

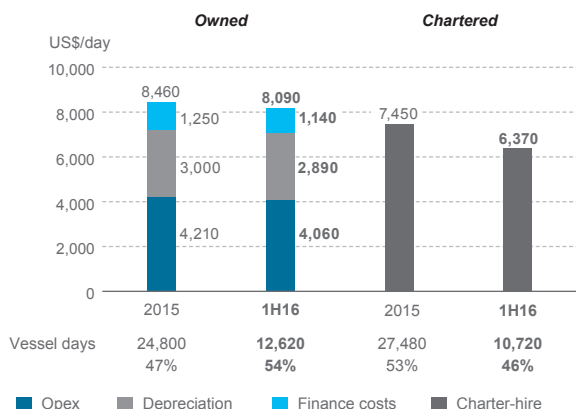
# Analysis of Daily Vessel Costs

The cost of owning and operating dry bulk ships is the major component of our Group’s total costs, and our ability to maintain good control of our “daily vessel costs” has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

## Handysize Daily Vessel Costs

Blended US\$7,300 (FY2015: US\$7,930)

(excluding overheads)



**Opex** – The daily opex element of our vessel costs decreased 4% for Handysize mainly due to crewing and procurement cost efficiencies, while increasing 4% for Supramax mainly due to a few one-off repair and maintenance costs.

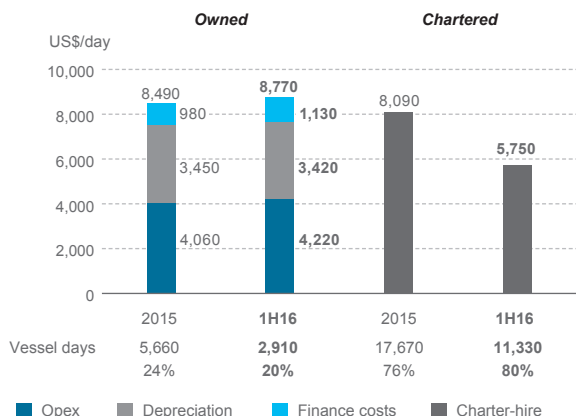
**Depreciation** – Daily Handysize depreciation (including capitalisation of dry-docking costs) decreased due to the redelivery on expiry in December 2015 of finance leased vessels with higher depreciation costs.

**Finance costs** – Our owned Handysize vessels’ daily P/L and cash finance costs were US\$1,140 and US\$870 respectively, and our Supramax daily P/L and cash finance costs were US\$1,130 and US\$1,040 respectively. The difference between the P/L and cash finance costs reflects the difference in the coupon and effective interest rate of our convertible bonds. Our Handysize daily finance costs reduced compared to 2015 while Supramax daily finance costs increased due to the allocation of more convertible bonds interest to this vessel type as more Supramax owned newbuildings deliver.

## Supramax Daily Vessel Costs

Blended US\$6,370 (FY2015: US\$8,190)

(excluding overheads)



**Charter-hire** – Our chartered Handysize vessels’ daily P/L and cash charter-hire costs were US\$6,370 and US\$7,280 respectively, and our Supramax daily P/L and cash charter-hire costs were US\$5,750 and US\$6,110 respectively. The difference between the P/L and cash charter-hire costs reflects the write-back of onerous contract provisions made in 2014 relating to the 2016 element of our charter commitments.

Chartered-in days represented 46% and 80% of our total Handysize and Supramax vessel days respectively. Our Handysize chartered-in days decreased 28% to 10,720 days (2015: 14,820 days) while our Supramax chartered-in days increased 50% to 11,330 days (2015: 7,570 days). Our Supramax fleet benefitted in the weak market from its larger proportion of low-cost short-term chartered-in ships and the redelivery of more expensive vessels.

**Daily cash cost** – Our average owned and chartered daily cash cost excluding overheads was US\$6,010 (2015: US\$6,730) for our Handysize fleet and US\$5,940 (2015: US\$7,880) for our Supramax fleet.

**Overheads** – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, amounted to US\$25.6 million (2015: US\$27.9 million). Spread across our vessel days, the aggregate overheads translated into a daily cost of US\$680 per ship per day (2015: US\$750 per day).

The Group’s total administrative expenses amounted to US\$27.4 million (2015: US\$30.4 million). The year-on-year saving of US\$3.0 million reflects the reduction in costs after the disposal of most of our non-dry bulk operations and a range of cost savings initiatives undertaken during the period.

During the period, we secured 1,630 Handysize vessel days (2015: 4,470 days) and 200 Supramax vessel days (2015: 750 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 15% and 2% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned dry bulk vessels experienced an average 1.5 days (FY2015: 2.2 days) unplanned technical off-hire per vessel during the period.

