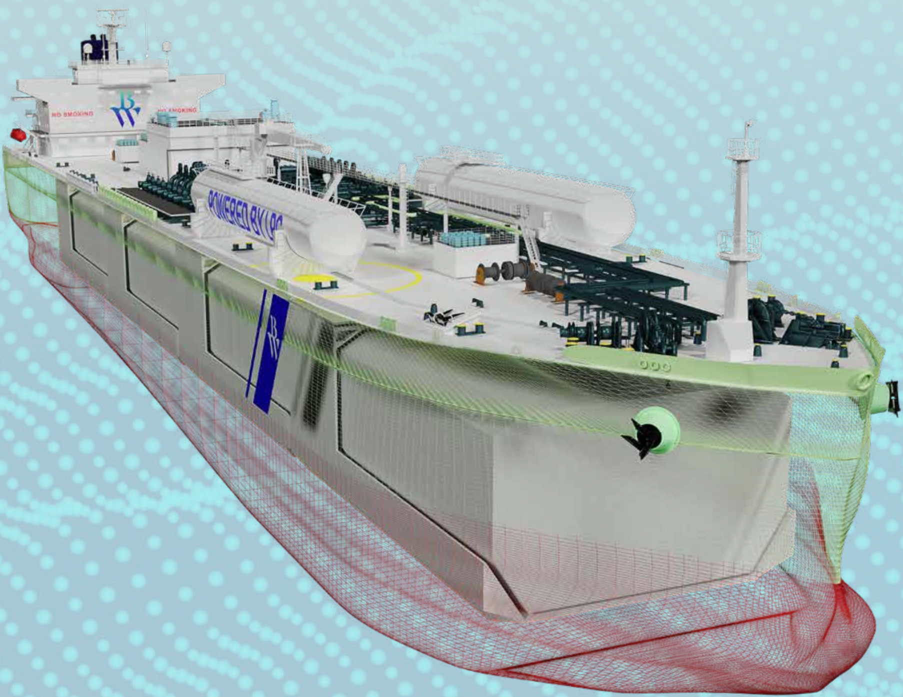
BW LPG LIMITED AND ITS SUBSIDIARIES

(INCORPORATED IN BERMUDA)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of BW LPG Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BW LPG Limited ("the Company") and its subsidiaries ("the Group"). The financial statements comprise:

- The balance sheet of the Company as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

- The consolidated balance sheet of the Group as at 31 December 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019, and their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the Accounting and Corporate Regulatory Authority *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 the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 (continued)

The key audit matter	How the matter was addressed in our audit
Impairment assessment of vessels Refer to note 2(a)(7) and note 10 of the Group's financial statements. As at 31 December 2019, the carrying value of the Group's vessels including dry docking, amounted to US$1,904 million. The Group's vessels are measured at cost less accumulated depreciation and impairment loss. Management considers each vessel to be a separate cash generating unit ("CGU" or "vessel"). In FY 2019, the Group wrote-back an impairment charge of certain vessels to their recoverable amounts following the recovery of the freight market and asset prices. 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. The recoverable amount of each vessel is estimated predominantly based on independent third party valuation reports, which made reference to comparable transaction prices of similar vessels. The Group has assessed that the brokers has 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. The determination of the recoverable amount of these vessels involves a high degree of judgement owing to the cyclical nature of freight rates, which results in estimation uncertainties.	We have performed the following audit procedures: • We assessed the Group's process for identifying and reviewing the CGUs subject to impairment/ reversal of impairment testing. • We evaluated the independence, competency and objectivity of the independent brokers. • We assessed the valuation methodologies and key assumptions used by the independent brokers in determining vessel valuations. No significant matters were noted from our procedures performed.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the 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 Company's and the Group'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 Company or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 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 Company's or 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 Company's or 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

KPMG

Auditors' 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 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Ling Su Min.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2019

	Note	**2019 US$'000**	2018 US$'000
Revenue	3	**817,204**	521,754
Voyage expenses	5	**(269,930)**	(220,858)
TCE income^		**547,274**	300,896
Net gain from commodity contracts	4	**1,198**	-
Vessel operating expenses	5	**(109,602)**	(105,461)
General and administrative expenses	5	**(26,852)**	(27,511)
Charter hire expenses	5	**(14,208)**	(66,874)
Finance lease income		**1,171**	-
Other operating (expenses)/income – net	5	**(193)**	3,039
Operating profit before depreciation, amortisation and impairment (EBITDA)		**398,788**	104,089
Depreciation charge	10	**(126,273)**	(98,022)
Amortisation charge	9	**-**	(2,650)
		272,515	3,417
Gain on derecognition of right-of-use assets	2(a)(5ii)	**10,394**	-
Gain on disposal of assets held-for-sale		**6,950**	5,727
Write-back of impairment charge/(impairment charge) on vessels	10	**37,995**	(33,500)
Operating profit/(loss) (EBIT)		**327,854**	(24,356)
Foreign currency exchange loss - net		**(676)**	(110)
Interest income		**5,349**	5,419
Interest expense		**(57,609)**	(50,405)
Derivative (loss)/gain		**(187)**	53
Other finance expense		**(1,517)**	(1,949)
Finance expense - net		**(54,640)**	(46,992)
Share of profit/(loss) of a joint venture		**3,025**	(864)
Profit/(Loss) before tax for the financial year		**276,239**	(72,212)
Income tax expense	8	**(2,343)**	(178)
Profit/(Loss) after tax for the financial year (NPAT)		**273,896**	(72,390)

^ "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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges			
- fair value (loss)/gain		**(17,165)**	4,262
- reclassification to profit or loss		**(1,351)**	(1,140)
Currency translation reserve		**(30)**	(51)
Other comprehensive (loss)/income, net of tax		**(18,546)**	3,071
Total comprehensive income/(loss) for the financial year		**255,350**	(69,319)
Profit/(Loss) attributable to:			
Equity holders of the Company		**273,840**	(71,400)
Non-controlling interests		**56**	(990)
		273,896	(72,390)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**255,294**	(68,329)
Non-controlling interests		**56**	(990)
		255,350	(69,319)
Earnings/(Loss) per share attributable to the equity holders of the Company:			
(expressed in US$ per share)			
Basic and diluted earnings/(loss) per share	7	**1.97**	(0.51)

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
Intangible assets	9	**1,004**	-
Derivative financial instruments	16	**723**	6,580
Loan receivables from a joint venture	11	**52,550**	58,150
Finance lease receivables	12	**35,326**	-
Investment in a joint venture		**2,861**	-
Total other non-current assets		**91,460**	64,730
Property, plant and equipment	10	**2,068,912**	2,006,368
Total non-current assets		**2,161,376**	2,071,098
Inventories	14	**40,682**	28,015
Trade and other receivables	15	**166,372**	96,756
Derivative financial instruments	16	**14,080**	3,769
Loan receivables from a joint venture	11	**5,645**	5,408
Finance lease receivables	12	**22,266**	-
Assets held-for-sale	13	**26,725**	4,823
Cash and cash equivalents	17	**112,210**	50,075
Total current assets		**387,980**	188,846
Total assets		**2,549,356**	2,259,944
Share capital	18	**1,419**	1,419
Share premium	18	**289,812**	289,812
Treasury shares	18	**(14,432)**	(12,700)
Contributed surplus		**685,913**	685,913
Other reserves		**(45,688)**	(27,356)
Retained earnings		**260,289**	46,055
		1,177,313	983,143
Non-controlling interests		**-**	482
Total shareholders' equity		**1,177,313**	983,625
Borrowings	19	**923,177**	1,101,343
Lease liabilities	20	**167,654**	-
Derivative financial instruments	16	**10,516**	527
Provision for onerous contracts	21	**-**	1,100
Other provisions		**697**	230
Total non-current liabilities		**1,102,044**	1,103,200
Borrowings	19	**140,863**	133,353
Lease liabilities	20	**50,241**	-
Derivative financial instruments	16	**18,131**	839
Current income tax liabilities	8	**1,560**	309
Trade and other payables	22	**59,204**	38,618
Total current liabilities		**269,999**	173,119
Total liabilities		**1,372,043**	1,276,319
Total equity and liabilities		**2,549,356**	2,259,944

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2019

		Attributable to equity holders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Share-based payment reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625
Profit for the financial year		-	-	-	-	-	-	-	-	273,840	273,840	56	273,896
Other comprehensive loss for the financial year		-	-	-	-	-	(18,516)	-	(30)	-	(18,546)	-	(18,546)
Total comprehensive (loss)/income for the financial year		-	-	-	-	-	(18,516)	-	(30)	273,840	255,294	56	255,350
Share-based payment reserve - Value of employee services		-	-	-	-	-	-	214	-	-	214	-	214
Purchases of treasury shares	18	-	-	(1,732)	-	-	-	-	-	-	(1,732)	-	(1,732)
Dividends paid	28	-	-	-	-	-	-	-	-	(59,606)	(59,606)	-	(59,606)
Distributions to non-controlling interests	27	-	-	-	-	-	-	-	-	-	-	(538)	(538)
Total transactions with owners, recognised directly in equity		-	-	(1,732)	-	-	-	214	-	(59,606)	(61,124)	(538)	(61,662)
Balance at 31 December 2019		**1,419**	**289,812**	**(14,432)**	**685,913**	**(36,259)**	**(9,602)**	**230**	**(57)**	**260,289**	**1,177,313**	**-**	**1,177,313**

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 2019

		Attributable to equity holders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Share-based payment reserve US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	124,938	1,070,256	3,292	1,073,548
Adjustment on initial application of IFRS15		-	-	-	-	-	-	-	-	(7,483)	(7,483)	-	(7,483)
Restated balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	117,455	1,062,773	3,292	1,066,065
Loss for the financial year		-	-	-	-	-	-	-	-	(71,400)	(71,400)	(990)	(72,390)
Other comprehensive income/(loss) for the financial year		-	-	-	-	-	3,122	-	(51)	-	3,071	-	3,071
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	3,122	-	(51)	(71,400)	(68,329)	(990)	(69,319)
Share-based payment reserve - Value of employee services		-	-	-	-	-	-	(151)	-	-	(151)	-	(151)
Reissue of treasury shares	18	-	-	15	-	-	-	(15)	-	-	-	-	-
Purchases of treasury shares	18	-	-	(11,150)	-	-	-	-	-	-	(11,150)	-	(11,150)
Distributions to non-controlling interests	27	-	-	-	-	-	-	-	-	-	-	(1,820)	(1,820)
Total transactions with owners, recognised directly in equity		-	-	(11,135)	-	-	-	(166)	-	-	(11,301)	(1,820)	(13,121)
Balance at 31 December 2018		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit/(Loss) before tax for the financial year		**276,239**	(72,212)
Adjustments for:			
- amortisation charge	9	**-**	2,650
- depreciation charge	10	**126,273**	98,022
- (write-back) of impairment charge/impairment charge on vessels	10	**(37,995)**	33,500
- derivative loss		**-**	25
- gain on disposal of assets held-for-sale		**(6,950)**	(5,727)
- interest income		**(5,349)**	(5,419)
- interest expense		**57,609**	50,405
- other finance expense		**1,267**	1,677
- share-based payments		**214**	(151)
- share of (profit)/loss of a joint venture		**(3,025)**	864
- finance lease income		**(1,171)**	-
- gain on derecognition of right-of-use assets	2(a)(5ii)	**(10,394)**	-
		396,718	103,634
Changes in:			
- inventories		**(12,667)**	(8,591)
- trade and other receivables		**(69,480)**	(5,987)
- trade and other payables		**19,704**	(378)
- provision for onerous contracts		**-**	1,100
- derivative financial instruments		**7,678**	-
- margin account held with broker	17	**(18,685)**	-
Cash generated from operations		**323,268**	89,778
Tax paid	8(b)	**(1,092)**	(451)
Net cash provided by operating activities		**322,176**	89,327
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,097)**	(11,766)
Proceeds from sale of assets held-for-sale		**39,089**	113,648
Loans to a joint venture		**-**	(33,000)
Repayment of loan receivables from a joint venture		**5,350**	1,500
Repayment of finance lease		**9,624**	-
Interest received		**6,533**	5,362
Net cash provided by investing activities		**50,499**	75,744
Cash flows from financing activities			
Proceeds from bank borrowings		**358,500**	265,000
Payment of financing fees		**(4,576)**	(1,727)
Repayments of bank borrowings		**(560,326)**	(372,816)
Payment of lease liabilities		**(34,450)**	-
Interest paid		**(56,519)**	(47,302)
Other finance expense paid		**(3,282)**	(1,729)
Purchases of treasury shares		**(1,732)**	(11,150)
Drawdown of trust receipts		**114,318**	-
Repayment of trust receipts		**(81,014)**	-
Distributions to non-controlling interests		**(538)**	(1,820)
Dividend payment		**(59,606)**	-
Net cash used in financing activities		**(329,225)**	(171,544)

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 2019

	Note	**2019** **US$'000**	2018 US$'000
Net increase/(decrease) in cash and cash equivalents		**43,450**	(6,473)
Cash and cash equivalents at beginning of the financial year	17	**50,075**	56,548
Cash and cash equivalents at end of the financial year	17	**93,525**	50,075

Reconciliation of liabilities arising from financing activities

	Borrowings US$'000	**Lease liabilities US$'000**	**Interest rate swaps* US$'000**
At 1 January 2019	1,234,696	-	(8,968)
Adoption of IFRS 16	-	174,295	-
At 1 January 2019 (adjusted)	1,234,696	174,295	(8,968)
Cash changes:			
Proceeds from bank borrowings and trust receipts	468,242	-	-
Principal and interest (payments)/receipts	(691,898)	(41,053)	1,994
	(223,656)	(41,053)	1,994
Non-cash changes:			
Interest expense/(income)	52,496	6,603	(1,490)
Changes in interest rate swaps	504	-	(504)
Changes in fair value of interest rate swaps	-	-	18,873
Additions to lease liabilities	-	78,050	-
	53,000	84,653	16,879
At 31 December 2019	**1,064,040**	**217,895**	**9,905**
At 1 January 2018	1,341,136	-	(5,792)
Cash changes:			
Proceeds from bank borrowings	265,000	-	-
Principal and interest (payments)/receipts	(422,145)	-	300
	(157,145)	-	300
Non-cash changes:			
Interest expense/(income)	51,518	-	(1,113)
Changes in interest rate swaps	(813)	-	813
Changes in fair value of interest rate swaps	-	-	(3,176)
	50,705	-	(3,476)
At 31 December 2018	1,234,696	-	(8,968)

* Interest rate swaps are hedged against certain portions of bank borrowings.

These notes form an integral part of and should be read in conjunction with the accompanying consolidated 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 Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shipowning and chartering (note 30).

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 28 February 2020.

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 new standards and amendments to published standards as at 1 January 2019. Changes in the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and amendments.

The adoption of these new or amended standards and amendments did not result in substantial changes in the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

IFRS 16 'Leases' – adopted from 1 January 2019

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

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

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, adopted by the Group (continued)

IFRS 16 'Leases' (continued)

(1) Definition of a lease

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

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

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

(2) As a lessee

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

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

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

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

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

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, adopted by the Group (continued)

IFRS 16 'Leases' (continued)

(2) As a lessee (continued)

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

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

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

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

Transition

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

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

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

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

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, adopted by the Group (continued)

IFRS 16 'Leases' (continued)

(2) As a lessee (continued)

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

- Relied on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' immediately before 1 January 2019 as an alternative to performing an impairment review. As a result, the right-of-use asset was adjusted by the amount of provision for onerous leases recognised in the consolidated balance sheet immediately before 1 January 2019 (note 21).

(3) As a lessor

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

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 in which it acts as a lessor.

(4) As an intermediate lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same under IFRS 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Finance lease receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in the statement of comprehensive income. Lease liability relating to the head lease is retained on the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, adopted by the Group (continued)

IFRS 16 'Leases' (continued)

(5) Impact on financial statements

(i) Impact on transition

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

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

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

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

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, adopted by the Group (continued)

IFRS 16 'Leases' (continued)

(5) Impact on financial statements (continued)

(ii) Impact for the financial year

In 2019, back-to-back time charter contracts were entered into and at the commencement of these contracts, finance lease receivables of US$67.2 million were recognised along with the derecognition of right-of-use assets of US$56.8 million. This had resulted in a derecognition gain of US$10.4 million.

The adoption of IFRS 16 resulted in the recognition of right-of-use assets of US$165.0 million (note 10), finance lease receivables of US$57.6 million (note 12) and lease liabilities of US$217.9 million (note 20) as at 31 December 2019.

The impact on profit or loss is summarised below.

	31 December 2019 US$'000
Decrease in time charter revenue	(14,069)
Decrease in charter hire expenses	54,413
Increase in other operating expenses (non-lease components)	(9,744)
Interest income (from finance lease receivable)	1,171
EBITDA	**31,771**
Gain on derecognition of right-of-use assets	10,394
Depreciation of right-of-use assets	(29,737)
Interest expense (from lease liabilities)	(6,603)
Profit after tax	**5,825**

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

(a) Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements

The preparation of the consolidated 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.

(6) Useful life and residual value of assets

The Group reviews the useful life and residual value 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.

(7) 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 amounts of the vessels is based on the higher of fair value less cost to sell and value-in-use calculations, with each vessel being regarded as one cash generating unit. The recoverable amount of vessels is estimated predominantly based on independent third party broker valuations.

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

See note 10(b) and 10(c) for further disclosures.

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

(a) Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements (continued)

(8) Revenue recognition

All freight revenues, demurrage and voyage expenses are recognised on a percentage of completion basis. Load-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 point of loading of the current voyage to the point of discharge of the current voyage.

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(l)(2ii)).

Demurrage income 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.

(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 load-to-discharge method. Under this method, voyage revenue is recognised evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

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.

(2) Interest income

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

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.

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

(c) Group accounting (continued)

(1) Subsidiaries (continued)

(ii) Acquisitions (continued)

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.

(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.

(3) Joint venture

A joint venture is an entity over which the Group has joint control as a result of contractual arrangements and rights to the net assets of the entity.

Investment in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

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

(c) Group accounting (continued)

(3) Joint venture (continued)

(i) Acquisitions

Investment in a joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint venture represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of its joint venture's post-acquisition profits or losses in the Group's profit or loss and its share of the joint venture's other comprehensive income in the Group's other comprehensive income. Dividend received or receivable from the joint venture is recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of a joint venture are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investment in joint venture is derecognised when the Group loses joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

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

(d) Intangible assets

Computer software

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the assets for its intended use. They are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated remaining useful lives of 5 years.

The useful lives are reviewed, and adjusted as appropriate, at least annually. The effects of any revision in estimate are recognised in profit or loss when the changes arise.

Chartered hire contracts acquired

Chartered hire contracts are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs were fully amortised in 2018.

(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) If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

(2) Depreciation

(i) Depreciation on property, plant and equipment is calculated using a straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

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

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 recognised in profit or loss when the changes arise.

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

(e) Property, plant and equipment (continued)

(2) Depreciation (continued)

(ii) Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The remaining carrying amount of the old component as a result of a replacement will be written off to profit or loss.

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including replacing a significant component, 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 expenses are 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.

(f) Impairment of non-financial assets

Intangible assets with finite lives, property, plant and equipment and investment in a joint venture 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.

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

(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.

Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

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.

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

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

(1) Interest rate swaps

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 Group hedges up to 75% of its floating rate borrowings and the hedged item is identified as a proportion of the outstanding amount of the borrowings. As all critical terms matched during the year, the economic relationship was assessed to be 100% effective.

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.

(2) Forward bunker swaps

The Group has entered into forward bunker swaps that are cash flow hedges for the Group's exposure to cash flow variability for its forecasted bunker purchases. These contracts entitle the Group to receive bunker at floating rates and oblige the Group to pay for bunker at fixed prices, or in some contracts to pay a fixed incremental spread (between high and low sulphur fuel oil) for low sulphur fuel oil. It was assessed that the economic relationship between the forward bunker swaps and the hedged item was effective as the critical terms match.

The fair value changes on the effective portion of the forward bunker swaps designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

(3) Forward freight agreements (FFAs)

The Group has entered into FFAs that are cash flow hedges for the Group's exposure to cash flow variability for its forecasted freight earnings. These contracts entitle the Group to receive fixed freight rates and oblige the Group to pay floating freight rates for the volumes transacted. This effectively hedges the forecasted freight revenue contracted at future market freight rates. It was assessed that the economic relationship between the FFAs and the hedged item was effective as the critical terms match.

The fair value changes on the effective portion of the FFAs designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

2. Significant accounting policies (continued)

(h) Financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised costs, are presented as "loan receivable from a joint venture" (note 11), "finance lease receivables" (note 12) "trade and other receivables" (note 15) and "cash and cash equivalents" (note 17) in the consolidated balance sheet.

These financial assets 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 managed these groups of financial assets by collecting the contractual cash flow and these cash flows represent solely payment of principal and interest. Accordingly, these groups of financial assets are measured at amortised cost subsequent to initial recognition.

The Group assesses on a forward looking basis the expected credit losses (ECLs) associated with these groups of financial assets.

For trade receivables and finance lease receivables, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For loan receivable from a joint venture and cash and cash equivalents, the general 3 stage approach is applied. Credit loss allowance is based on 12-month ECL if there is no significant increase in credit risk since the initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime ECL will be calculated and recognised.

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

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

(h) Financial assets (continued)

Financial assets at amortised cost (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

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 by the amount of ECL reversal that is required to adjust the loss allowance to the amount that is required to be recognised at the reporting date.

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.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to 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.

(j) Borrowing costs

Borrowing costs are recognised in the consolidated statement of comprehensive income 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 takes 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.

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

(k) 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, and are derecognised when the Group's obligation has been discharged or cancelled or expired.

(l) Leases

(1) When the Group is the lessee (before 1 January 2019)

The Group leases vessels under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Rental expenses are recognised in profit or loss on a straight-line basis over the period of the leases. The difference between the actual lease payment and the amount taken to profit or loss is capitalised as deferred lease payables.

Refer to note 2(a) IFRS 16 'Leases' for the accounting policy from 1 January 2019.

(2) When the Group is the lessor

The Group leases vessels under finance leases and operating leases to non-related parties.

(i) Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet, representing the net investment in the lease.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

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

(l) Leases (continued)

(2) When the Group is the lessor (continued)

(ii) Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(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) Inventories

Inventories comprise fuel oil remaining on board and liquefied petroleum gas held for trading purposes.

Fuel oil is measured at the lower of cost (on a first-in, first-out basis) and net realisable value.

Liquefied petroleum gas held for trading purposes are measured at fair value less costs to sell. Any change in fair value is recognised in profit or loss for the period in which it arose.

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

(o) 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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

(p) 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".

(3) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from United States Dollars are translated into United States Dollars as follows:

(i) Assets and liabilities are translated at the closing rate at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates on the transactions); and

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

(p) Foreign currency translation (continued)

(3) Translation of Group entities' financial statements (continued)

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

(q) 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 options 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 options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable 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.

When the share options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share-based payment reserve are credited to share capital (nominal value) and share premium, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are reissued to the employees.

2. Significant accounting policies (continued)

(r) 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.

(s) 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.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(t) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(u) Dividend to Company's shareholders

Dividend to Company's shareholders is recognised when the dividend is approved.

(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.

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

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

Non-current assets (or disposal groups) are classified as assets 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.

(x) Commodity contracts

Contracts to buy and sell commodities are accounted for as derivatives at fair value through profit or loss. Accordingly, the net settlement of these contracts are presented within "Net gain from commodity contracts" on the Consolidated Statement of Comprehensive Income.

(y) Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform*

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed as at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income that existed at 1 January 2019. The related disclosures about risks and hedge accounting are disclosed in note 16 and note 25.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of Interbank Offered Rates ("IBOR") reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. The Group will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of the interest rate benchmark reform.

(z) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

The Group is involved in certain claims, litigations and disputes. Due to the nature of these disputes and matters, and the uncertainty of the outcome, the Group believes that possible obligations arising is remote and the amount of exposure cannot currently be determined.

3. Revenue

	2019 US$'000	2018 US$'000
Revenue from:		
- voyage charter	**737,264**	419,186
- time charter	**79,940**	102,568
	817,204	521,754

4. Net gain from commodity contracts

	2019 US$'000	2018 US$'000
Net settlement of commodity sale contracts and derivatives*	**158,533**	-
Net settlement of commodity purchase contracts and derivatives	**(157,335)**	-
Net gain from commodity contracts	**1,198**	-

In February 2019, the new Product Services Division commenced its product trading and delivery activities.

*Excluded from this amount is US$39.4 million which relates to freight service, recognised proportionately on a load-to-discharge basis, and recorded as voyage charter revenue within "Revenue" on the Consolidated Statement of Comprehensive Income.

5. Expenses by nature

	2019 US$'000	2018 US$'000
Fuel oil consumed	**188,036**	154,800
Port charges	**72,719**	63,402
Other voyage expenses	**9,175**	2,656
Voyage expenses	**269,930**	220,858
Manning costs	**55,401**	57,670
Maintenance and repair expenses	**30,634**	30,426
Insurance expenses	**3,895**	2,002
Other vessel operating expenses	**19,672**	15,363
Vessel operating expenses	**109,602**	105,461
Employee compensation (note 6)	**10,612**	8,846
Directors' fees	**427**	475
Audit fees	**447**	402
Other general and administrative expenses	**15,366**	17,788
General and administrative expenses	**26,852**	27,511
Charter hire expenses	**14,208**	66,874
Sundry income	**(381)**	(3,039)
Other operating expenses	**574**	-
Other operating expenses/(income) – net	**193**	(3,039)

6. Employee compensation

	2019 US$'000	2018 US$'000
Wages and salaries	**10,063**	8,575
Share-based payments - equity settled	**214**	(151)
Post-employment benefits - contributions to defined contribution plans	**335**	422
	10,612	8,846

7. Basic and diluted earnings/(loss) per share

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

Diluted earnings/(loss) per share is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year, after adjusting for all dilutive potential ordinary shares. The potential common shares arising from the Company's equity-settled, share-based compensation plan does not have a material impact on the computation of basic earnings/loss per share.

	2019	2018
Net profit/(loss) attributable to equity holders of the Company (US$'000)	**273,840**	(71,400)
Weighted average number of common shares outstanding ('000)	**138,720**	140,216
Basic and diluted earnings/(loss) per share (US$ per share)	**1.97**	(0.51)

8. Income tax expense

(a) Income tax expense

	2019 US$'000	2018 US$'000
Tax expense attributable to profit is made up of:		
- profit for the financial year:		
current income tax	**1,670**	293
- under/(over) provision in prior financial years:		
current income tax	**673**	(115)
	2,343	178

8. Income tax expense (continued)

(b) Movement in current income tax liabilities

	2019 US$'000	2018 US$'000
At beginning of the financial year	**309**	582
Income tax expense	**2,343**	178
Income tax paid	**(1,092)**	(451)
At end of the financial year	**1,560**	309

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

	2019 US$'000	2018 US$'000
Profit/(Loss) before tax	**276,239**	(72,212)
Tax calculated at a tax rate of 0% (2018: 0%)	**-**	-
Effects of different tax rates in other countries	**2,343**	178
Income tax expense	**2,343**	178

9. Intangible assets

	Computer software US$'000	Charter hire contracts acquired US$'000	Total US$'000
At 1 January 2018	-	2,650	2,650
Amortisation charge	-	(2,650)	(2,650)
At 31 December 2018 and 1 January 2019	-	-	-
Additions	1,004	-	1,004
At 31 December 2019	**1,004**	**-**	**1,004**

10. Property, plant and equipment

	Vessels US$'000	Dry docking US$'000	Furniture and fixtures US$'000	Right-of-use assets (Vessels) US$'000	Total US$'000
Cost					
At 1 January 2019	2,457,956	86,068	423	-	2,544,447
Adoption of IFRS 16 (note 2)	-	-	-	173,195	173,195
At 1 January 2019 (adjusted)	2,457,956	86,068	423	173,195	2,717,642
Additions	6,699	3,275	123	78,051	88,148
Disposals	-	-	-	(60,131)	(60,131)
Reclassified to assets held-for-sale (note 13)	(100,677)	(4,083)	-	-	(104,760)
Write off on completion of dry docking costs	-	(3,791)	-	-	(3,791)
At 31 December 2019	2,363,978	81,469	546	191,115	2,637,108
Accumulated depreciation and impairment charge					
At 1 January 2019	495,544	42,384	151	-	538,079
Depreciation charge	79,108	17,294	134	29,737	126,273
Disposals	-	-	-	(3,651)	(3,651)
Write-back of impairment charge	(37,995)	-	-	-	(37,995)
Reclassified to assets held-for-sale (note 13)	(48,922)	(1,797)	-	-	(50,719)
Write off on completion of dry docking costs	-	(3,791)	-	-	(3,791)
At 31 December 2019	487,735	54,090	285	26,086	568,196
Net book value					
At 31 December 2019	**1,876,243**	**27,379**	**261**	**165,029**	**2,068,912**
Cost					
At 1 January 2018	2,550,594	87,240	423	-	2,638,257
Additions	1,029	10,737	-	-	11,766
Reclassified to assets held-for-sale (note 13)	(93,667)	(4,809)	-	-	(98,476)
Write off on completion of dry docking costs	-	(7,100)	-	-	(7,100)
At 31 December 2018	2,457,956	86,068	423	-	2,544,447
Accumulated depreciation and impairment charge					
At 1 January 2018	465,165	37,233	89	-	502,487
Depreciation charge	80,900	17,060	62	-	98,022
Impairment charge	33,500	-	-	-	33,500
Reclassified to assets held-for-sale (note 13)	(84,021)	(4,809)	-	-	(88,830)
Write off on completion of dry docking costs	-	(7,100)	-	-	(7,100)
At 31 December 2018	495,544	42,384	151	-	538,079
Net book value					
At 31 December 2018	1,962,412	43,684	272	-	2,006,368

10. Property, plant and equipment (continued)

(a) Vessels with an aggregate carrying amount of US$1,897.0 million as at 31 December 2019 (2018: US$1,995.8 million) are secured on borrowings (note 19).

(b) As at 31 December 2019, the Group has capital commitments relating to vessel upgrade of US$15.9 million.

(c) In FY 2019, the Group wrote-back an impairment charge amounting to US$38.0 million (FY 2018: an impairment charge of US$33.5 million) of certain vessels to their recoverable amounts following the recovery of the freight market and asset prices. The assessment of the recoverable amounts of the vessels were based on the higher of fair value less cost to sell and value-in-use calculation, with each vessel being regarded as one cash generating unit. The recoverable amount of each vessel is estimated predominantly based on independent third party valuation reports, which made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values under the fair value hierarchy of IFRS 13 Fair value measurement that is also applicable for financial assets/liabilities. The Group has assessed that the brokers had the required competency and capability to perform the valuations. The Group had also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

11. Loan receivables from a joint venture

The loan receivables from a joint venture are secured by two VLGCs, bearing interest at LIBOR plus 4.5% per annum and are repayable by 2027 in consecutive quarterly instalments with a bullet payment upon maturity. The carrying amounts of current and non-current loan receivable from a joint venture approximate their fair values.

	2019 **US$'000**	2018 US$'000
Loan receivables – non-current	**52,550**	58,150
Loan receivables – current	**5,645**	5,408
	58,195	63,558

12. Finance lease receivables

In 2019, back-to-back time charter contracts were entered into and the subleases were accounted for as finance leases under IFRS 16. The adoption of IFRS 16 resulted in the recognition of net investment in the subleases as finance lease receivables of US$57.6 million as at 31 December 2019.

	2019 US$'000
At beginning of the financial year	**-**
Addition	**67,216**
Amortisation	**(9,624)**
At end of the financial year	**57,592**

The table below sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	**Total US$'000**
At 31 December 2019				
Undiscounted lease receivables	24,164	18,291	18,946	61,401
Less: Unearned finance income	(1,898)	(1,025)	(886)	(3,809)
	22,266	**17,266**	**18,060**	**57,592**

13. Assets held-for-sale

	2019 US$'000	2018 US$'000
At beginning of the financial year	**4,823**	103,098
Reclassified from property, plant and equipment (note 10)	**54,041**	9,646
Disposal	**(32,139)**	(107,921)
At end of the financial year	**26,725**	4,823

As at 31 December 2019, assets held-for-sale comprised one LGC that has been committed for sale to a non-related party and is expected to be delivered in the first quarter of 2020.

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

14. Inventories

	2019 US$'000	2018 US$'000
Fuel oil, at cost	**26,353**	28,015
Liquefied petroleum gas	**14,329**	-
	40,682	28,015

15. Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables – non-related parties	**135,427**	69,606
Other receivables – non-related parties	**4,173**	10,572
Other receivables – related parties^	**4,081**	7,159
	143,681	87,337
Prepayments	**22,691**	9,419
	166,372	96,756

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

Contract assets – accrued revenue of US$50.5 million had been presented within "Trade receivables – non-related parties". These relate to the Group's rights to consideration for proportional performance from voyage charters-in-progress at the balance sheet date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

As at 31 Dec 2019, the Company has recorded a pool receivable of US$12.0 million. The Company had initiated arbitration proceedings against the prior pool members to claim the amounts owed to the Company. Although the Company has won the arbitration, the prior pool members have challenged the arbitration award. It is the opinion of the Management that the Company will recover this pool receivable.

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 due to the short-term nature of these balances.

16. Derivative financial instruments

	2019		2018	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
Interest rate swaps	**723**	**(10,628)**	10,334	(1,366)
Forward freight agreements and related bunker swaps	**3,742**	**(1,674)**	-	-
Commodity contracts and derivatives	**10,298**	**(16,345)**	-	-
Forward foreign exchange contracts	**40**	**-**	15	-
	14,803	**(28,647)**	10,349	(1,366)
Non-current	**723**	**(10,516)**	6,580	(527)
Current	**14,080**	**(18,131)**	3,769	(839)
	14,803	**(28,647)**	10,349	(1,366)

As at 31 December 2019, the Group has interest rate swaps with total notional principal amounting to US$656.2 million (2018: US$789.1 million). The Group's interest rate swaps mature between 2020 to 2028.

16. Derivative financial instruments (continued)

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

Forward freight agreements and related bunker swaps were transacted to hedge freight rates and bunker price risks. Hedge accounting was adopted for these contracts.

Commodity contract derivatives comprise physical buy and sell commodity contracts measured at fair value through profit or loss, and commodity derivative contracts. The Group did not adopt hedge accounting for these contracts.

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

17. Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
	US$'000	US$'000
Cash and cash equivalents per consolidated balance sheet	**112,210**	50,075
Less: Margin account held with broker	**(18,685)**	-
Cash and cash equivalents per consolidated statement of cash flows	**93,525**	50,075

18. Share capital and other reserves

(a) Issued and fully paid share capital

(i) As at 31 December 2019 and 2018, the Company's share capital comprised 141,938,998 fully paid common shares with a par value of US$0.01. Fully paid common shares carry one vote per share and carry a right to dividend as and when declared by the Company.

(ii) The Company operates two equity-settled, share-based compensation plans. The 2015 Long-Term Incentive Plan ("LTIP 2015") was fully vested in 2018 and common shares of 2,197 were issued to certain employees. The LTIP 2015 was replaced by a 2017 Long-Term Incentive Plan ("LTIP 2017"). For LTIP 2017, at the end of the vesting periods between February 2020 and February 2024, common shares of 2,260,000 (2018: 1,420,000) may be issued to certain employees.

18. Share capital and other reserves

(b) Share premium

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

(c) Capital reserve

As at 31 December 2019 and 31 December 2018, 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 in December 2015.

(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 2019, an expense of US$214,000 (2018: reversal of an expense of US$151,000) was recognised in the consolidated profit or loss with a corresponding increase (2018: decrease) recognised in the share-based payment reserve.

(e) Treasury shares

	Number of shares		Amount	
	2019	2018	**2019**	2018
	'000	'000	**US$'000**	US$'000
Balance as at 1 January	**2,753**	350	**12,700**	1,565
Reissue of treasury shares	**-**	(3)	**-**	(15)
Purchases of treasury shares	**568**	2,406	**1,732**	11,150
Balance as at 31 December	**3,321**	2,753	**14,432**	12,700

Pursuant to the Company's Long-term Management Share Option Plan ("LTIP 2017") announced on 21 April 2017, the third tranche of 568,000 shares were purchased during the period from 5 March 2019 to 11 March 2019 at an average price of US$3.05 (NOK26.60) per share for an aggregate consideration of US$1.7 million (NOK15.1 million). In 2018, pursuant to the same LTIP 2017 plan, the second tranche of 284,000 shares was purchased on 5 March 2018 at US$4.70 (NOK36.20) per share for an aggregate consideration of US$1.3 million (NOK10.3 million).

Pursuant to the Company's share buy-back programme announced on 6 March 2018, a total of 2,122,000 shares was purchased at an average price of US$4.65 (NOK36.00) per share for an aggregate consideration of US$9.9 million (NOK76.4 million) for the year ended 31 December 2018.

19. Borrowings

	2019 US$'000	2018 US$'000
Borrowings		
Bank borrowings	**1,026,321**	1,228,986
Trust receipts	**33,304**	-
Interest payable	**4,415**	5,710
	1,064,040	1,234,696
Non-current	**923,177**	1,101,343
Current	**140,863**	133,353
	1,064,040	1,234,696

As at 31 December 2019, bank borrowings amounting to US$1,030.7 million (2018: US$1,234.7 million) are secured by mortgages over certain vessels of the Group (note 10). These bank borrowings are interest bearing at three-month or six-month US Dollar LIBOR plus a margin. The carrying amounts of non-current and current borrowings approximate their fair values because interest rates are repriced on a regular basis.

20. Lease liabilities

	2019 US$'000
At beginning of financial year	-
Adoption of IFRS 16 (note 2)	174,295
At beginning of financial year (adjusted)	174,295
Lease liabilities	78,050
Principal repayments	(34,450)
Interest expense	6,603
Interest paid	(6,603)
At end of financial year	217,895
Non-current	167,654
Current	50,241
	217,895

21. Provision for onerous contracts

In 2018, the Group recognised a provision for onerous contracts of US$1.1 million arising from non-cancellable lease commitments for the charter of eight VLGCs and two VLGC newbuilds. This was adjusted to impair the right-of-use assets immediately before 1 January 2019.

Movements in provision for onerous contracts are analysed as follows:

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

22. Trade and other payables

	2019 US$'000	2018 US$'000
Trade payables – non-related parties	**7,465**	6,221
Other payables – non-related parties	**117**	117
Other payables – related parties^	**536**	-
Charter hire received in advance	**7,489**	1,825
Other accrued operating expenses	**43,597**	30,455
	59,204	38,618

^ 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 due to the short-term nature of these balances.

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

23. 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

	2019 US$'000	2018 US$'000
Corporate service fees charged by related parties^	**6,073**	4,696
Ship management fees charged by related parties^	**2,584**	7,221
Corporate service fees charged to related parties^	**304**	-

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

(b) Key management's remuneration

	2019 US$'000	2018 US$'000
Salaries and other short-term employee benefits	**2,934**	2,195
Post-employment benefits - contributions to defined contribution plans and share-based payment	**226**	24
Directors' fees	**427**	475
	3,587	2,694

(c) Others

	2019 US$'000	2018 US$'000
Interest income from a joint venture	**4,690**	4,683
Sale of a vessel to a joint venture	**-**	33,000

24. Commitments

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

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

	2019	2018
	US$'000	US$'000
Not later than one year	**50,273**	32,597
Later than one year but not later than five years	**21,212**	7,290
	71,485	39,887

25. 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 2019, fuel oil costs comprised 46% (2018: 44%) 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.

25. Financial risk management (continued)

(a) Market risk (continued)

(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 19). If the US$ interest rates increase/decrease by 50 basis points (2018: 50 basis points) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by approximately US$5.7 million (2018: loss after tax will be higher/lower by approximately US$5.3 million) as a result of higher/lower interest expense on these borrowings; the other comprehensive loss will be lower/higher by approximately US$11.8 million (2018: other comprehensive income will be higher/lower by approximately US$13.5 million).

The Group is in the process of establishing policies for amending the interbank offered rates ("IBOR") on its existing floating-rate loan portfolio indexed to IBORs that will be replaced as part of IBOR reform. The Group expects to participate in bilateral negotiations with the counterparties to begin amending the contractual terms of its existing floating-rate financial instruments in the second half of 2020. However, the exact timing will vary depending on the extent to which standardised language can be applied and the extent of bilateral negotiations between the Group and its counterparties. The Group expects that these contractual changes will be amended in a uniform way.

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. These derivatives have floating legs that are indexed to various IBORs. The Group's derivative instruments are governed by ISDA's 2002 definitions. ISDA is currently reviewing its definitions in light of IBOR reform and the Group expects it to issue standardised amendments to all impacted derivative contracts at a future date. No derivative instruments have been modified as at the reporting date.

25. Financial risk management (continued)

(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, loan receivable to a joint venture, finance lease receivables, amounts due from related parties and cash and cash equivalents. The Group has assessed the ECL as at 1 January 2018 and 31 December 2018 based on past events, current conditions and forecasts of future economic conditions. As at 31 December 2019 and 31 December 2018:

- 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;
- loan receivable to a joint venture is not past due;
- finance lease receivables are due from customers with good credit standing, and in the event of default, the Group would be entitled to repossess the vessels chartered. Based on the assessment of the qualitative factors that are indicative of the risk of default, expected credit losses based on the 12-month ECLs have been assessed to be insignificant; and
- there have been no significant increases in the credit risk since the initial recognition of amounts due from related parties, expected credit losses based on the 12-month ECLs have been assessed to be insignificant.

There is no significant balance as at the balance sheet date that is past due as substantial portions of the trade and other receivables represent accrued revenue for voyage charters-in-progress, unbilled receivables from time charters and unbilled demurrage receivables at the balance sheet date. The maximum exposure is represented by the carrying value of each financial asset on the consolidated balance sheet before taking into account any collateral held.

25. **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.

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
At 31 December 2019				
Trade and other payables	51,715	-	-	-
Bank borrowings	140,072	135,902	416,935	523,570
Trust receipts	33,304	-	-	-
Lease liabilities	57,049	47,885	107,911	28,707
	282,140	**183,787**	**524,846**	**552,277**
At 31 December 2018				
Trade and other payables	36,793	-	-	-
Bank borrowings	172,527	481,107	298,213	494,250
	209,320	481,107	298,213	494,250

(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 dividend paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital based on a book leverage ratio (defined as total debt to total equity and debt). The Group pursues a policy aiming to achieve a target book leverage ratio of below 60%. If the book 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 2019 is 52% (2018: 56%).

The Group is in compliance with all other externally imposed capital requirements for the financial year ended 31 December 2019 and 2018.

25. Financial risk management (continued)

(e) Financial instruments by category

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

	2019	2018
	US$'000	US$'000
Net derivative (liabilities)/assets measured at fair value	**(13,844)**	8,983
Financial assets at amortised cost	**263,561**	200,970
Financial liabilities at amortised cost	**1,115,755**	1,271,489

(f) Estimation of fair value

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

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

	Level 1	Level 2	Total
	US$'000	US$'000	US$'000
2019			
Assets			
Derivative financial instruments	-	14,803	14,803
Total assets	**-**	**14,803**	**14,803**
Liabilities			
Derivative financial instruments	-	28,647	28,647
Total liabilities	**-**	**28,647**	**28,647**
2018			
Assets			
Derivative financial instruments	-	10,349	10,349
Total assets	-	10,349	10,349
Liabilities			
Derivative financial instruments	-	1,366	1,366
Total liabilities	-	1,366	1,366

25. Financial risk management (continued)

(f) Estimation of fair value (continued)

Derivative financial assets and liabilities

The Group's financial derivative instruments primarily relate to interest rate swaps, bunker swaps and commodity contracts measured at fair value and are within Level 2 of the fair value hierarchy (note 16). The fair values of financial derivative instruments that are not traded in an active market are determined by using valuation techniques. The fair values of interest rate swaps are calculated at the present value of estimated future cash flows based on observable yield curves. The fair values of bunker swaps and commodity contracts measured at fair value are determined using quoted forward commodity indices at the balance sheet date.

Non-derivative non-current financial assets and liabilities

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

Non-derivative current financial assets and liabilities

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

(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.

26. Segment information

The Group has three main operating segments:

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

The Group's shipping activities are predominantly generated from the VLGC fleet with the reduction in the LGC fleet size as well as Management's continued primary focus on the VLGC segment. The last two LGCs were sold in Q4 2019, with one delivered in December 2019 and another expected to be delivered in Q1 2020.

The Product Services Division was established on 25 February 2019 to support the Group's core shipping business and commenced its product trading and delivery services in Q2 2019.

Both the LGC and Product Services segments represent less than ten percent of the Group's total assets, revenue and profit or loss. The Group has determined that these segments are not material to the Group for the year ended 31 December 2019, and has reported information as one combined segment.

26. Segment information (continued)

Geographical information

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

27. Distributions to non-controlling interests

	2019 US$'000	2018 US$'000
Distributions to non-controlling interests in		
- KS Havgas Partners	**538**	1,820
	538	1,820

The partnership, which is subsidiary of the Group, had made distributions in accordance with the requirements of the partnership agreement. Distributions above reflect those amounts that were paid to non-controlling interests. The partnership was liquidated during the financial year.

28. Dividends paid

	2019 US$'000	2018 US$'000
Interim dividend paid in respect of H1 2019 of US$0.10 (2018: in respect of H1 2018 of US$nil) per share	**13,862**	-
Interim dividend paid in respect of Q3 2019 of US$0.33 (2018: in respect of Q3 2018 of US$nil) per share	**45,744**	-
	59,606	-

The Board has declared a final cash dividend of US$0.42 per share for 2019, amounting to US$58.2 million. Together with the interim dividend paid for H1 2019 and Q3 2019 of US$0.10 per share and US$0.33 per share, respectively, the total dividend payout for FY 2019 will amount to US$0.85 per share or US$117.8 million. The shares will be traded ex-dividend from 04 March 2020. The dividend will be payable on or about 13 March 2020 to shareholders of record as at 05 March 2020.

29. Subsequent events

Subsequent to the year end, the Group revised the useful life of its vessels from 30 years to 25 years given recent developments in market conditions arising from new regulatory requirements. This change will be prospective, effective 1 January 2020 and will increase depreciation charge by approximately US$23 million for FY2020.

In February 2020, the Group exercised options for the delivery and retrofitting of eight additional dual-fuel LPG propulsion engines. With this, the Group has committed to retrofit 12 vessels with pioneering propulsion technology.

On 13 February 2020, a time chartered-in VLGC newbuild was delivered.

29. Subsequent events (continued)

On 20 February 2020, a supplemental agreement was signed to amend the existing US$458 million Senior Secured Facility to convert US$100 million of Term Loan to Revolving Credit Facility while other terms remain the same. This will provide the Group with greater financial flexibility.

The last LGC committed to be sold is expected to be delivered in March 2020. The sale is expected to generate US$15.4 million in liquidity and a net gain of US$5.0 million.

30. Listing of companies in the Group

Name of companies		Principal activities	Country of incorporation	Equity holding 2019	Equity holding 2018
(i) Subsidiaries held by the Company					
BW LPG Holding Limited		Investment holding	Bermuda	**100%**	100%
BW LPG Product Services Limited		Investment holding	Bermuda	**100%**	100%
(ii) Significant subsidiaries held by BW LPG Holding Limited and BW LPG Product Services Limited					
BW Gas LPG Limited	(c)	Dormant	Bermuda	**-**	100%
BW Gas LPG Chartering Pte. Ltd	(a)	Chartering	Singapore	**100%**	100%
BW Austria Limited	(c)	Dormant	Bermuda	**-**	100%
BW VLGC Pte. Ltd	(a)	Shipowning	Singapore	**100%**	100%
BW Lord Limited		Shipowning	Bermuda	**100%**	100%
BW Prince Limited	(c)	Dormant	Bermuda	**-**	100%
BW Princess Limited		Shipowning	Bermuda	**100%**	100%
LPG Transport Service Ltd.		Dormant	Bermuda	**100%**	100%
BW Liberty Limited	(c)	Dormant	Bermuda	**-**	100%
BW Loyalty Limited		Shipowning	Bermuda	**100%**	100%
KS Havgas Partners	(c)	Shipowning	Norway	**-**	78%
AS Havgas Partners	(c)	Investment holding	Norway	**-**	100%
BW Green Transport AS		Chartering	Norway	**100%**	100%
BW Green Carriers AS		Chartering	Norway	**100%**	100%
BW LPG Pool Pte. Ltd.	(b)	Chartering	Singapore	**100%**	-
BW LPG Partners Pte Ltd		Shipowning	Singapore	**100%**	100%
BW LPG Partners AS	(c)	Investment holding	Norway	**-**	100%
BW LPG AS		Management	Norway	**100%**	100%
BW LPG Pte Ltd		Management	Singapore	**100%**	100%
BW Cyan Limited		Shipowning	Bermuda	**100%**	100%
BW Summit Limited		Shipowning	Bermuda	**100%**	100%
BW Constellation I Pte. Ltd.	(a)	Shipowning	Singapore	**100%**	100%
BW Constellation II Pte. Ltd.	(a)	Shipowning	Singapore	**100%**	100%
BW LPG Investments Limited		Investment holding	Bermuda	**100%**	100%
BW VLEC Limited		Dormant	Bermuda	**100%**	100%
BW Okpo Pte. Ltd.	(a)	Shipowning	Singapore	**100%**	100%
BW Seoul Pte. Ltd.	(a)	Shipowning	Singapore	**100%**	100%
BW LPG LLC		Management	United States	**100%**	100%
Aurora LPG Holding AS		Management	Norway	**100%**	100%
Aurora Shipping Holding AS	(c)	Investment holding	Norway	**-**	100%
Aurora Shipping II AS		Shipowning	Norway	**100%**	100%
BW LPG Product Services Pte. Ltd.	(d)	Product delivery services	Singapore	**100%**	100%
(iii) Joint venture held by BW LPG Holding Limited					
BW Global United LPG India Private Limited		Shipowning	India	**50%**	50%

(a) Companies redomiciled from Bermuda to Singapore during the financial year
(b) Company incorporated during the financial year
(c) Companies liquidated during the financial year
(d) Company held by BW LPG Product Services Limited

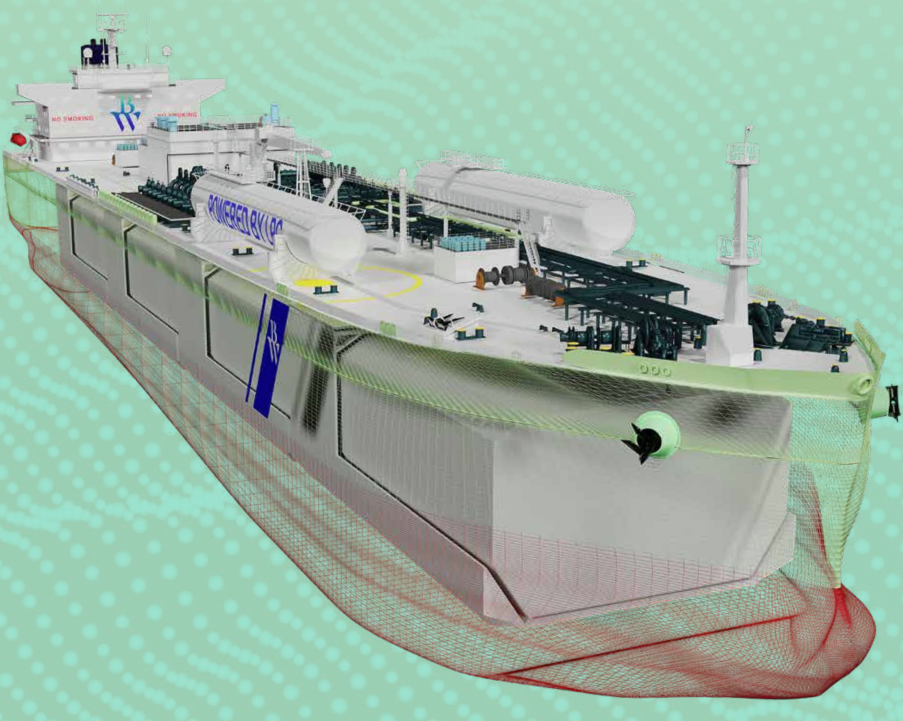
31. New or revised accounting standards and interpretations

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I)1- 8)
- SFRS(I) 17 Insurance Contracts

PARENT COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2019

	Note	**2019** **US$'000**	2018 US$'000
Dividend from a subsidiary		**125,000**	8,000
Other operating expenses	3	**(3,468)**	(4,654)
		121,532	3,346
Other finance income		**308**	5
Profit before tax for the financial year		**121,840**	3,351
Income tax expense	4	**-**	-
Profit after tax and total comprehensive income for the financial year		**121,840**	3,351

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

BALANCE SHEET
As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
Subsidiaries	5	**1,051,559**	988,864
Total non-current assets		**1,051,559**	988,864
Other receivables	6	**170**	200
Cash and cash equivalents	7	**-**	-*
Total current assets		**170**	200
Total assets		**1,051,729**	989,064
Share capital	8	**1,419**	1,419
Share premium	8	**289,812**	289,812
Contributed surplus		**685,913**	685,913
Share-based payment reserve	8	**230**	16
Retained earnings		**73,951**	11,717
Total shareholder's equity		**1,051,325**	988,877
Trade and other payables	9	**404**	187
Total liabilities		**404**	187
Total equity and liabilities		**1,051,729**	989,064

*Amount less than US$1,000

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2019

	Note	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Share-based payment reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2019		1,419	289,812	685,913	16	11,717	988,877
Profit for the financial year		-	-	-	-	121,840	121,840
Total comprehensive income for the financial year		-	-	-	-	121,840	121,840
Share-based payment reserve - Value of employee services	8	-	-	-	214	-	214
Dividends paid	12	-	-	-	-	(59,606)	(59,606)
Total transactions with owners, recognised directly in equity		-	-	-	214	(59,606)	(59,392)
Balance at 31 December 2019		**1,419**	**289,812**	**685,913**	**230**	**73,951**	**1,051,325**

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

STATEMENT OF CHANGES IN EQUITY (continued)
For the financial year ended 31 December 2019

	Note	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Share-based payment reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2018		1,419	289,812	685,913	182	8,366	985,692
Profit for the financial year		-	-	-	-	3,351	3,351
Total comprehensive income for the financial year		-	-	-	-	3,351	3,351
Share-based payment reserve - Value of employee services	8	-	-	-	(151)	-	(151)
Settlement of share-based payment		-	-	-	(15)	-	(15)
Total transactions with owners, recognised directly in equity		-	-	-	(166)	-	(166)
Balance at 31 December 2018		1,419	289,812	685,913	16	11,717	988,877

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

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit before tax for the financial year		**121,840**	3,351
Adjustments for:			
- share-based payment		**214**	(166)
- dividend income		**(125,000)**	(8,000)
Operating cash flow before working capital changes		**(2,946)**	(4,815)
Changes in working capital:			
- other receivables		**30**	(30)
- trade and other payables		**217**	(39)
Net cash used in operating activities		**(2,699)**	(4,884)
Cash flow from investing activities			
Dividends received		**125,000**	8,000
Receivables from subsidiaries		**(62,695)**	(3,126)
Net cash provided by investing activities		**62,305**	4,874
Cash flow from financing activity			
Dividends paid		**(59,606)**	-
Net cash used in financing activity		**(59,606)**	-
Net decrease in cash and cash equivalents		**-***	(10)
Cash and cash equivalents at beginning of the financial year	7	**-***	10
Cash and cash equivalents at end of the financial year	7	**-**	-*

*Amount less than US$1,000

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 Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, 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 28 February 2020.

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 new standards and amendments to published standards as at 1 January 2019. Changes in the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and amendments.

The adoption of these new or amended standards and amendments did not result in substantial changes in the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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.

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

(b) Revenue and income recognition

Dividend income

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

(c) Interest in subsidiaries

Investments in subsidiaries 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.

Receivables from subsidiaries where settlement is neither planned nor likely in the foreseeable future, are classified as non-current. These receivables are measured at amortised cost subsequent to initial measurement. In assessing an impairment allowance, the Company uses the accounting policy described in note 2(e).

(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 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.

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

(e) Financial assets

The Company managed these groups of financial assets by collecting the contractual cash flow and these cash flows represent solely payment of principal and interest. Accordingly, these groups of financial assets are measured at amortised cost subsequent to initial recognition.

The Company assesses on a forward looking basis the ECLs associated with these groups of financial assets.

For other receivables and cash and cash equivalents, the general 3 stage approach is applied. Credit loss allowance is based on 12-month ECL if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime ECL will be calculated and recognised.

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 by the amount of ECL reversal that is required to adjust the loss allowance to the amount that is required to be recognised at the reporting date.

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.

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

(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.

(i) Foreign currency translation

(1) Functional currency

The financial statements of the Company are presented in United States Dollar (“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 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) Dividend to Company’s shareholders

Dividend to Company’s shareholders are recognised when the dividend are approved for payment.

3. Expenses by nature

	2019 US$'000	2018 US$'000
Directors' fees	**427**	475
Share-based payments – equity settled	**214**	(151)
Support service fees charged by subsidiaries	**1,557**	1,956
Other expenses	**1,270**	2,374
Total other operating expenses	**3,468**	4,654

4. Income tax

No provision for tax has been made for the year ended 31 December 2019 and 2018 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.

5. Subsidiaries

	2019 US$'000	2018 US$'000
Equity investments at cost	**685,920**	685,920
Receivables from subsidiaries	**365,639**	302,944
	1,051,559	988,864

The receivables from subsidiaries are classified as financial assets at amortised cost. Allowance for impairment on these receivables is insignificant. The receivables are unsecured, interest-free and have no fixed terms of repayment. The settlement of these receivables is neither planned nor likely in the foreseeable future. Accordingly, the receivables are classified as non-current.

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

Name of company	Principal activity	Country of incorporation	**Equity holding 2019**	Equity holding 2018
BW LPG Holding Limited	Investment holding	Bermuda	**100%**	100%
BW LPG Product Services Limited	Investment holding	Bermuda	**100%**	100%

6. Other receivables

	2019	2018
	US$'000	US$'000
Other receivables – related parties^	**6**	6
Other receivables – non-related parties	**164**	194
	170	200

^ 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$.

8. Share capital and other reserves

(a) Issued and fully paid share capital

(i) As at 31 December 2019 and December 2018, the Company's share capital comprised of 141,938,998 fully paid common shares with a par value of US$0.01. Fully paid common shares carry one vote per share and carry a right to dividend as and when declared by the Company.

(ii) The Company operates two equity-settled, share-based compensation plans. The 2015 Long-Term Incentive Plan ("LTIP 2015") was fully vested in 2018 and common shares of 2,197 were issued to certain employees. The LTIP 2015 was replaced by a 2017 Long-Term Incentive Plan ("LTIP 2017"). For LTIP 2017, at the end of the vesting periods between February 2020 and February 2024, common shares of 2,260,000 (2018: 1,420,000) may be issued to certain employees.

(b) Share premium

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

8. Share capital and other reserves (continued)

(c) Share-based payment reserve

Certain employees are entitled to receive common shares in the Company. This award is recognised as an expense in profit or loss with a corresponding increase in the share-based payment reserve over the vesting periods. For the year ended 31 December 2019, an expense of US$214,000 (2018: reversal of an expense of US$151,000) was recognised in profit or loss with a corresponding increase (2018: decrease) recognised in the share-based payment reserve.

9. Trade and other payables

	2019 US$'000	2018 US$'000
Trade payables – related parties^	-*	2
Trade payables – non-related parties	22	57
Other accrued operating expenses	382	128
	404	187

* Amount less than US$1,000
^ 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 due to the short-term nature of these balances.

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

	2019 US$'000	2018 US$'000
Corporate service fees charged by subsidiaries	1,557	1,956

(b) Key management's remuneration

	2019 US$'000	2018 US$'000
Directors' fees	427	475

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.

(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 a subsidiary.

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 on an undiscounted basis.

	Less than 1 year US$'000
At 31 December 2019	
Trade and other payables	**404**
At 31 December 2018	
Trade and other payables	187

11. Financial risk management (continued)

(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 dividend paid, return capital to shareholders, or collect dividend from the subsidiary.

The Company is not subject to any externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) Financial instruments by category

The aggregate carrying amounts of the Company's financial instruments are as follows:

	2019 US$'000	2018 US$'000
Financial assets at amortised cost	**365,809**	303,144
Financial liabilities at amortised cost	**404**	187

12. Dividends paid

	2019 US$'000	2018 US$'000
Interim dividend paid in respect of H1 2019 of US$0.10 (2018: in respect of H1 2018 of US$nil) per share	**13,862**	-
Interim dividend paid in respect of Q3 2019 of US$0.33 (2018: in respect of Q3 2018 of US$nil) per share	**45,744**	-
	59,606	-

The Board has declared a final cash dividend of US$0.42 per share for 2019, amounting to US$58.2 million. Together with the interim dividend paid for H1 2019 and Q3 2019 of US$0.10 per share and US$0.33 per share, respectively, the total dividend payout for FY 2019 will amount to US$0.85 per share or US$117.8 million. The shares will be traded ex-dividend from 04 March 2020. The dividend will be payable on or about 13 March 2020 to shareholders of record as at 05 March 2020.

13. New or revised accounting standards and interpretations

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2020, 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.

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.