CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from financing activities			
Proceeds from bank borrowings		**488,054**	650,687
Payment of financing fees		**(6,044)**	(4,331)
Repayments of bank borrowings		**(369,711)**	(282,383)
Repayments of finance lease		**-**	(9,556)
Interest paid		**(25,090)**	(14,032)
Dividends paid		**(104,891)**	(256,476)
Other finance expense paid		**(2,552)**	(1,525)
Share issue expenses		**(5)**	-
Sale of treasury shares		**-**	27,209
Distributions to non-controlling interests		**(1,999)**	(2,041)
Net cash (used in)/provided by financing activities		**(22,238)**	107,552
Net (decrease)/increase in cash and cash equivalents		**(13,221)**	23,539
Cash and cash equivalents at beginning of the financial year	15	**93,784**	70,245
Cash and cash equivalents at end of the financial year	15	**80,563**	93,784

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. General information

BW LPG Limited (the "Company") is listed on the Oslo Stock Exchange and incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

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

2. Significant accounting policies

(a) Basis of preparation

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

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

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

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

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

Amendments to IAS 1 Presentation of financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Critical accounting estimates, assumptions and judgements

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

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

(1) Useful life and residual value of assets

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

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

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

(2) Impairment

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

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

See note 9(c) for further disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

(3) Revenue recognition

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

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

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

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

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

(4) Negative goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(b) Revenue and income recognition

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

(1) Rendering of services

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

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

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

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

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

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

(2) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(c) Group accounting

(1) Subsidiaries

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(c) Group accounting (continued)

(1) Subsidiaries (continued)

(iii) Disposals

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

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

(2) Transactions with non-controlling interests

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

(d) Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(e) Property, plant and equipment

(1) Measurement

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (note 2(f)).

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(iii) Additions in amounts less than US$10,000 are expensed and taken to the profit or loss.

(2) Depreciation

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

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

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

(3) Subsequent expenditure

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

(4) Disposal

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(f) Impairment of non-financial assets

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

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

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

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

(g) Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(h) Available-for-sale financial assets

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

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

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

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

(i) Loans and receivables

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(j) Borrowings

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

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

(k) Borrowing costs

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

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

(l) Trade and other payables

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(m) Fair value estimation of financial assets and liabilities

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

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

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

(n) Leases

(1) When the Group is the lessor:

Operating leases

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

(2) When the Group is the lessee:

Operating leases

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

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

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(o) Inventories

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

(p) Provisions for other liabilities and charges

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

(q) Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(r) Employee benefits

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

(1) Employee leave entitlement

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

(2) Defined contribution plans

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

(3) Share-based compensation

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

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

(s) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (continued)

(t) Share capital and treasury shares

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

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

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

(u) Dividends to Company's shareholders

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

(v) Segment reporting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Revenue and other operating income

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

4. Expenses by nature

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Employee compensation

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

6. Earnings per share

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Income tax expense

(a) Income tax expense

	2016	2015
	US$'000	US$'000
Tax expense attributable to profit is made up of:		
- profit for the financial year:		
- current income tax	**233**	792
- overprovision in prior financial year	**-**	(43)
	233	749

(b) Movement in current income tax liabilities

	2016	2015
	US$'000	US$'000
At beginning of financial year	**822**	675
Income tax expense	**233**	749
Income tax paid	**(867)**	(602)
At end of financial year	**188**	822

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Intangible assets

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

9. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Property, plant and equipment (continued)

	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Furniture and fixtures US$'000	Total US$'000
Cost					
At 1 January 2015	1,523,570	53,223	153,838	620	1,731,251
Additions	76,688	7,883	386,237	-	470,808
Transfer on delivery of vessels	367,063	11,250	(378,313)	-	-
Write off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	1,967,321	68,521	161,762	620	2,198,224
Accumulated depreciation and impairment charge					
At 1 January 2015	241,146	17,050	-	123	258,319
Depreciation charge	64,059	15,623	-	124	79,806
Write off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	305,205	28,838	-	247	334,290
Net book value					
At 31 December 2015	1,662,116	39,683	161,762	373	1,863,934

(a) Vessels with an aggregate carrying amount of US$2,051.0 million as at 31 December 2016 (2015: US$1,261.7 million) were secured on borrowings amounting to US$1,286.1 million (2015: US$837.3 million) (note 17).

(b) For the year ended 31 December 2016, interest amounting to US$3.3 million (2015: US$3.5 million) has been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.2% (2015: 2.1%) per annum.

(c) The Group recognised an impairment charge of US$144.1 million (2015: nil) to write down the carrying amount of certain vessels in the VLGC and LGC segments to their recoverable amounts. The assessment of the recoverable amounts of the vessels were based on the higher of fair value less cost to sell and value-in-use calculation, with each vessel being regarded as one cash generating unit. The fair value less cost to sell was determined based on independent third party valuation reports, which made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values under the fair value hierarchy of IFRS 13 Fair value measurement that is also applicable for financial assets/liabilities (note 21(f)). The spread of values given by the third party valuers was no higher than US$3.0 million per vessel. The Group has assessed that the brokers had the required competency and capability to perform the valuations. The Group had also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Available-for-sale financial assets

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

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

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

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

11. Asset held-for sale

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

The vessel was sold for recycling in January 2017.

12. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Trade and other receivables

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

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

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

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

14. Derivative financial instruments

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

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

Interest rate swaps were transacted to hedge interest rate risk on bank borrowings. After taking into account the effects of these contracts, for part of the bank borrowings, the Group would effectively pay fixed interest rates ranging from 1.5% per annum to 2.2% per annum and would receive a variable rate equal to either US$ three-month LIBOR or US$ six-month LIBOR. Hedge accounting was adopted by the Group for these contracts.

Bunker swaps were transacted to hedge bunker price risks. The Group did not adopt hedge accounting for these contracts. Fair value gains/losses of bunker swaps had been presented within "voyage expenses" in the Consolidated Statement of Comprehensive Income.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Cash and cash equivalents

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

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

16. Share capital and other reserves

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Share capital and other reserves (continued)

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

(a) Issued and fully paid share capital

(i) The Company issued 5,647,543 new common shares amounting to US$20.8 million (NOK177.7 million) as part consideration for the acquisition of Aurora LPG (note 25), thereby increasing the outstanding common shares in issue to 141,938,998 common shares as at 31 December 2016.

(ii) The Company operates an equity-settled, share-based compensation plan. Upon the end of the vesting periods on 31 December 2016 and 2017, common shares of 2,199 and 2,197 may be issued to certain employees, respectively.

(iii) All issued common shares are fully paid with a par value of US$0.01 (2015: US$0.01) per share.

(iv) Fully paid common shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(b) Share premium

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Share capital and other reserves (continued)

(c) Capital reserve

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

Capital reserve is non-distributable.

(d) Share-based payment reserve

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

(e) Treasury shares

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Borrowings

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Trade and other payables

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

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

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

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

19. Related party transactions

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

(a) Services

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

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

(b) Key management's remuneration

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Commitments

(a) Capital commitments

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

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

	2016 US$'000	2015 US$'000
Vessels under construction	**68,704**	267,921

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group. Where applicable, the Group uses financial instruments such as interest rate swaps and bunker swaps to hedge certain financial risk exposures.

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

(a) Market risk

(i) Fuel price risk

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

(ii) Currency risk

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

(iii) Interest rate risk

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

The Group's bank borrowings are at variable rates. The Group has entered into interest rate swaps to swap floating interest rates to fixed interest rates for certain portions of the bank borrowings (note 17). If the US$ interest rates increase/decrease by 50 basis points (2015: 50 basis points) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by approximately US$2.7 million (2015: US$2.7 million) as a result of higher/lower interest expense on these borrowings; the total comprehensive income will be higher/lower by approximately US$8.0 million (2015: US$9.7 million).

(b) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2016				
Trade and other payables	59,519	-	-	-
Bank borrowings	455,896	235,507	470,418	418,933
	515,415	**235,507**	**470,418**	**418,933**

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2015				
Trade and other payables	43,372	-	-	-
Bank borrowings	134,191	92,222	375,437	372,850
	177,563	92,222	375,437	372,850

(d) Capital risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(e) Financial instruments by category

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

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

(f) Fair value measurements

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

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2016			
Assets			
Derivative financial instruments	-	8,234	8,234
Total assets	-	**8,234**	**8,234**
Liabilities			
Derivative financial instruments	-	5,695	5,695
Total liabilities	-	**5,695**	**5,695**
2015			
Assets			
Available-for-sale financial assets	31,580	-	31,580
Derivative financial instruments	-	601	601
Total assets	31,580	601	32,181
Liabilities			
Derivative financial instruments	-	7,107	7,107
Total liabilities	-	7,107	7,107

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Financial risk management (continued)

(f) Fair value measurements (continued)

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

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

(g) Offsetting financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Segment information

The Group has two main operating segments:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Segment information (continued)

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

<u>Reportable segments' assets</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Segment information (continued)

Reportable segments' liabilities

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

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

Geographical information

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

23. Distributions to non-controlling interests

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

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

24. Dividends paid

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Business combinations

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

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

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

		2016 US$'000
(a)	Purchase consideration	
	Cash paid	17,686
	Previously held interest (note 10)	19,105
	Consideration in common shares in the Company (note 16 (a) (i))	20,770
	Total consideration transferred for the business	57,561
(b)	Effect on cash flows of the Group	
	Cash paid (as above)	17,686
	Add: transaction costs	1,386
	Less: cash and cash equivalents in subsidiary acquired	(4,031)
	Cash outflow on acquisition	15,041

		At fair value US$'000
(c)	Identifiable assets acquired and liabilities assumed	
	Cash and cash equivalents	4,031
	Property, plant and equipment (note 9)	597,498
	Trade and other receivables (note 13)	5,796
	Total assets	607,325
	Borrowings	(424,017)
	Trade and other payables	(15,209)
	Total liabilities	(439,226)
	Identifiable net assets acquired	168,099
	Less: Negative goodwill (note 25 (e))	(110,538)
	Consideration transferred for the business	57,561

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Business combinations (continued)

(d) Acquisition-related costs

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

(e) Negative goodwill

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

(f) Revenue and profit contribution

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

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

26. Subsequent events

(a) The final two of our four VLGCs newbuilds from Daewoo Shipbuilding and Marine Engineering were delivered in January 2017. Concurrently, one was sold and leased back to the Group immediately upon delivery. Both vessels were deployed in the Group's contract portfolio upon delivery.

(b) One LGC was sold for recycling in January 2017.

(c) Subsequent to year end, the Group has prepaid Aurora LPG's bank borrowings of US$141.3 million and has repurchased US$3.3 million of the floating rate notes issued by Aurora LPG. The remaining outstanding bank borrowings and floating rate notes are US$191.0 million and US$1.4 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Listing of companies in the Group

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Listing of companies in the Group (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. New or revised accounting standards and interpretations

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

IFRS 9 'Financial instruments'

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

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

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

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

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

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

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

IFRS 15 'Revenue from contract with customers'

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

IFRS 16 'Leases'

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

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

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

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group expects to recognise its operating lease commitments (note 20 (c)) and a corresponding right-of-use assets on its balance sheet on adoption of IFRS 16.

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

BW LPG

PARENT COMPANY FINANCIAL STATEMENTS