Financial Statements

Consolidated Balance Sheet

	Note	As at 31 December **2018** **US$'000**	 2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,807,672**	1,797,587
Goodwill	7	**25,256**	25,256
Derivative assets	10	**1,745**	1,233
Trade and other receivables	11	**8,900**	5,254
Available-for-sale financial assets	9	**–**	569
Restricted bank deposits	12	**58**	58
		1,843,631	1,829,957
Current assets			
Inventories	13	**85,488**	71,774
Derivative assets	10	**214**	4,834
Assets held for sale	14	**6,450**	–
Trade and other receivables	11	**88,679**	80,275
Cash and deposits	12	**341,744**	244,636
Tax receivable		**–**	116
		522,575	401,635
Total assets		**2,366,206**	2,231,592
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	18	**45,205**	43,554
Retained profits	19	**202,262**	154,387
Other reserves	19	**983,742**	963,194
Total equity		**1,231,209**	1,161,135
LIABILITIES			
Non-current liabilities			
Derivative liabilities	10	**9,912**	5,790
Long-term borrowings	17	**737,377**	776,876
Provision for onerous contracts	16	**–**	12,731
Trade and other payables	15	**5,537**	10,203
		752,826	805,600
Current liabilities			
Derivative liabilities	10	**7,374**	772
Trade and other payables	15	**150,559**	143,878
Current portion of long-term borrowings	17	**223,716**	104,092
Taxation payable		**522**	–
Provision for onerous contracts	16	**–**	16,115
		382,171	264,857
Total liabilities		**1,134,997**	1,070,457

Approved by the Board of Directors on 28 February 2019

Mats H. Berglund
Director

Peter Schulz
Director

Consolidated Income Statement

	Note	For the year ended 31 December 2018 US$'000	2017 US$'000
Revenue	4, 8	**1,591,564**	1,488,019
Cost of services	5, 8	**(1,507,705)**	(1,463,311)
Gross profit		**83,859**	24,708
Indirect general and administrative overheads	5	**(6,003)**	(5,310)
Other income and gains	20	**30,459**	20,431
Other expenses	5	**(2,416)**	(4,226)
Finance income	21	**3,513**	3,651
Finance costs	21	**(35,866)**	(35,998)
Profit before taxation		**73,546**	3,256
Tax (charges)/credits	22	**(1,262)**	354
Profit attributable to shareholders		**72,284**	3,610
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	24(a)	**1.64**	0.09
Diluted earnings per share	24(b)	**1.61**	0.09

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2018 US$'000	2017 US$'000
Profit attributable to shareholders	**72,284**	3,610
Other comprehensive income		
Items that may be reclassified to income statement		
Cash flow hedges:		
– transferred to income statement	**4,346**	(10,356)
– fair value (losses)/gains	**(5,744)**	12,656
Currency translation differences	**(669)**	771
Release of exchange losses from reserves to income statement for disposal of towage assets	**–**	1,306
Items that may not be reclassified to income statement		
Fair value losses on financial assets at fair value through other comprehensive income/available-for-sale financial assets	**(275)**	(306)
Total comprehensive income attributable to shareholders	**69,942**	7,681

Consolidated Statement of Changes in Equity

	Note	For the year ended 31 December 2018 US$'000	2017 US$'000
Balance at 1 January		**1,161,135**	1,040,771
Change in accounting policy		**(8,784)**	–
Restated		**1,152,351**	1,040,771
Total comprehensive income attributable to shareholders		**69,942**	7,681
Shares issued as Vessel Consideration Shares, net of issuing expenses	18(a)	**18,076**	46,074
Dividend paid	23	**(14,315)**	–
Share-based compensation		**5,265**	4,301
Shares purchased by trustee of the SAS	18(b)	**(110)**	(1,233)
Shares issued for new share placement, net of issuing expenses	18(c)	**–**	37,630
Exchange adjustment to reserve		**–**	25,849
Unclaimed dividends forfeited		**–**	62
Balance at 31 December		**1,231,209**	1,161,135

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2018 US$'000	2017 US$'000
Operating activities			
Cash generated from operations	25(a)	**190,174**	125,601
Hong Kong profits tax paid		**(207)**	(555)
Overseas taxation paid		**(412)**	(306)
Net cash generated from operating activities		**189,555**	124,740
Investing activities			
Purchase of property, plant and equipment	25(c)	**(127,924)**	(219,857)
Disposal of property, plant and equipment		**597**	9,617
Decrease in term deposits		**5,096**	82,871
Interest received		**3,513**	3,651
Distribution from Muchalat investment		**1,582**	–
Disposal of financial assets at fair value through other comprehensive income/ available-for-sale financial assets		**294**	158
Net cash used in investing activities		**(116,842)**	(123,560)
Financing activities			
Drawdown of bank loans and other borrowings	25(b)	**634,074**	188,601
Repayment of bank loans and other borrowings	25(b)	**(558,410)**	(136,929)
Interest and other finance charges paid		**(31,260)**	(31,310)
Dividend paid	23	**(14,315)**	–
Payment for shares purchased by trustee of the SAS	18(b)	**(110)**	(1,233)
Proceeds from new share placement, net of issuing expenses	18(c)	**–**	37,630
Net cash generated from financing activities		**29,979**	56,759
Net increase in cash and cash equivalents		**102,692**	57,939
Exchange (losses)/gains on cash and cash equivalents		**(488)**	422
Cash and cash equivalents at 1 January		**227,040**	168,679
Cash and cash equivalents at 31 December	12	**329,244**	227,040
Term deposits at 1 January	12	**17,596**	100,467
Decrease in term deposits		**(5,096)**	(82,871)
Cash and deposits at 31 December	12	**341,744**	244,636

Notes to the Financial Statements

1 Introduction

1.1 General information

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services internationally.

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements have been approved for issue by the Board of Directors on 28 February 2019.

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Registered Office Address

1.2 Presentation of the notes to the financial statements

The notes to the financial statements in this report are placed in order of significance to aid an understanding of the key drivers of the financial position of the Group, whilst maintaining the grouping of notes between income statement and balance sheet where appropriate.

Information relating to a specific financial statement line item has been brought together in one note. Hence:

Principal Accounting Policies

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this grey background. A navigation table is presented in Note 2.3.

Critical Accounting Estimates and Judgements

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this white background with frame. A navigation table is presented in Note 3.

Disclosure of the following items has been integrated into other sections of the Annual Report. The audited parts have been clearly marked and are listed below:

- Financial risk management in Risk Management section
  - Market Risk – Page 22
  - Credit and Counterparty Risk – Page 24
  - Liquidity Risk – Page 28
  - Capital Management Risk – Page 28
- Employee benefits in Remuneration Report – Pages 43-44

2 Basis of preparation

2.1 Objective and accounting standards

The objective of these consolidated financial statements is to present and explain the results of the year ended 31 December 2018 and the financial position of the Group on that date, together with comparative information.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and assets held for sale, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are listed under Note 3.

2.2 Impact of new accounting policies

The following new standards are mandatory for the accounting period beginning on or after 1 January 2018 and are relevant to the Group's operation.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.2(a) below. Other new standards that became effective in this accounting period do not have any impact on the Group's accounting policies and do not require any adjustments.

Certain new and amended standards and improvements to HKFRS ("New Standards") have been issued but are not yet effective for the accounting period beginning on 1 January 2018. The new standard that is relevant to the Group's operation is as follows:

HKFRS 16	Leases

The Group has concluded its assessment of the impact of these New Standards. Key changes are expected from HKFRS 16. According to HKFRS 16, charter-in operating leases of longer than 12 months will be accounted for on balance sheet as right-of-use assets and lease liabilities. Operating lease expenses in the income statement net of non-lease component will be replaced by a combination of depreciation and interest expenses. Interest expenses will be calculated by reference to the interest rates implicit in the leases (or the lessee's incremental borrowing rate if the interest rates cannot be readily determined) and will produce a constant periodic rate of interest on the remaining balance of the lease liabilities, both of which will reduce over time. Charter-in contracts of less than 12 months, representing over 50% of our existing charter-in fleet, will not be affected.

Management has concluded to separately account for the lease component (i.e. bareboat charter) and the non-lease component (i.e. technical management services) in a time charter contract. Consideration of the lease component and non-lease component is allocated with reference to the stand-alone market prices which is benchmarked against market data available from the industry reports.

2 Basis of preparation (continued)

2.2 Impact of new accounting policies (continued)

(a) Changes in accounting policies

(i) Impact on the Group's financial statement

Following the adoption of new standards as disclosed above, the Group has elected to use a modified retrospective approach for transition. The reclassifications and the adjustments arising from the new standards are therefore not restated in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. Please refer to Notes 2(a)(ii) and 2(a)(iii) for detailed explanations.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that were not affected by the changes have not been included.

Balance Sheet (extract)

US$'000	31 December 2017 (as previously reported)	HKFRS 15 (Note(a)(ii))	HKFRS 9 (Note (a)(iii))	1 January 2018 (restated)
Non-current assets				
FVOCI[1]	–	–	569	569
AFS[2]	569	–	(569)	–
Current assets				
Trade and other receivables – current	80,275	(8,784)	–	71,491
Equity				
Retained profits	154,387	(8,784)	1,619	147,222
Other reserves	963,194	–	(1,619)	961,575

1 "FVOCI" stands for "financial assets at fair value through other comprehensive income".

2 "AFS" stands for "available-for-sale financial assets".

(ii) HKFRS 15 "Revenue from contracts with customers"

With the adoption of HKFRS 15, the Group's recognition basis of freight income from voyage charter has changed from "discharge to discharge" to "loading to discharge".

The Group has elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects as an adjustment to the opening balances of retained profits and trade and other receivables as at 1 January 2018 with the exemption to restate comparative figures as shown in Note 2(a)(i).

The amount by which each financial statement line item is affected by the application of HKFRS 15 as compared to HKAS 18 (previously in effect) is as follows:

Balance Sheet (extract)

	As at 31 December 2018		
US$'000	Before adoption of HKFRS 15	Effects of adopting HKFRS 15	As reported
Trade and other receivables – current	98,852	(10,173)	88,679
Retained profits	212,435	(10,173)	202,262

Income Statement (extract)

	For the year ended 31 December 2018		
US$'000	Before adoption of HKFRS 15	Effects of adopting HKFRS 15	As reported
Revenue	1,592,953	(1,389)	1,591,564

The adoption of HKFRS 15 has no impact to the net cash flow from operating, investing and financing activities on the consolidated cash flow statement.

(iii) HKFRS 9 "Financial Instruments"

Financial assets at fair value through other comprehensive income ("FVOCI")

The Group has elected to present changes in the fair value of its listed equity securities (previously classified as available-for-sale financial assets ("AFS")) (Note 9) in other comprehensive income as they are neither held for trading nor contingent consideration in business combination under HKFRS 9.

Under this election, only qualifying dividends are recognised in profit or loss unless they clearly represent recovery of a part of the cost of the investment. Changes in fair value are recognised in other comprehensive income and never recycled to profit or loss. If the asset is derecognised, the cumulative gain or loss is reclassified to retained profits.

As permitted under HKFRS 9, the Group has elected for exemption to restate its comparatives. As a result, the comparatives continue to be accounted as available-for-sale while its opening balances were reclassified to fair value through other comprehensive income with no adjustments on carrying amount on the date of initial adoption (i.e. 1 January 2018) as shown in Note 2(a)(i).

Trade and other receivables

The Group's impairment methodology and classification are aligned with the expected credit loss requirements of HKFRS 9. No adjustments are therefore required.

Derivatives and hedging activities

Forward foreign exchange contracts and interest rate swap contracts continued to qualify as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedging documentation are aligned with the requirements of HKFRS 9. No adjustments are therefore required.

2.3 Accounting policies navigator

Accounting policies	Location
Assets held for sale	Note 14
Borrowings	Note 17
Cash and cash equivalents	Note 12
Consolidation	
Joint operation	Note 8
Subsidiaries	Note 2.4
Contingent liabilities and contingent assets	Note 30
Convertible bonds (“CB”)	Note 17(c)
Current and deferred income tax	Note 22
Derivative financial instruments and hedging activities: i) cash flow hedges, and ii) derivatives not qualifying for hedge accounting	Note 10
Dividends	Note 23
Employee benefits	Remuneration Report (p.44)
Financial assets at fair value through other comprehensive income (“FVOCI”)/ available-for-sale financial assets (“AFS”)	Note 9
Financial assets at fair value through profit or loss	Note 10
Financial guarantee contracts	Note 29
Foreign currency translation	Note 2.5
Goodwill	Note 7
Impairment of i) investments and non-financial assets and ii) trade and other receivables	Note 5
Inventories	Note 13
Offsetting financial instruments	Note 10
Operating leases where the Group is the lessor or lessee	Note 26(b)
Property, plant and equipment (“PP&E”) including: i) vessels and vessel component costs, ii) vessels under construction, iii) borrowing costs, iv) other property, plant and equipment, v) subsequent expenditure, vi) depreciation, vii) residual value and useful lives, and viii) gains or losses on disposal	Note 6
Provisions	Note 2.6
Provision for onerous contracts	Note 16
Revenue recognition for freight and charter-hire, and other revenue	Note 4
Segment reporting	Note 4
Share capital	Note 18
Trade receivables	Note 11
Trade payables	Note 15

The Group’s principal accounting policies have been consistently applied to each of the years presented in these financial statements.

2 Basis of preparation (continued)

2.4 Consolidation

A subsidiary is an entity (including a structured entity) 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.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of 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 fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. In each acquisition case, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Please refer to Note 5 for the accounting policy on impairment.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in "direct G&A overheads included in cost of services" or "indirect G&A overheads" of the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as FVOCI/AFS are included in the investment valuation reserve.

(c) Group companies

The results and financial position of each of the Group entities (none of which has the currency of a hyperinflationary economy) whose functional currency is different from the presentation currency is translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate on the balance sheet date;

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

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

When a foreign operation is partially or totally disposed of, exchange differences that were recorded in equity are reclassified to the consolidated income statement.

2.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are listed below with references to the locations of these items in the notes to the financial statements.

Critical Accounting Estimates and Judgements		Location
(a)	Residual values of property, plant and equipment	Note 6
(b)	Useful lives of vessels and vessel component costs	Note 6
(c)	Impairment of vessels and vessels under construction	Note 6
(d)	Impairment of goodwill	Note 7
(e)	Provision for onerous contracts	Note 16
(f)	Income taxes	Note 22
(g)	Classification of leases	Note 26(b)

4 Revenue and segment information

The Group's revenue is substantially derived from the provision of dry bulk shipping services internationally and, accordingly, information is not presented by business segment.

Geographical segment information is not presented as the management considers that the nature of our shipping services, which are carried out internationally, precludes a meaningful allocation of operating profit to specific geographical segments.

Accounting policy

Segment reporting

Management internally reviews and reports on the performance of the Group's material operations as a single segment. This is also the basis on which management reports to the Board.

Revenue recognition

Revenue comprises the fair value of the consideration for the services rendered in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

(i) Freight and charter-hire

The Group generates revenue from shipping activities, the principal sources of which are derived from Handysize and Supramax vessels.

Revenues from Handysize and Supramax vessels are derived from a combination of time charters and voyage charters. Revenue from a time charter is recognised on a straight-line basis over the period of the charter. Revenue from a voyage charter is recognised over time, which is determined on a time proportion method of the voyage.

The Group's recognition basis of freight income from voyage charters has changed from "discharge to discharge" to "loading to discharge". Please refer to Note 2(a)(ii) for the changes in accounting policy.

(ii) Other revenue

Maritime management services income is recognised when the services are rendered.

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

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

5 Expenses by nature

US$'000	2018	2017
Vessel – related expenses		
Operating lease expenses - vessels	**467,527**	471,259
Port disbursements and other voyage costs	**337,609**	361,265
Bunker consumed	**382,706**	338,507
Depreciation - owned vessels	**114,537**	107,603
Employee benefit expenses (Note)	**97,829**	90,747
Vessel operating expenses	**41,373**	38,499
Lubricating oil consumed	**10,523**	10,095
Net losses/(gains) on bunker swap contracts	**1,796**	(5,815)
Provision for impairment losses - trade receivables (Note 11)	**–**	2,022
	1,453,900	1,414,182
General and administrative overheads		
Employee benefit expenses including directors' emoluments (Note)	**48,389**	43,386
Operating lease expenses - land and buildings	**3,136**	3,312
Depreciation - other PP&E	**1,798**	1,684
Auditors' remuneration		
– audit	**858**	823
– non-audit	**89**	70
Net foreign exchange (gains)/losses	**(43)**	137
Other general and administrative expenses	**5,581**	5,027
	59,808	54,439
Other expenses		
Write-off of loan arrangement fees	**1,623**	–
Provision/(write-back) for impairment losses		
– vessels	**705**	–
– other receivables	**(7)**	112
– assets held for sale	**–**	830
Realised losses on forward freight agreements	**58**	48
Losses on disposal of PP&E	**37**	539
Office relocation costs	**–**	1,391
Towage exchange loss	**–**	1,306
	2,416	4,226
The sum of the above reconciles to the following headings in the consolidated income statement. (i) "cost of services", (ii) "indirect general and administrative overheads" and (iii) "other expenses"	**1,516,124**	1,472,847

Note: Total employee benefit expenses amounted to US$146.2 million (2017: US$134.1 million) (See Remuneration report p. 43), comprising crew wages and other costs of US$97.8 million (2017: US$90.7 million) included in cost of services.

Total general and administrative ("G&A") overheads

US$ Million	2018	2017
Direct G&A overheads included in cost of services	**53.8**	49.1
Indirect G&A overheads	**6.0**	5.3
Total G&A overheads	**59.8**	54.4

Operating lease expenses

The total vessel operating lease expenses of US$467.5 million (2017: US$471.3 million) above include contingent lease payments amounting to US$16.8 million (2017: US$20.8 million). These relate to the vessels chartered-in on an index-linked basis.

Accounting policy – Impairment

(i) Impairment of investments and non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation but are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, internal and external sources of information are considered. If any such indication exists, the recoverable amount of the asset is assessed. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of (a) an asset's fair value less costs to sell and (b) the value-in-use.

The fair values of vessels and vessels under construction are determined either by the market valuation or by independent valuers.

The value-in-use of the vessels represents estimated future cash flows from the continuing use of the vessels. For the purposes of assessing impairment, assets are grouped into the lowest levels at which there are separately identifiable cash flows. This level is described as a cash-generating unit ("CGU").

Assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(ii) Impairment of trade and other receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect the amount due according to the original terms of that receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the income statement within "Cost of services". When a trade receivable is uncollectable, it is written off against the provision for impairment.

6 Property, plant and equipment

US$'000	Vessels and vessel component costs	Buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost						
At 1 January 2018	**2,368,609**	**646**	**4,674**	**10,529**	**30**	**2,384,488**
Additions	132,110	–	949	1,197	–	134,256
Disposals	–	(652)	(53)	(72)	–	(777)
Write offs	(18,638)	–	(439)	(2,216)	–	(21,293)
Transfer to assets held for sale (Note 14)	(17,170)	–	–	–	–	(17,170)
Exchange differences	–	6	(57)	(74)	(2)	(127)
At 31 December 2018	**2,464,911**	**–**	**5,074**	**9,364**	**28**	**2,479,377**
Accumulated depreciation and impairment						
At 1 January 2018	**577,095**	**38**	**1,117**	**8,621**	**30**	**586,901**
Charge for the year	114,537	1	750	1,047	–	116,335
Impairment charge (d)	705	–	–	–	–	705
Disposals	–	(39)	(46)	(58)	–	(143)
Write offs	(18,638)	–	(439)	(2,216)	–	(21,293)
Transfer to assets held for sale (Note 14)	(10,720)	–	–	–	–	(10,720)
Exchange differences	–	–	(29)	(49)	(2)	(80)
At 31 December 2018	**662,979**	**–**	**1,353**	**7,345**	**28**	**671,705**
Net book value						
At 31 December 2018	**1,801,932**	**–**	**3,721**	**2,019**	**–**	**1,807,672**

(a) As at 31 December 2018, vessel component costs included the aggregate cost and accumulated depreciation of US$62,045,000 (2017: US$59,630,000) and US$31,606,000 (2017: US$29,683,000) respectively.

(b) Certain owned vessels of net book value of US$1,581,652,000 (2017: US$1,518,309,000) were pledged to banks as securities for bank loans granted to the Group.

Certain owned vessels of net book value of US$100,352,000 (2017: US$107,441,000) were effectively pledged as securities to other secured borrowings (Note 17(b)) as the rights to the vessels revert to the lessors in the event of default.

(c) During the year, the Group had no capitalised borrowing costs (2017: US$373,000) on qualifying assets (Note 21). Borrowing costs were capitalised at the weighted average rate of 4.2% for 2017 of the Group's general borrowings.

(d) The impairment charge of US$705,000 related to a Handysize vessel which was contracted in 2018 to be sold in 2019. The recoverable amount of the impaired asset was calculated as the fair value less cost to sell.

(e) The average net book values of Handysize, Supramax and Post-Panamax vessels were US$14,700,000, US$21,300,000 and US$41,300,000 respectively.

US$'000	Vessels and vessel component costs	Vessels under construction	Buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost							
At 1 January 2017	2,093,203	57,260	600	4,261	9,738	29	2,165,091
Additions	133,371	119,884	–	3,978	1,398	–	258,631
Disposals	(17,975)	–	–	(3,603)	(628)	–	(22,206)
Write offs	(17,134)	–	–	–	(29)	–	(17,163)
Exchange differences	–	–	46	38	50	1	135
Reclassifications	177,144	(177,144)	–	–	–	–	–
At 31 December 2017	2,368,609	–	646	4,674	10,529	30	2,384,488
Accumulated depreciation and impairment							
At 1 January 2017	499,614	–	59	3,809	8,147	29	511,658
Charge for the year	107,603	–	4	634	1,046	–	109,287
Disposals	(12,988)	–	–	(3,386)	(582)	–	(16,956)
Write offs	(17,134)	–	–	–	(29)	–	(17,163)
Exchange differences	–	–	(25)	60	39	1	75
At 31 December 2017	577,095	–	38	1,117	8,621	30	586,901
Net book value							
At 31 December 2017	1,791,514	–	608	3,557	1,908	–	1,797,587

Estimated useful lives					
for the year ended 2018 and 2017	Vessels: 25 years Vessel component costs: estimated period to the next drydocking	50 years	4 to 6 years or the remaining lease period if shorter	3 to 5 years	4 to 5 years

6 Property, plant and equipment (continued)

Accounting policy

Please refer to Note 5 for the accounting policy on impairment.

(i) Vessels and vessel component costs

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of vessels.

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. The assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Group subsequently capitalises drydocking costs as they are incurred.

(ii) Vessels under construction

Vessels under construction are stated at cost and are not subject to depreciation. All cost of services relating to the construction of vessels, including borrowing costs (see below) during the construction period, are capitalised as cost of vessels. When the assets concerned are brought into use, the costs are transferred to vessels and vessel component costs and depreciated in accordance with the policy on depreciation.

(iii) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(iv) Other property, plant and equipment

Other property, plant and equipment, comprising buildings, leasehold improvements, furniture, fixtures and equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is either included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will accrue to the Group and such expenditure can be measured reliably. The carrying amount of a replaced part is written off. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

(vi) Depreciation

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their cost to their residual values over their remaining estimated useful lives.

(vii) Residual values and useful lives

The residual values of the Group's assets are defined as the estimated amounts that the Group would obtain from disposal of the assets, after deducting the estimated costs of disposals, as if the assets were already of the age and in the conditions expected at the end of their useful lives.

Useful lives of the Group's vessels and vessel component costs are defined as the period over which they are expected to be available for use by the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(viii) Gains or losses on disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised in the income statement.

Critical accounting estimates and judgements

Residual values of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the Far East market and Indian Sub-Continent market.

- **Sensitivity analysis:**

  With all other variables held constant, if the residual value increases/decreases by 10% from management estimates, the depreciation expense would decrease/increase by US$2.2 million in the next year.

Useful lives of vessels and vessel component costs

The Group estimates the useful life of its vessels by reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

The Group estimates the useful life of its vessel component costs by reference to the average historical periods between drydocking cycles of vessels of similar age, and the expected usage of the vessel until its next drydock.

- **Sensitivity analysis:**

  With all other variables held constant, if the useful lives increase/decrease by 3 years from management estimates, the depreciation expense would decrease by US$17.0 million or increase by US$29.2 million in the next year.

Impairment of vessels and vessels under construction

The Group tests whether the carrying values of vessels and vessels under construction have suffered any impairment in accordance with the accounting policy on impairment of investments and non-financial assets (Note 5). In assessing the indicators of potential impairment, internal and external sources of information such as reported sale and purchase prices, market demand and general market conditions are considered. In assessing the fair market value and value-in-use, the information above as well as market valuations from leading, independent and internationally recognised shipbroking companies are considered.

The owned minor bulk vessels are separated as two cash-generating units ("CGUs") (Handysize and Supramax) as the vessels within each of these CGUs are considered to be interchangeable.

The value-in-use of the vessels is an assessment of assumptions and estimates of vessel future earnings and appropriate discount rates to derive the present value of those earnings. The discount rates used are based on the industry sector risk premium relevant to the CGU and the applicable gearing ratio of the CGU.

For the value-in-use assessments, the applicable discount rates are 7.3% (2017: 6.4%).

- **Sensitivity analysis:**

  With all other variables held constant, increasing the discount rates by 100 basis points or reducing the estimates of future vessel earnings by US$500 per day from the original estimate would not give rise to any impairment.

7 Goodwill

US$'000	2018	2017
At 1 January/31 December	**25,256**	25,256

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Accounting policy

Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity being sold. It is tested annually for impairment in accordance with the accounting policy on impairment in Note 5. Impairment losses on goodwill are not reversible.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Critical accounting and estimates judgements – Impairment of goodwill

The recoverable amount of the goodwill has been determined based on a value-in-use calculation over its useful life. The calculation is based on a one-year budget and a further four-years outlook. Key assumptions were based on past performance, management's expectations on market development and general inflation. Cash flows beyond the fifth year are extrapolated assuming zero growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 7.3% (2017: 6.4%) reflecting the Group's cost of capital.

Based on the assessment performed, no impairment provision against the carrying value of goodwill is considered necessary.

With all other variables held constant, increasing the discount rates by 100 basis points from the original estimate will not give rise to any impairment.

8 Interests in joint arrangements

Joint operation

The Group had a contractual arrangement with a third party to share equally the operating result associated with the chartering of a vessel (joint operation). The amounts of income and expenses recognised in respect of the Group's interest in the joint operation are as follow:

US$'000	2018	2017
Charter-hire income included in revenue	**4,614**	4,600
Charter-hire expenses included in cost of services	**(3,389)**	(3,388)
	1,225	1,212

Accounting policy

A joint operation is a contractual arrangement whereby the Group and other parties combine their operations, resources and expertise to undertake an economic activity in which each party takes a share of the revenue and costs in the economic activity, such a share being determined in accordance with the contractual arrangement.

The assets that the Group controls and liabilities that the Group incurs in relation to the joint operation are recognised in the consolidated balance sheet on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

9 Financial assets at fair value through other comprehensive income ("FVOCI") and available-for-sale financial assets ("AFS")

		FVOCI	AFS
US$'000	Fair value level	2018	2017
Listed equity securities (a)	Level 1	**–**	569

(a) Listed equity securities represent the Group's investment in Greka Drilling Limited, a company listed on the London AIM market. During the year, the Group sold its shares in Greka Drilling as part of its long-standing initiative to dispose of non-core activities. The shares were sold at US$294,000 and the cumulative loss of US$2,200,000 was reclassified to retained profits.

The financial assets were reclassified from AFS to FVOCI following the adoption of HKFRS 9 on 1 January 2018. Please refer to Note 2(a)(iii) for the change in accounting policy.

The financial assets have been analysed by valuation method. Please see below for the definition of different levels of fair value.

Fair value levels

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Accounting policy

FVOCI are financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. FVOCI are not designated as financial assets at fair value through profit or loss.

Assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets and are subsequently measured at fair value. Changes in the fair value are recognised in other comprehensive income.

Dividends on FVOCI instruments continue to be recognised in the income statement as other income when the Group's right to receive payments is established. Interest on FVOCI securities calculated using the effective interest method is recognised in the income statement as part of finance income.

On derecognition, the accumulated gains and losses are reclassified to retained profits. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

10 Derivative assets and liabilities

The Group is exposed to fluctuations in freight rates, bunker prices, interest rates and currency exchange rates. The Group manages these exposures using the derivatives summarised below together with their respective fair value levels.

Derivatives	Fair value levels
Interest rate swap contracts	Level 2
Forward foreign exchange contracts	Level 2
Bunker swap contracts	Level 2
Forward freight agreements	Level 1

The fair values of interest rate swap contracts, forward foreign exchange contracts and bunker swap contracts are quoted by dealers at the balance sheet date. The forward freight agreements are traded through a clearing house and its fair value is determined using forward freight rates at the balance sheet date.

	31 December 2018		31 December 2017	
US$'000	Assets	Liabilities	Assets	Liabilities
Non-current portion				
Cash flow hedges				
Interest rate swap contracts (a)	**1,055**	**(563)**	432	–
Forward foreign exchange contracts (b)	**21**	**(7,948)**	–	(4,706)
Derivative assets that do not qualify for hedge accounting				
Bunker swap contracts (c)	**669**	**(1,401)**	801	(1,084)
Non-current portion – total	**1,745**	**(9,912)**	1,233	(5,790)
Current portions				
Derivative liabilities that do not qualify for hedge accounting				
Bunker swap contracts (c)	**214**	**(7,374)**	4,834	(748)
Forward freight agreements (d)	**–**	**–**	–	(24)
Current portion – total	**214**	**(7,374)**	4,834	(772)
Total	**1,959**	**(17,286)**	6,067	(6,562)

(a) Interest rate swap contracts

All our interest rate swap contracts qualify for hedge accounting as cash flow hedges

Certain secured borrowings are subject to floating interest rates, which can be volatile, but the Group manages these exposures by way of entering into interest rate swap contracts.

Effective date	Notional amount	Swap details	Expiry
2018			
December 2018	US$40 million on amortising basis	USD 6-month LIBOR swapped to a fixed rate of approximately 3.0% per annum	Contract expires in June 2025
December 2018	US$5 million on bullet basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.9% per annum	Contract expires in June 2025
*June 2018	US$69 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.0% per annum	Contract expires in December 2020
2018 & 2017			
December 2013	US$48 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.1% per annum	Contract expires in December 2021
February 2017	US$9 million on amortising basis	USD 1-month LIBOR swapped to a fixed rate of approximately 1.8% per annum	Contract expires in January 2022
2017			
*January 2014	US$130 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 1.9% per annum	Contract restructured in June 2018

* The US$130 million interest rate swap contract was restructured in June 2018 (with respective notional amount US$69 million).

- **Sensitivity analysis:**

  With all other variables held constant, if the average interest rate on the net debt balance as at 31 December 2018 (after excluding borrowings subject to fixed interest rates) subject to floating interest rates, which includes cash and deposits net of unhedged secured loans, held by the Group at the balance sheet date had been 50 basis point higher/lower, the Group's profit after tax and equity would decrease/increase by approximately US$0.4 million (2017: US$0.4 million).

10 Derivative assets and liabilities (continued)

(b) Forward foreign exchange contracts

All our forward foreign exchange contracts qualify for hedge accounting as cash flow hedges

The functional currency of most of the Group's operating companies is United States Dollar ("USD") as the majority of our transactions are denominated in this currency.

At 31 December 2018, the outstanding forward foreign exchange contracts held by the Group mainly consist of contracts with banks to buy Danish Kroner ("DKK") of approximately DKK 554.4 million (2017: DKK 692.6 million) and simultaneously sell approximately US$99.0 million (2017: US$123.9 million), which expire through August 2023. The Group has long-term bank borrowings denominated in DKK with maturity in August 2023. To hedge against the potential fluctuations in foreign exchange, the Group entered into these forward foreign exchange contracts with terms that match the repayment schedules of such long-term bank borrowings.

(c) Bunker swap contracts

None of our bunker swap contracts qualify for hedge accounting

The Group enters into bunker swap contracts for fuel oil and marine gas oil to mainly manage the fluctuations in bunker prices in connection with the Group's cargo contract commitments. We have also used bunker swap contracts to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of the estimated fuel consumption on some Supramax vessels that will be fitted with scrubbers. Future movements in bunker price will be reflected in the eventual operating results derived from the vessels, which is expected to offset such increase/decrease of the Group's profit after tax and equity in future periods.

At 31 December 2018, the Group had outstanding bunker swap contracts as follows:

Contract Type	Fuel Type	Quantity (tons)	Average deal price (US$)	Expiry through
2018				
Buy	Fuel oil	135,228	352	December 2022
Buy	Marine gas oil	10,511	591	December 2021
Sell	Marine gas oil	27,480	566	December 2022
2017				
Buy	Fuel oil	119,607	327	December 2021
Buy	Marine gas oil	11,095	544	December 2021

- **Sensitivity analysis:**

  With all other variables held constant, if the average forward fuel oil rate on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax would increase/decrease by approximately US$4.0 million (2017: US$4.3 million). With all other variables held constant, if the average forward marine gas oil rate on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax would decrease/increase by approximately US$1.2 million (2017: US$0.6 million).

(d) Forward freight agreements

None of our forward freight agreements qualify for hedge accounting

The Group enters into forward freight agreements as a method of managing its exposure to both its physical tonnage and cargo commitments with regard to its Handysize and Supramax vessels. Future movements in charter rates will be reflected in the eventual operating revenue derived from the vessels, which would offset such decrease/increase of the Group's profit after tax and equity.

At 31 December 2018, the Group had no outstanding forward freight agreements. At 31 December 2017, the Group had outstanding forward freight agreements as follows:

Contract Type	Index	Quantity (days)	Contract daily price (US$)	Expiry through
2017				
Sell	BHSI[1]	180	8,500	December 2018

[1] "BHSI" stands for "Baltic Handysize Index".

Accounting policy

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Derivatives are classified as current and non-current assets according to their respective settlement dates.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

In the cash flow statement, financial assets held for trading are presented within "operating activities" as part of changes in working capital.

Derivative financial instruments and hedging activities

The method of recognising the resulting gain or loss arising from changes in fair value for derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

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

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 more than twelve months after the balance sheet date.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recycled when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(ii) Derivatives not qualifying for hedge accounting

Derivative instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

Bunker swap contracts and forward freight agreements do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not coincide with the periods of the physical contracts.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

11 Trade and other receivables

US$'000	2018	2017
Non-current		
Prepayments	–	54
Deposit on vessels purchased	8,900	5,200
	8,900	5,254
Current		
Trade receivables – gross	44,565	47,038
Less: provision for impairment	–	(2,368)
Trade receivables – net	44,565	44,670
Other receivables	22,253	25,850
Prepayments	21,861	9,755
	88,679	80,275

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Credit and Counterparty Risk

The carrying values of trade and other receivables approximate their fair values due to their short-term maturities.

Trade and other receivables are mainly denominated in United States Dollars.

Accounting policy – Trade receivables

Trade receivables mainly represent freight and charter- hire receivables which are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Please refer to Note 5 for the accounting policy on impairment.

At 31 December 2018, the ageing of net trade receivables based on invoice date is as follows:

US$'000	2018	2017
< 30 days	35,057	34,188
31-60 days	3,609	3,749
61-90 days	1,899	742
> 90 days	4,000	5,991
	44,565	44,670

Movements in the provision for impairment of trade receivables are as follows:

US$'000	2018	2017
At 1 January	2,368	1,685
Provision for impairment, net	–	2,022
Amount written off during the year	(2,368)	(1,339)
At 31 December	–	2,368

Credit policy

Trade receivables consist principally of voyage-related trade receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with any balance paid after completion of discharge and the finalisation of port disbursements, demurrage claims or other voyage-related charges. The Group will not normally grant any credit terms to its customers and therefore all trade receivables are past due.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of international customers.

As at 31 December 2018 and 2017, net trade receivables are all past due but not impaired as no customer is expected to have significant financial difficulty. All other items within trade and other receivables do not contain past due or impaired assets.

12 Cash and deposits

US$'000	2018	2017
Cash at bank and on hand	23,299	25,522
Bank deposits	318,503	219,172
Total cash and deposits	341,802	244,694
Average effective interest rate on bank deposits at year end	3.29%	2.06%
Average remaining maturity of bank deposits	61 days	25 days
Cash and cash equivalents	329,244	227,040
Term deposits	12,500	17,596
Cash and deposits	341,744	244,636
Restricted bank deposits included in non-current assets	58	58
Total cash and deposits	341,802	244,694

Cash and deposits are mainly denominated in United States Dollars and the carrying values approximate their fair values due to the short-term maturities of these assets.

Accounting policy – Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

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Funding
Cash flow and cash

13 Inventories

US$'000	2018	2017
Bunkers	73,168	60,228
Lubricating oil	12,320	11,546
	85,488	71,774

Accounting policy

Inventories are stated at the lower of cost and net realisable value, as estimated by the management. Costs are calculated on a first-in first-out basis.

14 Assets held for sale

The assets held for sale comprised one Handysize vessel. Its carrying amount of US$6,450,000 represented the estimated fair value less costs to sell and reclassified from property, plant and equipment (Note 6) accordingly.

Accounting policy

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

15 Trade and other payables

US$'000	2018	2017
Non-current		
Receipts in advance	5,537	10,203
Current		
Trade payables	54,530	56,554
Accruals and other payables	58,300	52,271
Receipts in advance (a)	37,729	35,053
	150,559	143,878

(a) Receipts in advance included amounts received in relation to cargo contracts to be completed of US$32.7 million (2017: US$30.0 million).

At 31 December 2018, the ageing of trade payables based on due date is as follows:

US$'000	2018	2017
< 30 days	49,930	50,729
31-60 days	1,125	290
61-90 days	157	221
> 90 days	3,318	5,314
	54,530	56,554

The carrying values of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

Trade and other payables are mainly denominated in United States Dollars.

Accounting policy – Trade payables

Trade payables mainly represent freight and charter-hire payables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

16 Provision for onerous contracts

US$'000	2018	2017
At 1 January	28,846	51,918
Utilised during the year (Note 20)	(16,115)	(20,273)
Write-back for the year (Note 20)	(12,731)	–
Settled during the year	–	(2,799)
At 31 December	–	28,846
Analysis of provisions		
Current	–	16,115
Non-current	–	12,731
	–	28,846

Utilisation and write-back of provision for onerous contracts during the year were credited to other income.

Accounting policy

A provision for onerous contracts is recognised where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

Critical accounting estimates and judgements – Provision for onerous contracts

The Group estimates the provision for its non-cancellable operating chartered-in contracts in relation to the Group's chartered-in vessels on a fleet basis for each type of vessel by calculating the difference between the total charter revenue and freight expected to be earned and the total value of future charter payments the Group is obligated to make for the remaining term of the chartered-in contracts.

The expected charter revenue and freight is derived from the aggregate of (a) the amount of revenue cover provided by existing contracts of affreightment, and (b) management estimates of rates for the uncovered period by reference to current physical market rates, current trades of forward freight agreements and other relevant market information at the reporting date.

17 Long-term borrowings

US$'000	2018	2017
Non-current		
Secured bank loans (a)	703,114	619,177
Other secured borrowings (b)	34,263	39,989
Unsecured convertible bonds (c)	–	117,710
	737,377	776,876
Current		
Secured bank loans (a)	97,809	98,529
Other secured borrowings (b)	5,726	5,563
Unsecured convertible bonds (c)	120,181	–
	223,716	104,092
Total long-term borrowings	961,093	880,968

Please refer to Note 25(b) for reconciliation of long-term borrowings.

The fair value of long-term borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments and are within Level 2 of the fair value scale. Please refer to Note 9 (Fair value levels) for the definition of different levels.

The long-term borrowings are mainly denominated in United States Dollars.

17 Long-term borrowings (continued)

Accounting policy – 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 income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

(a) Secured bank loans

The Group's secured bank loans as at 31 December 2018 were secured, inter alia, by the following:

(i) Mortgages over certain owned vessels with net book values of US$1,588,102,000 (2017: US$1,518,309,000); and

(ii) Assignment of earnings and insurances compensation in respect of the vessels.

These secured bank loans are repayable as follows:

US$'000	2018	2017
Within one year	**97,809**	98,529
In the second year	**97,809**	97,798
In the third to fifth year	**286,275**	314,997
After the fifth year	**319,030**	206,382
	800,923	717,706
Average effective interest rate at year end (before hedging)	**4.0%**	3.3%

(b) Other secured borrowings

The Group's other secured borrowings as at 31 December 2018 were in respect of seven (2017: seven) owned vessels with net book values of US$100,352,000 (2017: US$107,441,000) (Note 6(b)) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined timings during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

These other secured borrowings are repayable as follows:

US$'000	2018	2017
Within one year	**5,726**	5,563
In the second year	**7,035**	5,726
In the third to fifth year	**23,614**	21,749
After the fifth year	**3,614**	12,514
	39,989	45,552
Average effective interest rate at year end (before hedging)	**4.9%**	4.5%

(c) Unsecured convertible bonds

	2018		2017	
US$'000	**Face value**	**Liability component**	Face value	Liability component
3.25% coupon due 2021	**125,000**	**120,181**	125,000	117,710

The carrying value of convertible bonds approximate their fair values.

Key items	3.25% coupon due 2021
Issue size	US$125.0 million
Issue date	8 June 2015
Maturity date	3 July 2021 (approximately 6.1 years from issue)
Coupon – cash cost	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Effective interest rate	5.70% charged to income statement
Redemption price	100%
Conversion price converting bonds into shares *(Note)*	HK$3.03 (with effect from 9 August 2018)
Conversion at bondholders' options	Any time on or after 19 July 2015
Bondholder put date for redemption at 100% of the principal amount	On 3 July 2019 (approximately 4.1 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option, accounting standards require the Group to treat the convertible bonds as falling due on the put date.
Issuer call date for redemption at 100% of the principal amount	After 3 July 2019, the Group may redeem the bonds in whole, provided that the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

Note: The conversion price was subject to an adjustment arising from cash dividends paid by the Company according to a pre-determined adjustment factor. Such adjustment became effective on the first date on which the Shares were traded ex-dividend.

Accounting policy

Convertible bonds are accounted for as the aggregate of (i) a liability component and (ii) an equity component.

At initial recognition, the fair value of the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as an equity component.

Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

18 Share capital

	2018 Number of shares	2018 US$'000	2017 Number of shares	2017 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**4,436,939,102**	**43,554**	4,014,512,275	40,046
Shares issued as Vessel Consideration Shares (a)	**69,746,012**	**697**	216,903,274	2,169
Shares issued upon grant of restricted share awards (b)	**21,150,000**	**212**	23,115,000	231
Shares granted to employees in the form of restricted share awards (b)	**6,948,000**	**1,190**	11,607,000	2,325
Shares transferred back to trustee upon lapse of restricted share awards (b)	**(1,887,000)**	**(338)**	(10,925,000)	(1,853)
Shares purchased by trustee of the SAS (b)	**(377,000)**	**(110)**	(5,213,000)	(1,233)
Shares issued for new share placement (c)	**–**	**–**	186,939,553	1,869
At 31 December	**4,532,519,114**	**45,205**	4,436,939,102	43,554

The issued share capital of the Company as at 31 December 2018 was 4,533,167,114 shares (2017: 4,442,271,102 shares). The difference from the number of shares in the table above of 648,000 (2017: 5,332,000) represents shares held by the trustee in relation to restricted share awards, amounting to US$126,900 (2017: US$869,100) as a debit to share capital.

(a) Shares issued as Vessel Consideration Shares

On 14 May 2018, the Group entered into contracts for the acquisition of four vessels at a total purchase consideration of US$88.5 million funded by a combination of: (i) the issue of 170,760,137 shares at an issue price of HK$2.036 per shares ("Vessel Consideration Shares") amounting to US$44.3 million to the sellers; and (ii) cash of US$44.2 million. In 2018, an aggregate of 69,746,012 shares were issued upon the delivery of two vessels to the Group and, in January and February 2019, an aggregate of 101,014,125 shares were issued upon the delivery of the remaining two vessels to the Group.

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Share Capital and Pre-emptive Rights

On 2 August 2017, the Group entered into contracts for the acquisition of five vessels at a total purchase consideration of US$104.6 million funded by a combination of: (i) the issue of 216,903,274 shares at an issue price of HK$1.660 per shares ("Vessel Consideration Shares") amounting to US$46.1 million to the sellers; and (ii) cash of US$58.5 million. The shares were issued by end of 2017 upon the delivery of the vessels to the Group.

(b) Restricted share awards

Restricted share awards under the Company's 2013 Share Award Scheme ("SAS") were granted to Executive Directors and certain employees. The SAS under HKFRS is regarded as a special purpose entity of the Company.

On the grant of the restricted share awards, the relevant number of shares is legally transferred or issued to the trustee who holds the shares for the benefit of the grantees. A grantee shall not be entitled to vote, to receive dividends (except where the Board grants dividend rights to the grantee at the Board's discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares lapse or are forfeited, they will be held by the trustee and can be utilised for future awards. Any dividends paid to the grantees in respect of those shares granted to them but prior to vesting are considered to be a cost of employment and charged directly to the income statement.

18 Share capital (continued)

(b) Restricted share awards (continued)

Movements of the number of unvested restricted share awards during the year are as follows:

000' shares	2018	2017
At 1 January	**74,006**	67,256
Granted	**28,098**	34,722
Vested	**(23,287)**	(17,047)
Lapsed	**(1,887)**	(10,925)
At 31 December	**76,930**	74,006

Out of the 76,930,000 unvested restricted share awards as at 31 December 2018 and according to the vesting schedule, 27,071,000 shares, 27,110,000 shares and 22,749,000 shares will be vested on 14 July 2019, 14 July 2020 and 14 July 2021 respectively.

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Movement of Restricted Awards Granted

The market prices of the restricted share awards on the grant date represented the fair values of those shares. The weighted average fair value of restricted share awards granted during the year was HK$1.7 (2017: HK$1.5).

The sources of the shares granted and their related movement between share capital and staff benefits reserve are as follows:

	2018		2017	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares issued	**21,150,000**	**212**	23,115,000	231
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**377,000**	**110**	5,213,000	1,233
Shares transferred from the trustee	**6,571,000**	**1,080**	6,394,000	1,092
	28,098,000	**1,402**	34,722,000	2,556

(c) Share placement

Pursuant to a placing agreement dated 2 August 2017, the Company issued 186,939,553 shares on 10 August 2017 with nominal value of US$0.01 each, at a price of HK$1.59 per share representing a discount of approximately 7.56% to the closing price of HK$1.72 per share as quoted on the Stock Exchange on 2 August 2017, being the date of the placing agreement. The proceeds of the placing, net of issuing expenses of approximately US$0.4 million, amounted to US$37.6 million (or HK$293.8 million) or HK$1.57 net per share. The placing was fully underwritten by a placing agent to more than six independent individual, corporate, institutional or other professional investors. The funds raised were used to finance a portion of the cash consideration of the acquisition of five vessels in 2017 set out in Note (a) above.

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax) is included in equity.

For equity-settled share-based payment transactions (other than services from employee and other similar services detailed on page 44), the increase in equity is measured as the fair value of the goods or services received. If the fair value of the goods or services received cannot be reliably estimated, the increase in equity would be measured, indirectly, by reference to the fair value of the equity instruments granted.

19 Reserves

	Other reserves										
US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits	Total
At 1 January 2018	**224,567**	**(56,606)**	**13,772**	**(3,716)**	**5,854**	**(306)**	**(309)**	**779,938**	**963,194**	**154,387**	**1,117,581**
Change in accounting policy (Note 2.2(a)(i))	–	–	–	–	–	(1,619)	–	–	(1,619)	(7,165)	(8,784)
Restated total equity at 1 January 2018	**224,567**	**(56,606)**	**13,772**	**(3,716)**	**5,854**	**(1,925)**	**(309)**	**779,938**	**961,575**	**147,222**	**1,108,797**
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	72,284	72,284
Shares issued as Vessel Consideration Shares, net of issuing expenses (Note 18(a))	17,379	–	–	–	–	–	–	–	17,379	–	17,379
Dividend paid (Note 23)	–	–	–	–	–	–	–	–	–	(14,315)	(14,315)
Cash flow hedges											
– transferred to income statement	–	–	–	–	4,346	–	–	–	4,346	–	4,346
– fair value losses	–	–	–	–	(5,744)	–	–	–	(5,744)	–	(5,744)
Share-based compensation (see Remuneration Report)	–	–	–	5,265	–	–	–	–	5,265	–	5,265
Share awards granted (Note 18(b))	–	–	–	(461)	–	–	–	–	(461)	(729)	(1,190)
Share awards lapsed (Note 18(b))	–	–	–	338	–	–	–	–	338	–	338
Shares issued upon grant of restricted share awards (Note 18(b))	5,347	–	–	(5,559)	–	–	–	–	(212)	–	(212)
Share awards fully vested	2,658	–	–	(2,658)	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–	(669)	–	(669)	–	(669)
Fair value losses on FVOCI	–	–	–	–	–	(275)	–	–	(275)	–	(275)
Derecognition of FVOCI	–	–	–	–	–	2,200	–	–	2,200	(2,200)	–
At 31 December 2018	**249,951**	**(56,606)**	**13,772**	**(6,791)**	**4,456**	**–**	**(978)**	**779,938**	**983,742**	**202,262**	**1,186,004**

(a) Share premium mainly represents the net share issuance proceeds in excess of the nominal value credited to share capital.

(b) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the transfer of PB Vessels Holding Limited and its subsidiaries into the Company through an exchange of shares prior to the listing of the shares of the Company on the Stock Exchange in 2004.

(c) Contributed surplus represents the amount of the capital reduction transferred from the share capital and share premium accounts as a result of the capital reorganisation of the Company that took effect on 27 May 2016. Under the Company Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution, but the Company cannot make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than its liabilities.

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19 Reserves (continued)

	Other reserves										
US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits	Total
At 1 January 2017	139,887	(56,606)	13,772	(2,368)	(22,295)	–	(2,386)	779,938	849,942	150,783	1,000,725
Shares issued as Vessel Consideration Shares, net of issuing expenses (Note 18(a))	43,905	–	–	–	–	–	–	–	43,905	–	43,905
Share issued for new share placement, net of issuing expenses (Note 18(c))	35,761	–	–	–	–	–	–	–	35,761	–	35,761
Cash flow hedges											
– exchange adjustment to reserve	–	–	–	–	25,849	–	–	–	25,849	–	25,849
– transferred to income statement	–	–	–	–	(10,356)	–	–	–	(10,356)	–	(10,356)
– fair value gains	–	–	–	–	12,656	–	–	–	12,656	–	12,656
Share-based compensation (see Remuneration Report)	–	–	–	4,301	–	–	–	–	4,301	–	4,301
Share awards granted (Note 18(b))	–	–	–	(1,411)	–	–	–	–	(1,411)	(914)	(2,325)
Share awards lapsed (Note 18(b))	–	–	–	1,853	–	–	–	–	1,853	–	1,853
Shares issued upon grant of restricted share awards (Note 18(b))	5,014	–	–	(5,245)	–	–	–	–	(231)	–	(231)
Share awards fully vested	–	–	–	(846)	–	–	–	–	(846)	846	–
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	3,610	3,610
Release of exchange losses upon disposal of towage assets	–	–	–	–	–	–	1,306	–	1,306	–	1,306
Currency translation differences	–	–	–	–	–	–	771	–	771	–	771
Fair value losses on AFS	–	–	–	–	–	(306)	–	–	(306)	–	(306)
Unclaimed dividends forfeited	–	–	–	–	–	–	–	–	–	62	62
At 31 December 2017	224,567	(56,606)	13,772	(3,716)	5,854	(306)	(309)	779,938	963,194	154,387	1,117,581

20 Other income and gains

US$'000	2018	2017
Utilisation of provision for onerous contracts (Note 16)	16,115	20,273
Write-back of provision for onerous contracts (Note 16)	12,731	–
Distribution from Muchalat investment	1,582	–
Gains on forward freight agreements	31	–
Disposal gains on available-for-sale financial assets	–	158
	30,459	20,431

21 Finance income and costs

US$'000	2018	2017
Finance income		
Bank interest income	(3,511)	(3,651)
Other interest income	(2)	–
Total finance income	(3,513)	(3,651)
Finance costs		
Interest on Borrowings		
Secured bank loans	26,343	26,375
Unsecured convertible bonds	6,534	6,400
Other secured borrowings	2,154	2,149
Net (gains)/losses on interest rate swap contracts	(187)	919
Other finance charges	1,022	528
	35,866	36,371
Less: amounts capitalised as PP&E (Note 6(c))	–	(373)
Total finance costs	35,866	35,998
Finance costs, net	32,353	32,347

22 Taxation

Shipping income from dry bulk international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Income from non-shipping activities are subject to tax at prevailing rates in the countries in which these businesses operate.

The amount of taxation charged/(credited) to the consolidated income statement represents:

US$'000	2018	2017
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2017: 16.5%)	726	323
Overseas tax, provided at the rates of taxation prevailing in the countries	410	348
Adjustments in respect of prior year	126	(1,025)
Tax charges/(credits)	1,262	(354)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

US$'000	2018	2017
Profit before taxation	73,546	3,256
Tax calculated at applicable tax rates	12,676	642
Income not subject to taxation	(152,929)	(125,759)
Expenses not deductible for taxation purposes	141,389	125,788
Adjustments in respect of prior year	126	(1,025)
Tax charges/(credits)	1,262	(354)
Weighted average applicable tax rate	17.2%	19.7%

Accounting policy

Current income tax

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 Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

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 financial statements. However, the deferred income tax is not accounted for if it 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. 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 provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Critical accounting estimates and judgements – Income taxes

The Group is subject to income taxes in certain jurisdictions. In the case of some transactions we entered into, the ultimate tax determination and tax classification may still be uncertain, requiring significant judgement to be used in determining the provision for income taxes. Where the eventual tax outcome of such cases is different from the amounts that are currently recorded, such differences will impact our income tax provision in future periods in which such determination is made.

23 Dividends

	2018			2017		
	HK cents per share	US cents per share	US$'000	HK cents per share	US cents per share	US$'000
Interim dividend	2.5	0.3	14,315	–	–	–
Proposed final dividend	3.7	0.5	22,018	–	–	–
	6.2	0.8	36,333	–	–	–
Interim dividend paid during the year	2.5	0.3	14,315	–	–	–

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting on 17 April 2019.

Accounting policy

Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

The dividend declared after the year end is not reflected as a dividend payable in the financial statements of that year, but will be reflected as an appropriation of retained profits for the following year.

24 Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the shares held by the trustee of the Company's SAS and unvested restricted shares (Note 18(b)).

		2018	2017
Profit attributable to shareholders	(US$'000)	72,284	3,610
Weighted average number of ordinary shares in issue	('000)	4,397,925	4,079,791
Basic earnings per share	(US cents)	1.64	0.09
Equivalent to	(HK cents)	12.88	0.69

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the shares held by the trustee of the Company's SAS but after adjusting for the number of potential dilutive ordinary shares from convertible bonds and unvested restricted shares where dilutive (Note 18(b)).

		2018	2017
Profit attributable to shareholders	(US$'000)	72,284	3,610
Weighted average number of ordinary shares in issue	('000)	4,397,925	4,079,791
Adjustment for calculation of diluted EPS relating to unvested restricted shares	('000)	84,222	80,542
Weighted average number of ordinary share for diluted EPS	('000)	4,482,147	4,160,333
Diluted earnings per share	(US cents)	1.61	0.09
Equivalent to	(HK cents)	12.64	0.68

25 Notes to the consolidated cash flow statement

(a) Reconciliation of profits before taxation to cash generated from operations

US$'000	2018	2017
Profit before taxation	**73,546**	3,256
Adjusted for		
Assets and liabilities adjustments		
Depreciation and amortisation	**116,335**	109,287
Utilisation of provision for onerous contracts	**(16,115)**	(20,273)
Write-back of provision for onerous contracts	**(12,731)**	–
Net unrealised losses/(gains) on derivative instruments not qualified as hedges	**11,669**	(5,434)
Charter Hire Reduction	**4,743**	6,158
Provision/(write-back) for impairment losses		
– vessels	**705**	–
– other receivables	**(7)**	112
– trade receivables	**–**	2,022
– assets held for sale	**–**	830
Write-off of loan arrangement fees	**1,623**	–
Distribution from Muchalat investment	**(1,582)**	–
Losses on disposal of PP&E	**37**	539
Towage exchange loss	**–**	1,306
Disposal gains on available-for-sale financial assets	**–**	(158)
Capital and funding adjustments		
Share-based compensation	**5,265**	4,301
Results adjustments		
Finance costs, net	**32,353**	32,347
Net foreign exchange (gains)/losses	**(43)**	135
Profit before taxation before working capital changes	**215,798**	134,428
Increase in inventories	**(13,715)**	(9,282)
Increase in trade and other receivables	**(14,029)**	(12,123)
Increase in trade and other payables	**2,120**	12,578
Cash generated from operations	**190,174**	125,601

(b) Reconciliation of long-term borrowings

US$'000	2018	2017
At 1 January	**880,968**	839,242
Cash flows		
– Drawdown of bank loans and other borrowings	**634,074**	188,601
– Repayment of bank loans and other borrowings	**(558,410)**	(136,929)
– Convertible bond coupon payment	**(4,063)**	(4,063)
Foreign exchange adjustments	**(1,782)**	(9,779)
Other non-cash movements		
– Loan arrangement fee movement	**3,772**	(2,504)
– Accrued convertible bond coupon	**6,534**	6,400
At 31 December	**961,093**	880,968

(c) Significant non-cash transactions

For details regarding non-cash transactions relating to the purchase of vessels by issuing new shares, please refer to Note 18(a).

26 Commitments

(a) Capital commitments

US$'000	2018	2017
Contracted but not provided for – vessel acquisitions and vessel equipment contracts	**70,247**	32,335

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Vessel Operating Lease Commitments and Vessel Capital Commitments

(b) Operating lease commitments

Accounting policy – Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Critical accounting estimates and judgements – Classification of leases

The Group classifies its leases into either finance leases or operating leases taking into account of the spirit, intention, and application of HKAS 17 "Leases".

Management assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease. For those leases that would not transfer ownership of the assets to the Group at the end of the lease term, and that it is not reasonably certain that the purchase options, if any, attached to the arrangements would be exercised, they are being treated as operating leases.

(i) The Group as the lessee – payments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

US$'000	Vessels	Land and buildings	Total
At 31 December 2018			
Within one year	**153,999**	**2,261**	**156,260**
In the second to fifth year	**151,644**	**8,236**	**159,880**
After the fifth year	**11,502**	**408**	**11,910**
	317,145	**10,905**	**328,050**
At 31 December 2017			
Within one year	135,808	2,420	138,228
In the second to fifth year	238,012	7,892	245,904
After the fifth year	22,643	470	23,113
	396,463	10,782	407,245

The Group's operating leases for vessels have terms ranging from less than 1 year to 10 years (2017: less than 1 year to 10 years). Certain of the leases have escalation clauses, renewal rights and purchase options.

Accounting policy – Operating leases: where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

26 Commitments (continued)

(b) Operating lease commitments (continued)

(ii) The Group as the lessor – receipts

The Group had future aggregate minimum lease receipts under non-cancellable operating leases for vessels as follows:

US$'000	2018	2017
At 31 December 2018		
Within one year	**32,408**	32,294
In the second to fifth year	**38,253**	47,579
After the fifth year	**16,560**	23,130
	87,221	103,003

The Group's operating leases have terms ranging from less than 1 year to 15 years and they mainly represent the receipts from two Post-Panamax vessels amounting to US$70.7 million (2017: US$86.6 million).

Accounting policy – Operating leases: where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet and, where applicable, are depreciated in accordance with the Group's depreciation policies as set out in Note 6 Property, plant and equipment. Revenue arising from assets leased out under operating leases is recognised on a straight-line basis over the lease periods.

27 Financial liabilities summary

This note should be read in conjunction with the Liquidity Risk section on page 28. The maturity profile of the Group's financial liabilities, net-settled derivative financial instruments and gross-settled derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date are summarised below. These represented contractual cash flows which include principal and interest elements where applicable.

	Within one year		In the second year		In the third to fifth year		After the fifth year		Total	
US$'000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Long-term borrowings										
– Secured bank loans	**131,144**	124,930	**126,350**	121,813	**347,644**	361,565	**349,683**	238,556	**954,821**	846,864
– Other secured borrowings	**7,784**	7,186	**8,825**	7,171	**26,730**	24,541	**3,638**	13,231	**46,977**	52,129
– Unsecured convertible bonds	**129,063**	4,063	**–**	4,063	**–**	133,125	**–**	–	**129,063**	141,251
Derivative financial instruments										
(i) Net-settled (a)										
– Interest rate swap contracts	**(544)**	7	**(221)**	117	**244**	(584)	**41**	3	**(480)**	(457)
– Bunker swap contracts	**7,374**	748	**354**	653	**1,047**	431	**–**	–	**8,775**	1,832
– Forward freight agreement	**–**	24	**–**	–	**–**	–	**–**	–	**–**	24
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges:										
– outflow	**24,839**	25,114	**25,093**	26,003	**55,768**	67,646	**–**	13,215	**105,700**	131,978
– inflow	**(21,238)**	(22,431)	**(21,671)**	(23,277)	**(48,487)**	(61,009)	**–**	(12,040)	**(91,396)**	(118,757)
Net outflow	**3,601**	2,683	**3,422**	2,726	**7,281**	6,637	**–**	1,175	**14,304**	13,221
Current liabilities										
Trade and other payables	**112,830**	108,825	**–**	–	**–**	–	**–**	–	**112,830**	108,825

(a) Net-settled derivative financial instruments represent derivative liabilities whose terms result in settlement by a netting mechanism, such as settling the difference between the contract price and the market price of the financial liabilities.

(b) Gross-settled derivative financial instruments represent derivative assets or liabilities which are not settled by the above mentioned netting mechanism.

28 Significant related party transactions

Significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis comprised only key management compensation. For the compensation of key management (including Directors' emoluments) and the accounting policy on employee benefits, please refer to the Remuneration Report on pages 42 to 44.

29 Financial guarantees

As at 31 December 2018, the Company has given corporate guarantees with maximum exposures of US$828.5 million (2017: US$734.0 million) for certain subsidiaries in respect of the Group's loan facilities granted.

Accounting policy

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

30 Contingent liabilities and contingent assets

The Group has no contingent liabilities and contingent assets as at 31 December 2018 and 2017.

Accounting policy

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements when an outflow of economic resources is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

31 Principal subsidiaries

As at 31 December 2018, the Company has direct and indirect interests in the following principal subsidiaries:

Company	Place of incorporation/ operation [3]	Issued and fully paid share capital	Interest held %	Principal activities
Shares held directly				
PB Vessels Holding Limited	BVI	US$1,191,118,775	100	Investment holding
PB Management Holding Limited	BVI	US$12,313	100	Investment holding
PB Issuer (No.4) Limited	BVI	US$1	100	Convertible bond issuer
Shares held indirectly				
Dry Bulk				
Astoria Bay Limited	HK/Int'l	HK$1	100	Vessel chartering
Baker River Limited	HK/Int'l	HK$1	100	Vessel chartering
Baltic Sea Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Barrow Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Bass Strait Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Bell Bay Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Bernard (BVI) Limited	BVI/Int'l	US$51,001	100	Vessel owning and chartering
Bonny Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Bright Cove Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Cape York Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Champion Bay Limited	BVI/Int'l	US$1	100	Vessel chartering
Cherry Point Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Chiloe Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Columbia River Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Cooper Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Corio Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Cramond Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Delphic Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Eaglehill Trading Limited 鷹峯貿易有限公司	HK/Int'l	HK$1	100	Vessel owning and chartering
Eastern Cape Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Elizabay Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Elizabeth Castle Limited	BVI/Int'l	US$1	100	Vessel chartering
Elizabeth River Limited	HK/Int'l	HK$1	100	Vessel chartering
Esperance Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Everclear Shipping (BVI) Limited	BVI/Int'l	US$31,001	100	Vessel owning and chartering
Finest Solution Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Francesca Shipping (BVI) Limited	BVI/Int'l	US$30,001	100	Vessel owning and chartering
Future Sea Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Gharapuri Island Limited	HK	HK$1	100	Vessel owning
Gold River Vessel Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Good Shape Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Goodwyn Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Grande Island Limited	HK	HK$1	100	Vessel owning
Hainan Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Helen Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Honey Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Illovo River Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Imabari Logger Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Impression Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Ince Point Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Incheon Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Indian Ocean Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Indigo Lake Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Ipanema Beach Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Isabela Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Iwagi Island Limited	HK	HK$1	100	Vessel owning
Jamaica Bay Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
James Bay Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jericho Beach Limited	BVI/Int'l	US$1	100	Vessel owning and chartering

Company	Place of incorporation/ operation [3]	Issued and fully paid share capital	Interest held %	Principal activities
Jervis Bay Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jiangmen Trader Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Judith Shipping (BVI) Limited	BVI/Int'l	US$38,001	100	Vessel owning and chartering
Jules Point Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jumeirah Beach Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kaiti Hill Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kanda Logger Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Key West Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kodiak Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kultus Cove Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Labrador Shipping (BVI) Limited	BVI/Int'l	US$38,001	100	Vessel owning and chartering
Lake Stevens Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Liberty Vessel Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Longview Logger Limited	HK/Int'l	HK$1	100	Vessel chartering
Luzon Strait Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Marsden Point Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Matakana Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mega Fame Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Mount Adams Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Mount Aso Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Baker Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Hikurangi Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Rainier Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Seymour Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Taranaki Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Newman Shipping (BVI) Limited	BVI/Int'l	US$26,001	100	Vessel owning and chartering
Nobal Sky Limited	BVI/Int'l	US$1	100	Vessel chartering
Oak Bay Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Olive Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Olympia Logger Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Orange River Shipping Limited	HK/Int'l	HK$1	100	Vessel chartering
Osaka Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Otago Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Otago Harbour Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Othello Shipping (BVI) Limited	BVI/Int'l	US$26,593	100	Vessel owning and chartering
Oyster Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering Limited	BVI/Int'l	US$10	100	Vessels chartering
Pacific Basin Chartering (No. 1) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 2) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 3) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 4) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 5) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 6) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 7) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 8) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 9) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 10) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Paqueta Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pearl Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pelican Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Penguin Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alberni Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alfred Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alice Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Port Angeles Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Botany Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Puget Sound Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Shakespeare Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Sharp Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering

31 Principal subsidiaries (continued)

Company	Place of incorporation/ operation [3]	Issued and fully paid share capital	Interest held %	Principal activities
Swan River Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Tampa Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Uhland Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Verner Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
West Bay Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
White Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Zhoushan Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Others				
Pacific Basin Agencies Limited 太平洋航運代理有限公司	HK/Int'l	HK$10	100	Holding company of Japan branch
Pacific Basin Supramax Limited	HK	HK$10	100	Provision of ship management and ocean shipping services
Pacific Basin Handymax (UK) Limited	England & W	GBP1	100	Ship management services
Pacific Basin Handysize Limited	BVI/HK	US$10	100	Provision of ship management and ocean shipping services
Pacific Basin Handysize (HK) Limited	HK	HK$10	100	Provision of ship management and ocean shipping services
Pacific Basin (UK) Limited	England & W	GBP2	100	Shipping consulting services
Pacific Basin Shipping (Australia) Pty Ltd[1]	Australia	AUD1	100	Shipping consulting services
Pacific Basin Shipping (Canada) Limited	BC, Canada	1 common share without par value	100	Shipping consulting services
Pacific Basin Shipping (Chile) Limitada	Chile, Santiago	Chilean pesos equivalent to US$6,000	100	Shipping consulting services
Pacific Basin Shipping (HK) Limited 太平洋航運(香港)有限公司	HK	HK$20	100	Ship agency services
Pacific Basin Shipping (New Zealand) Limited	New Zealand	100 shares without par value	100	Shipping consulting services
Pacific Basin Shipping (South Africa) (Pty) Ltd[1]	Republic of South Africa	120 shares without par value	100	Shipping consulting services
Pacific Basin Shipping (UK) Limited	England & W	GBP2	100	Shipping consulting services
Pacific Basin Shipping (USA) Inc.	USA	US$1,000	100	Shipping consulting services
PB Maritime Personnel Inc.[1]	The Philippines	PHP$17,300,000	100	Crewing services
PB Towage Middle East Limited	Cook/Int'l	US$2	100	Ship management services
PBS Corporate Secretarial Limited	HK	HK$10	100	Secretarial services
Taihua Shipping (Beijing) Limited[1&2] 太華船務(北京)有限公司	PRC	US$4,000,000 (registered capital)	100	Agency and ship management services

(1) The financial statements of these subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net assets and net results for the year attributable to the shareholders of the Group amounted to approximately US$5,945,000 (2017: US$5,784,000) and US$416,000 profit. (2017: US$73,000 loss) respectively.

(2) The subsidiary is wholly foreign-owned enterprise established in the PRC, with registered capital fully paid up by the Group.

(3) Under the place of incorporation/operation, "BVI" represents "The British Virgin Islands", "Cook" represents "The Cook Islands", "England & W" represents "England and Wales", "HK" represents "Hong Kong" and "Int'l" represents "International".

32 Balance sheet and reserve movement of the company
(a) Balance Sheet of the Company

	Note	As at 31 December 2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,323,176**	1,321,861
Current assets			
Prepayments and other receivables		**143**	80
Amounts due from subsidiaries		**378,567**	372,141
Cash and cash equivalents		**107**	19
		378,817	372,240
Total assets		**1,701,993**	1,694,101
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	18	**45,205**	43,554
Retained profits		**619,698**	635,921
Other reserves		**1,023,098**	1,000,789
Total equity		**1,688,001**	1,680,264
LIABILITIES			
Current liabilities			
Accruals and other payables		**225**	69
Amounts due to subsidiaries		**13,767**	13,768
Total liabilities		**13,992**	13,837

Approved by the Board of Directors on 28 February 2019.

Mats H. Berglund
Director

Peter Schulz
Director

32 Balance sheet and reserve movement of the company (continued)

(b) Reserve movement of the Company

	Other reserves					
US$'000	Share premium	Staff benefits reserve	Contributed surplus	Subtotal	Retained profits	Total
At 1 January 2018	**224,567**	**(3,716)**	**779,938**	**1,000,789**	**635,921**	**1,636,710**
Share issued as Vessel Consideration Shares, net of issuing expenses (Note 18(a))	**17,379**	**–**	**–**	**17,379**	**–**	**17,379**
Dividend paid (Note 23)	**–**	**–**	**–**	**–**	**(14,315)**	**(14,315)**
Share-based compensation (see Remuneration Report)	**–**	**5,265**	**–**	**5,265**	**–**	**5,265**
Share awards granted (Note 18(b))	**–**	**(461)**	**–**	**(461)**	**(729)**	**(1,190)**
Share awards lapsed (Note 18(b))	**–**	**338**	**–**	**338**	**–**	**338**
Share issued upon grant of restricted shares awards (Note 18(b))	**5,347**	**(5,559)**	**–**	**(212)**	**–**	**(212)**
Share awards fully vested	**2,658**	**(2,658)**	**–**	**–**	**–**	**–**
Loss attributable to shareholders	**–**	**–**	**–**	**–**	**(1,179)**	**(1,179)**
At 31 December 2018	**249,951**	**(6,791)**	**779,938**	**1,023,098**	**619,698**	**1,642,796**
At 1 January 2017	139,887	(2,368)	779,938	917,457	638,064	1,555,521
Share issued as Vessel Consideration Shares, net of issuing expenses (Note 18(a))	43,905	–	–	43,905	–	43,905
Shares issued for new share placement, net of issuing expenses	35,761	–	–	35,761	–	35,761
Share-based compensation (see Remuneration Report)	–	4,301	–	4,301	–	4,301
Share awards granted (Note 18(b))	–	(1,411)	–	(1,411)	(914)	(2,325)
Share awards lapsed (Note 18(b))	–	1,853	–	1,853	–	1,853
Share issued upon grant of restricted shares awards (Note 18(b))	5,014	(5,245)	–	(231)	–	(231)
Share awards fully vested	–	(846)	–	(846)	846	–
Loss attributable to shareholders	–	–	–	–	(2,137)	(2,137)
Unclaimed dividends forfeited	–	–	–	–	62	62
At 31 December 2017	224,567	(3,716)	779,938	1,000,789	635,921	1,636,710

Loss attributable to shareholders of US$1,179,000 (2017: US$2,137,000) is dealt with in the financial statements of the Company.