HAFNIA LIMITED (previously known as BW Tankers Limited)
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Contents

DIRECTORS' STATEMENT
For the financial year ended 31 December 2018

The Board of Directors have today, March 21, 2019, discussed and approved the consolidated financial statements of Hafnia Limited (previously known as BW Tankers Limited) and its subsidiaries (the "Group") for the financial years ended 31 December 2018 and 2017.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the consolidated financial statements present fairly, in all material aspects, the financial position of the Group as at 31 December 2018 and 2017 and the financial performance, changes in equity, and cash flows of the Group for the financial years 1 January to 31 December 2018 and 2017.

Board of Directors

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

KPMG

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INDEPENDENT AUDITORS' REPORT

Members of the Company
Hafnia Limited (previously known as BW Tankers Limited)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hafnia Limited (previously known as BW Tankers Limited) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 51.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended on that date 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 consolidated financial statements'* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* ("IESBA Code"), the Singapore Accounting and Corporate Regulatory Authority *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 consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Other information

Management is responsible for the other information. The other information is defined as all information in the annual report other than the consolidated financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing 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 Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (continued)

Other matter

The financial statements for the year ended 31 December 2017 were audited by another auditor whose report dated 12 March 2018 expressed an unqualified opinion on those statements.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2019

HAFNIA LIMITED (previously known as BW Tankers Limited)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Revenue	3	**368,390**	346,481
Voyage expenses	4	**(167,119)**	(139,934)
TCE income #		**201,271**	206,547
Other operating income		**1,581**	1,647
Vessel operating and other expenses	4	**(126,395)**	(124,123)
Operating profit before depreciation and impairment on vessels		**76,457**	84,071
Depreciation charge	8	**(56,865)**	(54,184)
Impairment charge on vessels – net	8	**(7,400)**	-
Operating profit		**12,192**	29,887
Interest income		**257**	104
Interest expense		**(31,503)**	(26,263)
Other finance expense		**(703)**	(745)
Finance expense – net		**(31,949)**	(26,904)
(Loss)/profit before income tax		**(19,757)**	2,983
Income tax expense	6	**(24)**	(20)
(Loss)/profit for the financial year		**(19,781)**	2,963
Other comprehensive income:			
Item that may be subsequently reclassified to income statement			
Fair value gains/(losses) on cash flow hedges - interest rate swaps		**2,815**	(1,083)
Reclassification to profit or loss		**(162)**	2,297
		2,653	1,214
Total comprehensive (loss)/income		**(17,128)**	4,177
(Loss)/earnings per share attributable to the equity holders of the Company			
(expressed in US$ per share)			
Basic and diluted (loss)/earnings per share	7	**(0.16)**	0.03

"TCE income" denotes "time charter equivalent income" which represents revenue from time charters and voyage charters less voyage expenses comprising primarily commission, fuel oil and port charges. TCE is a standard measure used in the shipping industry for reporting of income, providing improved comparability across different types of charters.

HAFNIA LIMITED (previously known as BW Tankers Limited)
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
Vessels	8	**1,027,877**	1,081,123
Dry docking	8	**26,465**	24,950
Vessels under construction	8	**117,495**	-
Total property, plant and equipment		**1,171,837**	1,106,073
Derivative financial instruments	15	**3,158**	505
Total other non-current assets		**3,158**	505
Total non-current assets		**1,174,995**	1,106,578
Inventories	9	**22,660**	14,560
Trade and other receivables	10	**63,957**	57,240
Derivative financial instruments	15	**4**	9
Cash and cash equivalents	11	**52,463**	41,372
Total current assets		**139,084**	113,181
Total assets		**1,314,079**	1,219,759
Share capital	12	**1,962**	1,165
Share premium	12	**221,220**	26,761
Contributed surplus	12	**537,112**	537,112
Other reserves	13	**53,169**	50,516
Accumulated losses		**(242,384)**	(217,735)
Total shareholders' equity		**571,079**	397,819
Borrowings	14	**613,044**	614,239
Other payables	16	**4,436**	4,954
Total non-current liabilities		**617,480**	619,193
Borrowings	14	**76,940**	157,635
Derivative financial instruments	15	**34**	6
Current income tax liabilities		**27**	15
Trade and other payables	16	**48,519**	45,091
Total current liabilities		**125,520**	202,747
Total liabilities		**743,000**	821,940
Total equity and liabilities		**1,314,079**	1,219,759

The accompanying notes form an integral part of these consolidated financial statements.
Independent Auditor's Report – Pages 2 to 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2018 (as previously reported)	1,165	26,761	537,112	50,011	505	(217,735)	397,819
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018	1,165	26,761	537,112	50,011	505	(222,603)	392,951
Issuance of new shares (Note 12)	797	194,459	-	-	-	-	195,256
Total comprehensive income/(loss) for the financial year	-	-	-	-	2,653	(19,781)	(17,128)
Balance at 31 December 2018	1,962	221,220	537,112	50,011	3,158	(242,384)	571,079
Balance at 1 January 2017	1,077	-	537,112	50,011	(709)	(220,698)	366,793
Issuance of new shares (Note 12)	88	26,761	-	-	-	-	26,849
Total comprehensive income for the financial year	-	-	-	-	1,214	2,963	4,177
Balance at 31 December 2017	1,165	26,761	537,112	50,011	505	(217,735)	397,819

HAFNIA LIMITED (previously known as BW Tankers Limited)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
(Loss)/profit for the financial year		(19,781)	2,963
Adjustments for:			
- income tax expense		24	20
- depreciation charge		56,865	54,184
- impairment charge on vessels – net		7,400	-
- amortisation of deferred income		(1,399)	(1,399)
- interest income		(257)	(104)
- interest expense		31,503	26,263
- other finance expense		703	745
Operating cash flow before working capital changes		75,058	82,672
Changes in working capital:			
- inventories		(8,100)	(3,720)
- trade and other receivables		(11,530)	(4,388)
- trade and other payables		4,254	6,801
Cash generated from operations		59,682	81,365
Income tax paid		(12)	(5)
Net cash provided by operating activities		59,670	81,360
Cash flows from investing activities			
Interest income received		257	104
Purchase of property, plant and equipment		(17,249)	(117,924)
Net cash used in investing activities		(16,992)	(117,820)
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		36,000	146,900
Proceeds from borrowings from a related corporation		81,000	-
Repayment of borrowings to external financial institutions		(164,014)	(105,686)
Payment of financing fees		-	(1,344)
Interest paid to external financial institutions		(27,868)	(25,341)
Interest paid to a related corporation		(2,045)	-
Issuance of shares		46,000	26,849
Other finance expense paid		(660)	(754)
Net cash (used in)/provided by financing activities		(31,587)	40,624
Net increase in cash and cash equivalents		11,091	4,164
Cash and cash equivalents at beginning of the financial year		41,372	37,208
Cash and cash equivalents at end of the financial year	11	52,463	41,372

The accompanying notes form an integral part of these consolidated financial statements.
Independent Auditor's Report – Pages 2 to 5.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the financial year ended 31 December 2018

Reconciliation of liabilities arising from financing activities

	1 January 2018 US$'000	Financial cash flows (i) US$'000	Non-cash changes US$'000 Interest Expense	Fair value changes on cash flow hedges	Gain on non-hedging instrument	Borrowing capitalised via issuance of shares	**31 December 2018 US$'000**
Borrowings	771,874	(77,079)	31,665	-	-	(36,476)	689,984
Interest rate swaps	(508)	152	-	(2,815)	43	-	(3,128)

	1 January 2017 US$'000	Financial cash flows (i) US$'000	Non-cash changes US$'000 Interest Expense (ii)	Fair value changes on cash flow hedges	Gain on non-hedging instrument	**31 December 2017 US$'000**
Borrowings	730,274	16,820	24,780	-	-	771,874
Interest rate swaps	709	(2,291)	-	1,083	(9)	(508)

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings, interest expense and financing fees paid in the statement of cash flows.

(ii) The balance includes capitalised interests on vessels under construction.

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

1. General information

Hafnia Limited (the "Company"), formerly known as BW Tankers Limited, is incorporated and domiciled in Bermuda. The address of its registered office is Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are listed in note 26.

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, effective in 2018

The Group has adopted the following relevant new standards and amendments to published standards as of 1 January 2018:

(1) New standards and interpretation
- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*
- IFRIC 22 *Foreign currency transactions and advance consideration*

(2) Amendments
- IFRS 2 *Share-based payment* (Classification and measurement of share-based payment transactions)

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements, except for the following:

(1) IFRS 15 *Revenue from contracts with customers*

IFRS 15 *Revenue from contracts with customers* 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 goods or services and thus has the ability to direct the use and obtain the benefits from those goods or services. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations.

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(1) IFRS 15 *Revenue from contracts with customers* (continued)

The adoption of IFRS 15 has resulted in a change in the Group's method of determining proportional performance for voyage charters from discharge-to-discharge to load-to-discharge. Under the load-to-discharge method, no revenue is recognised from the point of discharge of the prior voyage to the point of loading of the current voyage and all revenue is recognised from the point of loading of the current voyage to the point of discharge of the current voyage.

Previously, pre-voyage expenses incurred are expensed to the profit or loss as they do not qualify for recognition as an asset under any IFRS. Under IFRS 15, costs that are directly related to the Group's contracts with customers are capitalised as "contract fulfilment costs".

This change in accounting policy was applied on a modified retrospective basis from 1 January 2018. In accordance with the transitional provisions of IFRS 15, the impact of the change in revenue recognition in relation to voyage charters in-progress at 1 January 2018 was adjusted against retained earnings of the Group as at 1 January 2018. Accordingly, the comparative information presented has not been restated.

The following table summarises the impact, net of tax, of transition to IFRS 15 as at 1 January 2018:

	Impact of adopting IFRS 15 as at 1 January 2018 Increase/(decrease) US$'000
Trade and other receivables	(4,813)
Trade and other payables	55
Retained earnings	(4,868)

The impact of the change on the Consolidated Financial Statements arising from the adoption of IFRS 15 on the following balances as at 31 December 2018 are summarised below:

	Amount without adoption of IFRS 15 US$'000	Adjustment Increase/(decrease) US$'000	Amount as reported US$'000
Trade and other receivables	70,535	(6,578)	63,957
Trade and other payables	48,444	75	48,519
Revenue	371,234	(2,844)	368,390
Voyage expenses	168,178	(1,059)	167,119
Accumulated losses	235,731	6,653	242,384

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(2) IFRS 9 *Financial instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" (ECL) model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 January 2018.

In accordance with the transitional options available under IFRS 9, the Group elected not to restate information for 2017. Accordingly, the information for 2017 is presented, as previously reported, under IAS 39 *Financial Instruments: Recognition and Measurement.* Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

The impacts on adoption of IFRS 9 are described below.

(i) Classification and measurement of financial assets and financial liabilities

Under IFRS 9, financial assets are classified in the following categories: measured at amortised cost; fair value to other comprehensive income (FVOCI) – debt instrument; FVOCI – equity instrument; or fair value to profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available-for-sale.

The Group's financial assets that were previously classified as loans and receivables, including trade and other receivables and cash and cash equivalents, are reclassified to financial assets measured at amortised cost under IFRS 9. This change in category does not affect the carrying amounts of these financial assets.

Derivative financial instruments are typically measured at FVTPL. However, if an instrument qualifies for hedge accounting under IFRS 9, the effective portion of changes in fair value of the instrument is recognised in other comprehensive income while the ineffective portion is recognised in profit or loss.

The adoption of IFRS 9 did not impact the classification and measurement of the Group's financial liabilities.

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(2) IFRS 9 *Financial instruments* (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group’s financial assets measured at amortised cost and contract assets. Under IFRS 9, credit losses are expected to be recognised earlier than under IAS 39.

The Group has assessed the impact of this change to be immaterial for the year ended 31 December 2018.

(iii) Hedge accounting

The Group adopted the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach when assessing hedge effectiveness.

The Group uses forward exchange contracts and interest rate derivative instruments to hedge the variability in cash flows arising from changes in foreign exchange rates and interest rates. Financial derivatives that are not designated as hedge instruments are measured at FVTPL.

The Group has assessed that all hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 as at 1 January 2018 and are therefore regarded as continuing hedging relationships. Under IFRS 9, there is no change in the treatment to recognise fair value changes on the effective portion of hedges in other comprehensive income, and ineffective portion in profit or loss.

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods

The following new standards, amendments and interpretations, which are relevant to the Group's operations but have not been early adopted, have been published and are mandatory for accounting periods beginning on or after 1 January 2019 (or otherwise stated) or later periods:

(1) Amendments
- IAS 19 *Employee benefits* (Plan amendment, curtailment or settlement)

(2) Annual improvements 2015 - 2017
- IFRS 3 *Business combinations*
- IAS 12 *Income taxes*
- IAS 23 *Borrowing costs*

(3) New standards and interpretation
- IFRS 16 *Leases*

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases* and related interpretations. 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 interest element of the 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 under 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. The change in accounting policy will be applied on a modified retrospective basis with no restatement of comparative information. The cumulative effect of adopting IFRS 16 will be adjusted against retained earnings of the Group as at 1 January 2019.

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

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods (continued)

The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Management has assessed the effects of applying the new standard on the Group's financial statements and the impact of adopting the new standard on 1 January 2019 is discussed below.

(1) When a group company is the lessee

The Group leases vessels, office spaces, and other equipment from external parties. On adoption of IFRS 16, management has assessed that all vessels currently accounted for as operating leases under IAS 17 will be recognised on balance sheet as right of use assets, together with the corresponding lease liabilities. Short-term leases and other low value assets will be excluded under the practical expedients allowed in IFRS 16. Based on the information currently available, the impact of adoption of IFRS 16 on the Consolidated Financial Statements as at 1 January 2019 is summarised below:

	US$'000
Lease liabilities	25,019
Deferred gain on sale and operating leaseback	(3,849)
Right of use assets	21,170

The adoption of IFRS 16 will not have an impact on the accounting of leased-in assets that are classified as finance leases.

(2) When a group company is the lessor

The adoption of IFRS 16 will not have an impact on the accounting of leases in which the Group is a lessor.

(3) External loan covenants compliance

The Group is subject to externally imposed capital requirements arising from its external borrowings. Management has assessed and expect no impact from IFRS 16 on these loan covenants.

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

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions

The preparation of 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 discussed below.

Certain amounts included in or affecting the consolidated financial statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

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

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges in the future periods will be changed.

There was no significant change to the estimated residual values of any vessel for the financial year ended 31 December 2018 and 31 December 2017.

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 amounts of depreciation charges recorded in future periods will be changed.

(2) Reversal of impairment/Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

See note 8(a) for further disclosures on estimation of the recoverable amounts of vessels.

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

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

(3) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Load-to-discharge (2017: discharge-to-discharge) basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under the load-to-discharge method, freight voyage charter 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. Previously, under the discharge-to-discharge method, freight voyage charter 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.

Demurrage revenue is recognised as revenue from voyage charters in the profit or loss, based on actual demurrage recovered over total estimated claims issued to customers historically.

(b) Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and 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 services are performed. Revenue from freight 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 freight voyage charter using the load-to-discharge (2017: discharge-to-discharge) method. Under the load-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the point of loading of the current voyage to the point of discharge of the current voyage. Previously, under the discharge-to-discharge method, freight voyage charter 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.

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

For the Group's tanker vessels that are operating in third party managed pool, where the Group has no influence in the running of the pools, the Group accounts for its share of pool results on a net basis in the consolidated financial statements. The share of pool results is recorded as part of revenue from voyage charters in the statement of comprehensive income.

2. Significant accounting policies (continued)

(b) Revenue and income recognition (continued)

(2) Interest income

Interest income is recognised using the effective interest method.

(c) Group accounting

Subsidiaries

(1) Consolidation

Subsidiaries are entities (including structured 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 deconsolidated from the date that 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. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(2) Acquisition

The acquisition method of accounting is used to account for business combinations by the Group.

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 the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss. 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 the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

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

(c) Group accounting (continued)

Subsidiaries (continued)

(3) 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 interest in the entity is re-measured 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 the profit or loss.

(d) 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 item. 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 the asset.

(iii) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the yard.

(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 are recognised in the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 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. At the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to the profit or loss.

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

(d) Property, plant and equipment (continued)

(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 the 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 the profit or loss.

(e) Financial assets

(1) Classification

(i) From 1 January 2018 under IFRS 9

The Group classifies its financial assets in the following categories: at amortised cost and at FVTPL. The classification depends on the business model in which a financial asset is managed and its contractual cash flows characteristics. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(ai) Amortised cost financial assets

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

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. They are presented as “trade and other receivables” (note 10) and “cash and cash equivalents” (note 11) in the consolidated balance sheet.

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

(e) Financial assets (continued)

(1) Classification (continued)

(i) From 1 January 2018 under IFRS 9 (continued)

(aii) FVTPL financial assets

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Derivatives are also categorised as FVTPL unless they are designated as hedges. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Before 1 January 2018 under IAS 39

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (note 10) and "cash and cash equivalents" (note 11) in the consolidated balance sheet.

(2) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, measured at amortised cost or FVTPL, the difference between the net sale proceeds and its carrying amount is recognised in the profit or loss.

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

(e) Financial assets (continued)

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(4) Subsequent measurement

Financial assets at FVTPL are subsequently carried at fair value. Financial assets at amortised costs are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation are recognised in profit or loss.

(5) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(e) Financial assets (continued)

(6) Impairment

(i) From 1 January 2018 under IFRS 9

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss (ECL) at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognises an allowance for ECL at an amount equal to 12 month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset 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 and analysis, based on the Group's historical experience, informed credit assessment and other forward-looking information.

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 net 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 account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account 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 prior periods.

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

(e) Financial assets (continued)

(6) Impairment (continued)

(ii) Before 1 January 2018 under IAS 39

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is 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 net 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 account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account 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 prior periods.

2. Significant accounting policies (continued)

(f) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or 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 costs 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 CGU to which the asset belongs.

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

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the 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 any accumulated amortisation and 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) other than goodwill is recognised in the profit or loss.

(g) Borrowings

Borrowings are recognised initially 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 recognised in the profit or loss over the period of the borrowings using the effective interest method.

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

(h) Borrowing costs

Borrowing costs are recognised in the 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 are capitalised in the cost of the vessel under construction. 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)

(i) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. 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.

(j) 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 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 full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is 12 months or more, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in the profit or loss as a finance item.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives 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.

Hedging relationships designated under IAS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned according to the requirements of IFRS 9.

Cash flow hedge – Interest rate swap

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

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

(k) Inventories

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

(l) Fair value estimation of financial assets and liabilities

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities carried at amortised cost 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 current market interest rates that are available to the Group at balance sheet date for similar financial instruments.

(m) Leases

(1) When a group company is a lessor:

Operating leases

Leases of assets in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets 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 a group company is a lessee:

Operating leases

Leases of assets in which substantially all risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the 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.

Sale and operating leaseback transactions

Gains and losses on sale and leaseback transactions established at fair value which resulted in operating leases are recognised immediately in the profit or loss.

Where the sale price of the asset is above fair value, the excess of the sale price over the fair value of the asset is deferred and amortised over the lease term.

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

(n) Income taxes

The tax expense for the period comprises current tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on income earned from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

(o) Employee benefits

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

(1) *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.

(2) *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.

(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 are presented in United States Dollars, which is the Company's 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 date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in the profit or loss.

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

(q) 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 deposits held at call with financial institutions, which are subject to an insignificant risk of change in value.

(r) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby 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 settlement 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.

For leased-in assets, the Group recognises a provision for the estimated costs of reinstatement arising from the use of these assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

(u) Segment reporting

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

3. **Revenue**

	2018 US$'000	2017 US$'000
Revenue from time charter	**25,712**	28,727
Revenue from voyage charter	**342,678**	317,754
Total revenue	**368,390**	346,481

4. Expenses by nature

	2018 US$'000	2017 US$'000
Fuel oil consumed (note 9)	106,710	76,933
Port costs	50,091	49,997
Commission expenses	4,491	4,089
Other voyage expenses	5,827	8,915
Voyage expenses	167,119	139,934
Employee benefits (note 5)	59,547	60,190
Maintenance and repair expenses	26,677	28,130
Insurance expenses	3,545	3,714
Other vessel operating expenses	3,720	3,950
Vessel operating expenses	93,489	95,984
Support service fee	8,303	3,693
Employee benefits (note 5)	8,900	5,167
Charter hire expenses	8,659	7,264
Other operating expenses	7,044	12,015
Other expenses	32,906	28,139
Total voyage expenses and other operating expenses	293,514	264,057

5. Employee benefits

	2018 US$'000	2017 US$'000
Wages and salaries (note 4)	68,447	65,357

6. Income taxes

Based on the tax laws in the jurisdictions in which the Group and its subsidiaries operate, shipping profits are exempted from income tax. Non-shipping profits are taxed at the prevailing tax rate of each tax jurisdiction where the profit is earned.

Income tax expense

	2018 US$'000	2017 US$'000
Tax expense attributable to profit is made up of:		
Current income tax	24	20

There is no income, withholding, capital gain or capital transfer taxes payable in Bermuda. The income tax expense reconciliation of the Group is as follows:

	2018 US$'000	2017 US$'000
(Loss)/Profit before income tax	(19,757)	2,983
Tax calculated at a tax rate of 0% (2017: 0%)	-	-
Effect of :		
- Different tax rates in other countries	24	20
Income tax expense	24	20

7. (Loss)/earnings per share

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

	2018	2017
Net (loss)/profit attributable to equity holders of the Company (US$'000)	(19,781)	2,963
Weighted average number of common shares outstanding ('000)	122,491	109,632
Basic and diluted (loss)/earnings per share (US$ per share)	(0.16)	0.03

8. Property, plant and equipment

	Vessels	Dry docking	Vessels under Construction	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2018	1,766,604	50,815	-	1,817,419
Additions/Adjustments	1	12,533	117,495	130,029
Write off on completion of dry docking cycle	-	(14,482)	-	(14,482)
At 31 December 2018	1,766,605	48,866	117,495	1,932,966
Accumulated depreciation and impairment charge				
At 1 January 2018	685,481	25,865	-	711,346
Impairment charge	48,300	-	-	48,300
Write back of impairment charge	(40,900)	-	-	(40,900)
Depreciation charge	45,847	11,018	-	56,865
Write off on completion of dry docking cycle	-	(14,482)	-	(14,482)
At 31 December 2018	738,728	22,401	-	761,129
Net book value				
31 December 2018	**1,027,877**	**26,465**	**117,495**	**1,171,837**
Cost				
At 1 January 2017	1,582,193	44,490	78,572	1,705,255
Additions/Adjustments	(10)	9,899	108,849	118,738
Transfer on delivery of vessels	184,421	3,000	(187,421)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	1,766,604	50,815	-	1,817,419
Accumulated depreciation and impairment charge				
At 1 January 2017	613,641	22,197	27,898	663,736
Depreciation charge	43,942	10,242	-	54,184
Transfer on delivery of vessels	27,898	-	(27,898)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	685,481	25,865	-	711,346
Net book value				
At 31 December 2017	**1,081,123**	**24,950**	**-**	**1,106,073**

8. Property, plant and equipment (continued)

(a) The Group recognised a net impairment charge of US$7.4 million (2017: US$Nil), which represents the impairment or write back of impairment of certain vessels to their recoverable amounts. The recoverable amount was based on the higher of fair value less costs to sell and value-in-use calculations, with each vessel being regarded as one CGU.

The recoverable amounts of the vessels are 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*. The Group has assessed that the brokers had the required competency and capability to perform the valuation. The Group has also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

(b) The Group has mortgaged vessels with a total carrying amount of US$1,054.3 million (2017: US$1,106.1 million) as security over the Group's bank borrowings.

(c) For the financial year ended 31 December 2017, interest amounting to US$0.8 million has been capitalised in Vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation is 3.03% per annum. No interest was capitalised for the financial year ended 31 December 2018.

9. Inventories

	2018 US$'000	2017 US$'000
Fuel oil	22,660	14,560

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to US$106.7 million (2017: US$76.9 million).

10. Trade and other receivables

	2018 US$'000	2017 US$'000
Trade receivables		
- related corporations	-	544
- non-related parties	41,555	39,942
Less: Allowance made for trade receivables		
- non-related parties (note 18(ii)(b))	(1,594)	(774)
Trade receivables – net	39,961	39,712
Prepayments	5,487	1,311
Other receivables		
- related corporations	5,361	1,076
- non-related parties	13,148	15,141
	63,957	57,240

The carrying amounts of trade and other receivables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other receivables due from related corporations are unsecured, interest-free and are repayable on demand.

11. Cash and cash equivalents

	2018 US$'000	2017 US$'000
Cash at bank and on hand	52,463	41,372

12. Share capital and contributed surplus

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2018	116,514,917	1,165	26,761	27,926
New shares issued	79,726,435	797	194,459	195,256
At 31 December 2018	196,241,352	1,962	221,220	223,182

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2017	107,637,740	1,077	-	1,077
New shares issued	8,877,177	88	26,761	26,849
At 31 December 2017	116,514,917	1,165	26,761	27,926

(a) Authorised share capital

The total authorised number of shares is 400,000,000 (2017: 180,000,000) common shares at par value of US$0.01 per share.

12. Share capital and contributed surplus (continued)

(b) Issued and fully paid share capital

For the financial year ended 31 December 2017, the Company issued 8,877,177 new common shares at US$3.02 per common share for cash, amounting to a total US$26.8 million.

On 15 November 2018, the Company issued 18,782,594 new common shares at US$2.45 per share for cash, amounting to a total of US$46.0 million. Additionally, 14,893,819 common shares were issued by way of capitalising an amount due to a wholly-owned subsidiary of the holding corporation of US$36.5 million.

On 19 December 2018, 46,050,022 common shares were also issued as consideration for six LR2 product tankers which are currently under construction. These were sold by a wholly-owned subsidiary of the holding corporation at a sale consideration of US$112.8 million.

All issued common shares are fully paid. The newly issued shares rank pari passu with the existing shares.

(c) Share premium

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

(d) Contributed surplus

Contributed surplus relates to the amount transferred from share capital account when the par value of each common share was reduced from US$5 to US$0.01 per share in 2015. Contributed surplus is distributable, subject to the fulfilment of the conditions as stipulated under the Bermudian Law.

13. Other reserves

		2018 US$'000	2017 US$'000
(a)	Composition:		
	Capital reserve – effects of group restructuring	50,011	50,011
	Hedging reserve	3,158	505
		53,169	50,516

Capital reserve relates to the net difference arising from the share capital and retained earnings of the Group before and after a group restructuring during the financial year ended 31 December 2014.

Capital reserve is non-distributable.

(b) Movements of the reserves are as follows:

	2018 US$'000	2017 US$'000
Hedging reserve		
At beginning of the financial year	505	(709)
Fair value gains/(losses) on cash flow hedges - interest rate swaps	2,815	(1,083)
Reclassification to profit or loss	(162)	2,297
At end of the financial year	3,158	505

14. Borrowings

	2018 US$'000	2017 US$'000
Current		
Loan from a related corporation	**7**	-
Bank borrowings	**76,933**	157,635
Non-current		
Loan from a related corporation	**44,524**	-
Bank borrowings	**568,520**	614,239
	689,984	771,874

As at 31 December 2018, bank borrowings consist of three credit facilities from external financial institutions, amounting to US$676 million, US$266 million and US$128 million respectively. These three facilities are secured by the Group's fleet of vessels.

The US$676 million facility is made up of two loan tranches amounting to US$576 million and US$100 million respectively. The first tranche of US$576 million includes a US$100 million revolving credit facility. These tranches are interest-bearing at three-month US Dollar LIBOR plus 1.7% per annum and three-month US Dollar LIBOR plus 1.9% per annum and will mature in 2022 and 2018 respectively. Full repayment has been made for the US$100 million tranche which matured on 29 June 2018.

The US$266 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.5% per annum and will mature in 2028. The US$128 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.8% per annum and will mature in 2023.

The USD denominated loan from a related corporation is a revolving credit facility which is unsecured, bears interest at 5.77%, and is repayable by June 2020.

Interest rates

The weighted average effective interest rates per annum of total borrowings at the balance sheet date are as follows:

	2018	2017
Bank borrowings	**4.3%**	3.4%

The exposure of borrowings to interest rate risks is disclosed in note 18(iii).

Maturity of borrowings

The non-current borrowings have the following maturity:

	2018 US$'000	2017 US$'000
Later than one year and not later than five years	**530,247**	437,351
Later than five years	**82,797**	176,888
	613,044	614,239

14. Borrowings (continued)

Carrying amounts and fair values

The carrying values of bank borrowings approximate their fair values as the bank borrowings are repriceable at regular intervals.

The carrying value of loan from related corporation approximates its fair value since the contractual interest rate continues to approximate the market interest rate.

15. Derivative financial instruments

	2018 US$'000		2017 US$'000	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges				
- Interest rate swaps	**3,162**	**-**	505	6
Non-hedging instruments				
- Forward foreign exchange contracts	**-**	**34**	9	-
	3,162	**34**	514	6
Analysed as:				
Non-current	**3,158**	**-**	505	-
Current	**4**	**34**	9	6
	3,162	**34**	514	6

Cash flow hedges

The Group has entered into interest rate swap contracts that qualify for hedge accounting. The Group will pay interest at fixed rates varying from 2.01% to 2.26% (2017: 2.01% to 2.26%) per annum and receive interest at a floating rate based on three-month US$ LIBOR.

The notional principal amount of these outstanding interest rate swaps as at 31 December 2018 amounted to US$238.4 million (2017: US$264.8 million).

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to swap United States Dollars for Singapore Dollars with the holding corporation. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2018 and 31 December 2017 comprise the following:

	2018		2017	
Currency	**Notional amounts in local currency ('000)**	**US$ equivalents ($'000)**	Notional amounts in local currency ('000)	US$ equivalents ($'000)
Singapore Dollars	**4,000**	**2,970**	800	589

As at 31 December 2018, these forward foreign exchange contracts will mature within 5 (2017: 3) months from the balance sheet date.

16. Trade and other payables

	2018 US$'000	2017 US$'000
Trade payables		
- related corporations	**278**	382
- non-related parties	**8,048**	6,322
Deferred gain on sale and operating leaseback	**3,849**	5,248
Provision for reinstatement costs of leased vessels	**1,987**	1,106
Accrued operating expenses	**29,839**	30,602
Other payables		
- holding corporation	**164**	-
- related corporations	**5,715**	2,504
- non-related parties	**3,075**	3,881
	52,955	50,045

	2018 US$'000	2017 US$'000
Analysed as:		
Non-current	**4,436**	4,954
Current	**48,519**	45,091
	52,955	50,045

The carrying amounts of trade and other payables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other payables due to the holding corporation and related corporations are unsecured, interest-free and are repayable on demand.

17. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	2018 US$'000	2017 US$'000
Vessels under construction	**181,220**	-

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

The Group leases vessels to third parties under non-cancellable operating lease agreements. These leases have varying terms including options to extend.

17. Commitments (continued)

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

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

	2018 US$'000	2017 US$'000
Not later than one year	**4,394**	25,738
Later than one year but not later than five years	**-**	4,880
	4,394	30,618

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

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. These leases have varying terms including options to extend and option to purchase.

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

	2018 US$'000	2017 US$'000
Not later than one year	**27,360**	7,879
Later than one year but not later than five years	**162,824**	153,632
Later than five years	**21,429**	60,558
	211,613	222,069

18. Financial risk management

Financial risk factors

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

The financial risk management of the Group is handled by the holding corporation as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with BW Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(i) Market risk

Price risk

The shipping market can be subject to significant fluctuations. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

In 2018, approximately 7% (2017: 8%) of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for bunker fuel costs, therefore, fixed income charters also reduce exposure to fuel price fluctuations.

In 2018, fuel oil costs comprised 36% (2017: 29%) of the Group's operating expenses (excluding depreciation). If price of fuel oil has increased/decreased by US$1 (2017: US$1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by US$246,000 (2017: US$236,000) as a result of higher/lower fuel oil consumption expense.

Currency risk

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

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

(a) Financial assets that are neither past due or impaired

The Group performs periodic credit evaluations of its charterers. The Group has implemented policies to ensure cash funds are deposited with internationally recognised financial institutions with a good credit rating and the vessels are fixed to charterers with an appropriate credit rating or who provide sufficient guarantees.

18. Financial risk management (continued)

Financial risk factors (continued)

(ii) *Credit risk* (continued)

(b) *Financial assets that are past due and/or impaired*

The age analysis of trade receivables past due and/or impaired is as follows:

	2018 US$'000	2017 US$'000
Past due 0 to 3 months	7,860	2,657
Past due 3 to 6 months	1,872	1,061
Past due for more than 6 months	421	707
Less: Allowance for impairment	(1,594)	(774)
	8,559	3,651
Beginning of financial year	774	-
Allowance made	820	774
End of financial year	1,594	774

The allowance made arise mainly from the provision of charter services to a customer which has met with significant financial difficulties during the financial year ended 31 December 2018.

There are no other trade receivables individually determined to be impaired.

Credit risk is concentrated on a few charterers. The Group adopts the policy of dealing only with customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) *Interest rate risk*

The Group has interest-bearing financial liabilities in the form of borrowings from external financial institutions at variable rates.

The Group manages its cashflow interest rate risks by swapping a portion of its floating rate interest payments to fixed rate using interest rate swaps (see note 15).

If the interest rates have increased/decreased by 50 basis points, with all other variables including tax rate being held constant, the net results will be lower/higher by approximately US$2,298,000 (2017: US$2,523,000) as a result of higher/lower interest expense on the portion of the borrowings that is not covered by the interest rate swap instruments.

Total equity would have been higher/lower by US$3,972,000 (2017: US$4,074,000) mainly as a result of fair value gain/loss from the interest rate swaps assuming these swaps remain effective.

18. Financial risk management (continued)

Financial risk factors (continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and capital expenditure needs. To address the inherent unpredictability of short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving credit facilities provided by financial institutions.

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	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 2018				
Trade and other payables	47,119	-	-	-
Derivative financial instruments	(1,179)	(655)	(734)	(402)
Interest payments	28,444	23,966	46,553	10,410
Borrowings	78,124	122,648	412,026	84,634
	152,508	**145,959**	**457,845**	**94,642**
At 31 December 2017				
Trade and other payables	43,691	-	-	-
Derivative financial instruments	369	(327)	(683)	(304)
Interest payments	21,687	18,131	38,090	10,777
Borrowings	159,015	78,124	364,450	179,336
	224,762	**95,928**	**401,857**	**189,809**

18. **Financial risk management** (continued)

Financial risk factors (continued)

(v) 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 shareholders' 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 is in compliance with all externally imposed capital requirements.

(vi) Fair value measurements

The following table presents assets and liabilities 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

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

	Level 2	Total
	US$'000	US$'000
2018		
The Group		
Assets		
Derivatives		
- Hedging	3,162	3,162
Liabilities		
Derivatives		
- Non-hedging	34	34

18. Financial risk management (continued)

Financial risk factors (continued)

(vi) Fair value measurements (continued)

	Level 2	Total
	US$'000	US$'000
2017		
The Group		
Assets		
Derivatives		
- Hedging	505	505
- Non-hedging	9	9
	514	514
Liabilities		
Derivatives		
- Hedging	6	6

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2018 and 2017.

The fair value of financial instruments that are not traded in an active market is 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. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. These financial instruments are included in Level 2, as all significant inputs required to fair value an instrument are observable.

(vii) Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented separately on the consolidated balance sheet, without netting off of balances.

19. Financial instruments by category

The aggregate carrying amounts of the different categories of financial assets and liabilities are as disclosed on the face of the balance sheet, except for the following:

	2018	2017
	US$'000	US$'000
Financial assets at amortised cost/loans and receivables	**110,933**	97,301
Financial liabilities at amortised cost	**737,103**	815,565

20. Holding corporations

The Company's ultimate and immediate holding corporation is BW Group Limited, incorporated in Bermuda, which is wholly (2017: 93%) owned by Sohmen family interests.

21. Related party transactions

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

	2018 US$'000	2017 US$'000
Sales and purchase of services		
Support service fees paid/payable to a related corporation	**8,303**	4,636
Interest paid/payable to a related corporation	**2,052**	-
Ship management fee paid/payable to a related corporation	**-**	6,794
Rental paid/payable to a related corporation	**626**	402

Included in the profit and loss for the financial year ended 31 December 2018 is US$Nil (2017: US$4.6 million) of third party voyage charter revenue which was earned through back-to-back charters with a related corporation that was acting as an agent for the Group.

Key management remuneration for the financial year ended 31 December 2018 amounted to US$1,628,000 (2017: US$1,429,000).

Related corporations refer to corporations controlled by Sohmen family interests.

22. Segment information

Operating segments are determined based on the reports submitted to management to make strategic decisions.

The management considers the business to be organised into three main operating segments:

(i) LR2 Product Tankers ('LR2')
(ii) LR1 Product Tankers ('LR1')
(iii) MR Product Tankers ('MR')

The operating segments are organised and managed according to the size of the product tanker vessels.

The LR2 segment consists of vessels around 115,000 DWT in size and provides transportation of refined oil products.

The LR1 segment consists of vessels between 55,000 DWT and 84,999 DWT in size and provides transportation of refined oil products.

The MR segment consists of vessels between 40,000 DWT and 54,999 DWT in size and provides transportation of refined oil products and bio-liquids such as palm and cereal oils.

22. Segment information (continued)

Management assesses the performance of the operating segments based on operating profit before depreciation, impairment and gain on disposal of vessels ("Operating EBITDA"). This measurement basis excludes the effects of impairment charges and gain on disposal of vessels that are not expected to recur regularly in every financial period. Interest income and finance expenses, which result from the Group's capital and liquidity position that is centrally managed for the benefit of various activities, are not allocated to segments.

	LR2 US$'000	LR1 US$'000	MR US$'000	Total US$'000
2018				
Revenue	-	185,354	183,036	368,390
Voyage expenses	-	(84,045)	(83,074)	(167,119)
TCE Income	-	101,309	99,962	201,271
Other operating income	-	1,549	-	1,549
Vessel operating expenses	-	(48,288)	(45,201)	(93,489)
Charter hire expenses	-	(7,264)	(1,395)	(8,659)
Operating EBITDA	-	46,670	53,126	99,796
Depreciation charge	-	(26,304)	(30,561)	(56,865)
Impairment charge on vessels – net		(36,200)	28,800	(7,400)
	-	(15,834)	51,365	35,531
Unallocated				(55,288)
Profit before income tax				(19,757)
Segment assets	117,495	423,490	711,230	1,252,215
Segment assets include:				
Additions/adjustments to:				
- vessels/vessels under construction	117,495	1	-	117,496
- dry docking	-	7,815	4,718	12,533
Segment liabilities	12	25,859	18,517	44,388

22. Segment information (continued)

	LR1 US$'000	MR US$'000	Total US$'000
2017			
Revenue	163,613	182,868	346,481
Voyage expenses	(69,635)	(70,299)	(139,934)
TCE Income	93,978	112,569	206,547
Other operating income	1,399	227	1,626
Vessel operating expenses	(48,562)	(47,422)	(95,984)
Charter hire expenses	(7,264)	-	(7,264)
Operating EBITDA	35,382	60,606	95,988
Depreciation charge	(23,906)	(30,278)	(54,184)
	11,476	30,328	41,804
Unallocated			(38,821)
Profit before income tax			2,983
Segment assets	468,410	704,887	1,173,297
Segment assets include:			
Additions/adjustments to:			
- vessels/vessels under construction	105,849	(10)	105,839
- dry docking	12,899	-	12,899
Segment liabilities	28,560	18,825	47,385

Reportable segments' assets

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

	2018 US$'000	2017 US$'000
Segment assets	**1,252,215**	1,173,297
Unallocated items:		
Cash and cash equivalents	**52,463**	41,372
Trade and other receivables	**6,239**	4,576
Derivative financial instruments	**3,162**	514
Total assets	**1,314,079**	1,219,759

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. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

22. Segment information (continued)

Reportable segments' liabilities (continued)

	2018 US$'000	2017 US$'000
Segment liabilities	**44,388**	47,385
Unallocated items:		
Borrowings	**689,984**	771,874
Current income tax liabilities	**27**	15
Trade and other payables	**8,567**	2,660
Derivative financial instruments	**34**	6
Total liabilities	**743,000**	821,940

Geographical segments' revenue

Non-current assets comprise mainly vessels which 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. Dividends

The directors do not recommend a dividend for the financial year ended 31 December 2018 (2017: US$Nil).

24. Events occurring after balance sheet date

(a) Merger with Hafnia Tankers Ltd. ("Hafnia")

In January 2019, the Company completed its statutory merger with Hafnia by way of a triangular merger.

On 16 January 2019, Hafnia and BW Tankers Corporation ("BWTC") were merged (the "First Merger"), with BWTC as the surviving and continuing entity. The Company issued 146,916,627 new common shares to the shareholders of Hafnia in consideration for their shares in Hafnia being cancelled in the merger. Concurrently, the Company was renamed to Hafnia Limited.

On 21 January 2019, the Company completed the merger with BWTC (the "Second Merger") without consideration in a simplified parent and subsidiary merger, whereby the Company became the surviving and continuing entity.

(b) Others

Subsequent to the financial year ended 31 December 2018, the Group took delivery of two vessels, BW Despina (22 January 2019) and BW Galatea (4 March 2019).

25. Authorisation of financial statements

These financial statements were authorised to be issued by a resolution of the Board of Directors of Hafnia Limited passed on 21 March 2019.

26. Listing of companies in the Group

Name of companies		Principal activities	Country of incorporation	**Equity holding 2018 %**	Equity holding 2017 %
Subsidiaries					
BW Aldrich Pte. Ltd.		Shipowning	Singapore	100	100
BW Clearwater Pte. Ltd.		Shipowning	Singapore	100	100
BW Causeway Pte. Ltd.		Dormant	Singapore	100	100
BW Fleet Management Pte. Ltd.		Ship-management	Singapore	100	100
BW FSRU V Pte. Ltd. (previously known as BW Mirs Pte. Ltd.)	*a*	Chartering	Singapore	100	100
BW Stanley Pte. Ltd.		Shipowning	Singapore	100	100
BW Sheko Pte. Ltd.		Dormant	Singapore	100	100
BW Silvermine Pte. Ltd.		Dormant	Singapore	100	100
BW Magellan Limited		Investment	Bermuda	100	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	100	100
BW Tankers Pte. Ltd. (previously known as BW Pacific Pte. Ltd.)		Chartering	Singapore	100	100
BW Tankers Corporation	*b*	Dormant	Marshall Islands	100	-

(a) On 17 January 2019, the company was renamed to BW FSRU V Pte. Ltd. and was subsequently disposed to a related corporation on 18 January 2019.
(b) This company was newly incorporated during the financial year.