 | 608,589 |

Movement in borrowings are analysed as follows:
(Unaudited figures in US$ thousands)

| Q1 2014 | |
|---|---|
| Opening amount as at 1 January 2014 | 608,589 |
| Interest expense | 2,859 |
| Interest capitalised | 479 |
| Less: interest paid | (3,178) |
| Less: Principal repayments | (65,838) |
| Closing amount as at 31 March 2014 | 542,911 |

7. Borrowings (continued)

| | |
|---|---|
| Q1 2013 | |
| Opening amount as at 1 January 2013 | 200,790 |
| Interest expense | 923 |
| Interest capitalised | - |
| Less: interest paid | (375) |
| Less: Principal repayments | (3,143) |
| Closing amount as at 31 March 2013 | 198,195 |

Bank borrowings of the Group as at 31 March 2014 of US$481.5 million (March 2013: US$ nil) are secured by mortgages over certain vessels of the Group (Note 4). In addition, the Company has provided a corporate guarantee to DNB Asia Ltd for the facilities obtained from the lenders.

Borrowings of the Group as at 31 March 2013 of US$128.8 million were due to a related corporation and were unsecured.

Finance lease liabilities of the Group amounting to US$61.4 million (March 2013: US$69.4 million) are secured by the rights to two (2013: two) leased vessels, which would revert to the lessor in the event of default by the Group.

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

8. Related party transactions

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

(a) Sale and purchase of services

| (Unaudited figures in US$ thousands) | Q1 2014 | Q1 2013 |
|---|---|---|
| Interest expenses paid to related parties* | - | 548 |
| Support service fees charged by a shareholder | - | 327 |
| Support service fees charged by related parties* | 1,439 | 145 |
| Commercial fees charged by related parties* | - | 1,029 |
| Ship management fees charged by related parties* | 1,991 | 2,854 |
| Derivative loss for financial instrument entered into with a shareholder | 362 | - |

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Other payables | | |
| - Related parties* | (883) | (5,858) |
| Other receivables | | |
| - Related parties* | 8,705 | 16,656 |

* "Related parties" refers to corporations controlled by one of the Group's shareholders.

8. Related party transactions (continued)

(b) Key management's remuneration

| (Unaudited figures in US$ thousands) | Q1 2014 | Q1 2013 |
|---|---|---|
| Salaries and other short term employee benefits# | 379 | - |
| Post-employment benefits – contributions to Central Provident Fund# | 14 | - |
| Share-based payment | 29 | - |
| Directors' fees | 87 | - |
| | 509 | - |

# Prior to 21 November 2013, remuneration to key management was incurred by related parties of the Group (corporations controlled by one of the Group's shareholders)

9. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the condensed interim financial information are as follows:

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Vessels under construction | 488,232 | 371,439 |
| | 488,232 | 371,439 |

The Group has entered into shipbuilding contracts for the construction of eight VLGCs for US$589.6 million. The construction is to be paid in five instalments up to the scheduled delivery dates ranging from 31 October 2014 to 31 May 2016. As at 31 March 2014, the Group had paid US$101.4 million in instalments and these payments are capitalised and included in "vessels under construction".

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

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

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

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Not later than one year | 63,088 | 51,181 |
| Later than one year but not later than five years | 14,563 | 12,740 |
| | 77,651 | 63,921 |

9. Commitments (continued)

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

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

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

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Not later than one year | 92,723 | 74,249 |
| Later than one year and not later than five years | 226,440 | 235,113 |
| Later than five years | 221,731 | 229,751 |
| | 540,894 | 539,113 |

10. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including fuel price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2013. There have been no major changes in the risk management department or in any risk management policies since the year end except for the policy on interest risk.

(a) Market risk - interest rate risk

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

The Group's bank borrowings are at variable rates with interest rate swaps taken up where deemed fit to mitigate interest risk exposure. As at 31 March 2014, the Group had entered into two interest rate swaps to effectively pay interest at fixed rates and receive interest at variable rates (Note 5). If USD interest rates increase/decrease by 50 basis points (2013: 50 basis points) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by approximately USD 0.7 million (2013: USD 0.6 million) as a result of higher/lower interest expense on these borrowings.

10. Financial risk management (continued)

(b) Financial instruments by category

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

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 December 2013 |
|---|---|---|
| Loans and receivables | 155,000 | 222,865 |
| Financial derivative instruments | 136 | - |
| Financial liabilities at amortised cost | 582,499 | 652,722 |

(c) 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 (ie as prices) or indirectly (ie derived from prices) (Level2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Group's financial derivative instruments, measured at fair value are within Level 2 of the fair value hierarchy (Note 5).

11. Segment information

Operating segments are determined based on the reports submitted to the Chief Operating Decision Maker (CODM) to make strategic decisions. The CODM is a committee of senior management comprising the Chief Executive Officer and Chief Financial Officer of the Group. Management considers the LPG business to be organised into two main business segments:

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

The business segments are organised and managed according to the size of the LPG vessels.

Management assesses the performance of the operating segments 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 ("Operating 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.

11. **Segment information** (continued)

The reconciliation of the reports reviewed by the CODM based on Operating EBITDA to the basis as disclosed in this condensed consolidated interim financial information is as follows:

| | VLGC | LGC | Total |
|---|---|---|---|
| **Q1 2014** | | | |
| **(Unaudited figures in US$ thousands)** | | | |
| Revenue | 138,927 | 11,833 | 150,760 |
| Operating EBITDA | 49,776 | 4,933 | 54,709 |
| Finance expense | (321) | (3) | (324) |
| Depreciation charge | (12,723) | (2,952) | (15,675) |
| Amortisation charge | (1,228) | - | (1,228) |
| | 35,472 | 2,010 | 37,482 |
| Unallocated items | | | (6,706) |
| Profit before income tax | | | 30,776 |
| **Segment assets as at 31 March 2014** | 1,331,523 | 174,859 | 1,506,382 |
| Segment assets includes: | | | |
| Additions to: | | | |
| - vessels under construction | 37,793 | - | 37,793 |
| - dry docking | 1,398 | 343 | 1,741 |
| **Segment liabilities as at31 March 2014** | 564,032 | (523) | 563,509 |

## 11. Segment information (continued)

| Q1 2013 (Unaudited figures in US$ thousands) | VLGC | LGC | Total |
|---|---|---|---|
| Revenue | 65,764 | 19,161 | 84,925 |
| Operating EBITDA | 11,989 | 6,992 | 18,981 |
| Finance expense | (383) | (551) | (934) |
| Depreciation charge | (9,075) | (3,637) | (12,712) |
| Amortisation charge | (1,774) | - | (1,774) |
| Impairment charge - net | (14,636) | (3,136) | (17,772) |
| | (13,879) | (332) | (14,211) |
| Unallocated items | | | 489 |
| Profit before income tax | | | (13,722) |
| Segment assets as at 31 March 2013 | 899,990 | 170,311 | 1,070,301 |
| Segment assets includes: | | | |
| Additions to: | | | |
| - vessels | 45,901 | - | 45,901 |
| - dry docking | 2,909 | - | 2,909 |
| Segment liabilities as at 31 March 2013 | 229,949 | 5,240 | 235,189 |

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the condensed consolidated interim financial information. 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.

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 March 2013 |
|---|---|---|
| Segment assets | 1,506,382 | 1,070,301 |
| Unallocated items: | | |
| Cash and cash equivalents | 71,300 | 28,863 |
| Derivative financial instruments | 315 | - |
| Other receivables | 20,875 | 26,959 |
| Property, plant and equipment | 623 | - |
| Total assets | 1,599,495 | 1,126,123 |

11. Segment information (continued)

Reportable segments' liabilities

The amounts reported to management with respect to total liabilities are measured in a manner consistent with that of the condensed consolidated interim financial information. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

| (Unaudited figures in US$ thousands) | 31 March 2014 | 31 March 2013 |
|---|---|---|
| Segment liabilities | 563,509 | 235,189 |
| Unallocated items: | | |
| Derivative financial instruments | 179 | |
| Other payables | 29,985 | 16,177 |
| Current tax liabilities | 23 | - |
| Total liabilities | 593,696 | 251,366 |

Geographical information

Non-current assets comprise of mainly vessels and related capitalised dry-docking expenses, and 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.

12. Subsequent event

The Group extinguished the finance lease obligation relating to BW Trader by making a prepayment on 7 April 2014. Consequently, the title to the vessel was transferred to the Group.