Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

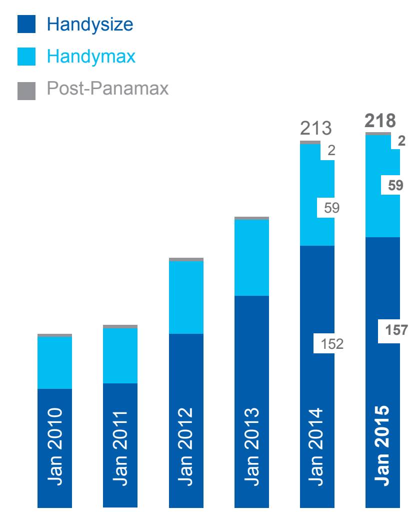
The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 as follows:

RESULTS HIGHLIGHTS

US$ million	Year Ended 31 December 2014	2013
Revenue	1,718.5	1,708.8
Underlying (Loss)/Profit	(55.5)	15.6
EBITDA #	82.2	118.2
(Loss)/Profit Attributable to Shareholders	(285.0)	1.5
Basic Earnings per share (HK cents)	(115.8)	0.6
Proposed Final and Full Year Dividend per share (HK cents)	5	5

EBITDA (Earnings before interest, tax, depreciation and amortisation) is calculated as gross profit excluding depreciation of vessels and net unrealised bunker swap contract income and expenses, less general and administrative expenses

Our Dry Bulk Fleet Development
Average number of ships operated



GROUP

- In a very difficult market, our results were influenced by:
  - the impact on revenues of very low dry bulk market rates
  - US$130 million non-cash impairments and provisions reflecting significant changes in dry bulk and bunker fuel markets
  - US$91 million towage-related impairment and business disposal charges
- EBITDA was positive US$82 million
- Robust balance sheet with:
  - US$363 million cash and deposits
  - net gearing of 40%
  - US$350 million of undrawn committed bank facilities
  - US$69 million of towage sale proceeds received in early 2015
- Dry bulk vessel capital commitments of US$385 million

FLEET

- We stopped buying ships in early 2014 and have taken delivery of all 33 secondhand ships that we purchased between late 2012 and early 2014
- These dry bulk ships were acquired at historically low prices and have made a positive cash contribution despite weak market
- We now operate 218 dry bulk ships of which 80 are owned
- We have 18 owned and 14 chartered newbuildings on order
- 56% of our contracted 40,220 Handysize revenue days in 2015 are covered at US$8,880 per day net
- Our towage vessel net book value has reduced to US$41.5 million following sale of harbour towage business
- Remaining two RoRo vessels will deliver into buyer's ownership within 2015 generating proceeds of US$60 million

OUTLOOK

- Poor start to 2015 with Baltic Dry Index falling to its lowest since indices began in 1985 and a dysfunctional freight market in some regions
- We expect weak market to continue in 2015 and take a cautious view on freight earnings outlook
- Net fleet growth has reduced, but excessive dry bulk supply is not yet fully absorbed
- Low fuel prices may lead to faster ship speeds thereby potentially further increasing shipping supply
- Demand growth continues to be threatened by softer outlook for China and most developed economies
- We remain focused on the Handy segments and are managing our business to deliver positive contributions even in a weak market and to safeguard our strong cash position and EBITDA generation
- Difficult market will present opportunities for companies able to access capital

In our reporting, positive changes represent an improving result while negative changes represent worsening of the item

CHAIRMAN'S STATEMENT

A TOUGH YEAR IN DRY BULK

2014 was another very difficult year for dry bulk shipping due to oversupply and negative surprises in demand, but our balance sheet remains healthy and we succeeded in generating continued positive EBITDA.

Our towage business – most of which we have now sold – faced similar market-related challenges, adding to the significant one-off accounting charges we have had to book that undermined our results for the year.

The Group made an underlying loss of US$56 million, with non-cash impairments and provisions accounting for the majority of our net loss of US$285 million.

PRESERVING VALUE IN A WEAK MARKET

We are far from happy with these results, but it says much about Pacific Basin's effective business model and competitive cost base that we remain EBITDA positive in these testing times and able to generate Handysize earnings that outperformed spot market rates by 28%.

As at 31 December 2014, we had total cash and deposits of US$363 million and net gearing of 40% illustrating our continued robust balance sheet.

DIVIDEND

The Board has recommended a final dividend of HK 5 cents per share for 2014 (2013: HK 5 cents final) in view of the Group's positive operating cash flow during the year.

STRENGTHENING OUR PLATFORM

We are enhancing our focus as a specialist dry bulk company. Management made good progress on several strategic initiatives. Despite worsening market conditions, we recently sold our harbour towage interests, which frees up cash and management time for our core dry bulk business.

We made organisational changes affecting all levels of the Company, such as downsizing our offshore towage organisation and the senior management team is also significantly smaller than a year ago. In aggregate, these will reduce our total general and administrative expenses in 2015.

In our dry bulk business, we stopped buying ships in early 2014 as we saw prices increasing on overly optimistic sentiment without a supporting increase in freight rates. We assimilated into our fleet seven of the ships that we purchased at historically attractive prices. These are enhancing our service delivery and have made a positive cash contribution even in this weak market.

SUSTAINABLE, LONG-TERM STRATEGY

We continued our concerted investment in staff training and development, which resulted in excellent safety performance at sea, enhanced productivity ashore, and leadership development that is the backbone of our strong succession planning.

The value of long-term relationships over short-termism remains a key Pacific Basin tenet at the bottom of the market cycle as much as it is at the top, and this principle is tested in times of weak forward market pricing.

The importance of long-term relationships applies to our human, social and natural Capitals – the resources on which we rely – including our customers, our staff, the environment, the communities in which we are active, and other stakeholders. We apply sustainable thinking in our decision-making processes and the way we run our business. We aim to create long-term value through good corporate governance, accountability, strategy and risk management, and responsible social and environmental practices.

Underpinning our operational strength is the endorsement and support we have earned from our customers and other stakeholders. In 2014, we were awarded the inaugural "BIMCO Shipping Company of the Year" award for our innovative customer service and solid service reliability. That is welcome recognition coming from our industry's largest association. We also received awards for safety, environmental responsibility and corporate governance, which support our view that our staff's dedication, passion and ability to deliver an excellent and safe service make Pacific Basin one of the very best companies in dry bulk shipping.

AWARDS IN 2014

- Shipping Company of the Year by BIMCO
- Safety Award by International Bulk Journal
- Safety Award by Lloyd's List Awards Global
- Best Ship Operator by Lloyd's List Awards Asia
- Outstanding Performance in Port State Control Inspections by Hong Kong Marine Department
- Commendation by Carbon Footprint Repository for Listed Companies in Hong Kong
- Platinum Award for Corporate Governance, Social Responsibility and Environmental Responsibility by The Asset

CHANGES TO OUR BOARD

As announced during the year, Irene Waage Basili joined our Board as an Independent Non-executive Director on 1 May 2014, bringing valuable additional commercial, strategic and operational experience to our board meetings.

Chief Operating Officer Jan Rindbo resigned from the Company on 7 November 2014 to pursue new employment in his home country.

Management of our dry bulk commercial organisation remains assured by our Chief Executive Officer Mats Berglund, assisted by our Atlantic and Pacific chartering directors demonstrating our prior leadership development and succession planning.

Chanakya Kocherla relocated to Hong Kong in July 2014 to assume the new role of Chief Technical Officer to take overall responsibility for our ship management, newbuilding, marine insurance and sustainability matters.

The Board now comprises four Executive Directors and five Independent Non-executive Directors, all of whom I thank for their valuable contributions to the Board in a challenging year requiring much careful consideration and strategic decision making.

A WELL-POSITIONED BUSINESS

At the time of writing, the Baltic Dry Index (BDI) is at its lowest since indices began in 1985 and the freight market has become dysfunctional in some regions where cargo availability is very limited – exacerbated by the lull around the lunar new year holidays in China.

This is a difficult time for everyone in the dry bulk shipping sector and we expect to see a continued weak market in 2015. Chinese economic growth is slowing and the slump in fuel prices, if prolonged, may lead to faster ship operating speeds potentially increasing global shipping supply.

I am confident, however, that we are well positioned to weather any protracted weak market and take advantage of opportunities that may arise, resulting in better returns for our shareholders when the stronger market returns. The Company is in good financial health, has a proven business model and a large competitive fleet with a low cost base. It has the excellent people, governance structure, strategies, systems and reputation that are key to enhancing our already competitive market position.

On behalf of the Board, I thank our loyal customers, suppliers, staff and other stakeholders for their support of Pacific Basin – especially in these testing times.

David M. Turnbull
Chairman

Hong Kong, 26 February 2015

CHIEF EXECUTIVE'S REVIEW

FINANCIAL RESULTS

In very difficult market conditions, we can take some satisfaction from the way our dry bulk business model and our team's hard work have enabled us to reduce our recurring cost base and achieve daily earnings that outperformed the market.

The Group produced an underlying loss of US$56 million (2013: US$16 million profit) and a net loss of US$285 million (2013: US$1.5 million profit).

Basic EPS on continuing operations was a negative HK116 cents, and our EBITDA was positive US$82 million (2013: US$118 million) reflecting our continued positive cash generation.

Our results were influenced by:

- the impact on our revenues of very low dry bulk market rates since early 2009;
- US$130 million non-cash impairments and provisions reflecting significant changes in the dry bulk and bunker fuel markets; and
- US$91 million towage-related impairment and business disposal charges.

PERFORMANCE OVERVIEW

DRY BULK

The dry bulk spot market fell more than 60% over the year, undermined by the supply overhang following the 2010-2012 newbuilding boom and weaker growth in demand – especially from China. The supply-demand balance is further threatened by the 50% drop in bunker fuel prices towards the year end (reflecting the global oil price decline) which resulted in early signs of increased vessel operating speeds, potentially increasing global shipping supply.

Our fleet scale and our team's ability to optimise ship and cargo combinations and maximise utilisation enabled our average Handysize daily earnings of US$9,340 per day net to outperform the market by 28%.

Our Handymax daily earnings of US$10,460 outperformed the market by a more modest 12% due mainly to low-paying positioning voyages during the first quarter.

During the year we secured several multi-year cargo contracts with customers on both Atlantic and Pacific routes that will facilitate the triangulation and efficient utilisation of our ships.

We maintained good control of our owned vessels' operating costs which are competitive and averaged US$4,370 per day. Our first half performance was impacted by the higher cost of short-term (and now expired) inward-chartered Handymax vessels during the spike in the US Gulf market at the end of 2013. We also incurred losses on long-term chartered-in ships taken at higher rates primarily in 2010.

TOWAGE

We made a number of announcements in 2014 relating to our towage business and these developments over the year are summarised in our PB Towage Business Review on p.13.

An important development was the agreement we reached in December to sell our harbour towage business to Smit Lamnalco. The transaction completed successfully in February 2015, resulting in a net book loss of US$9.9 million and a non-cash exchange loss of US$9.3 million. The disposal of the business as a going concern ensured that the staff and crew transferred as an integral part of the transaction and saves us the significant cost of vessel dockings scheduled for this year.

The completion of this transaction leaves Pacific Basin with a towage vessel net book value of approximately US$41.5 million. The majority of these assets are now in the Middle East and only a few remain in Australia and New Zealand where they are being marketed for sale. We have downsized our New Zealand and Australian offshore towage organisation accordingly.

RORO

Our exit from the RoRo sector continues on schedule with two of our RoRo vessels delivered into Grimaldi's ownership in June and December. The remaining two are due to follow into Grimaldi's ownership within 2015 generating proceeds of around US$60 million.

INVESTMENT AND BALANCE SHEET

We have taken delivery of all 33 secondhand ships that we committed to purchase between late 2012 and early 2014. They have slotted into our cargo systems, are performing well and have made a positive cash contribution despite the weak market.

We currently operate 218 dry bulk ships of which 80 are owned. A further 32 newbuildings (18 owned and 14 chartered) are due to join our core fleet over the next two years.

As at 31 December 2014, we had cash and deposits of US$363 million and net borrowings of US$636 million. Our vessel capital expenditure obligations amounted to US$385 million payable in 2015 to 2017 in respect of our 18 newbuildings ordered at historically attractive prices.

These will be largely financed by the US$350 million, 12-year Japanese export credit agency ("ECA") loan we secured in April. In December, we drew down an additional US$122 million in conventional ship finance secured against 12 of our dry bulk ships on the water, which we will use to refinance existing loans that mature in the first half of 2015. We received towage sale proceeds of US$69 million in early 2015 relating to the sale of our harbour towage business and our interest in OMSA.

DRY BULK OUTLOOK

Current and medium-term global dry bulk net fleet growth has reduced to around 5% per year.

However, the market has yet to fully absorb the supply overhang. Furthermore, low fuel prices and, in turn, faster vessel operating speeds threaten to worsen oversupply.

Demand has recently been growing at around 4%, and sufficient growth continues to be threatened by the on-going Indonesian mineral exports ban, reduced Chinese coal imports, lower growth in Chinese economic and industrial development and the softer growth outlook for most developed economies (the U.S. being a notable exception). Consequently, we take a cautious view on the freight earnings outlook.

DRY BULK STRATEGY

We strive to manage our dry bulk business to deliver profitable contributions even in a weak market, and seek to safeguard the Company's strong cash position and EBITDA generation.

Our core business remains firmly focused on the Handysize and Handymax segments and these will receive even more of our attention as our towage business scales down.

We are working hard on making our dry bulk platform even more robust. That includes initiatives to reduce our costs and grow our customer relationships which enhance our access to cargoes – in turn facilitating our continued outperformance of the market. Good control of our vessel operating expenses, efficient workflows and minimising administrative costs are especially important in these difficult times. We are implementing new ship management and accounting software to facilitate these objectives.

In Handymax, we will concentrate our fleet and cargo focus on a tighter geographical range to provide a better quality service to our customers, enable better ship-cargo matching and to optimise our front and backhaul combinations to generate better vessel earnings.

While we are currently neither buying nor taking ships on long-term charters, we will continue to supplement our core fleet with low-rate short-term chartered ships, which contribute to our service and our results even in the depressed market.

However, this difficult market will present acquisition and chartering opportunities for companies able to access capital.

We remain satisfied with the 51 ships (33 secondhand and 18 newbuildings) we acquired from late 2012 to early 2014, more than doubling our owned fleet and enhancing our competitive cost base. All are well suited to our cargo systems, and will leverage the market recovery when it comes.

We thank our shareholders for their patience during these poor market conditions.

DRY BULK MARKET REVIEW 2014

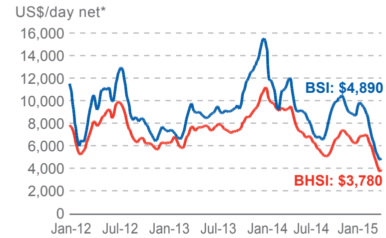
FREIGHT MARKET SUMMARY

Reversing developments of the previous year, the freight market trended sharply down in 2014 as characterised by a 63% fall in the Baltic Dry Index (BDI) over the year.

Handysize spot market rates averaged US$7,300 per day net, representing a 6% decline year on year, having started 2014 at US$10,530, fallen to a low of US$5,070 in July and finished the year at US$6,960.

This weak freight market was driven by continued global oversupply generated by the newbuilding deliveries of 2010 to 2012, compounded by regional demand-side weaknesses (see "key demand developments" below).

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



Baltic Handysize Index (BHSI)
Baltic Supramax Index (BSI)

* US$ freight rates are net of 5% commission
Source: The Baltic Exchange, data as at 23 Feb 2015

The unexpected decline in the second quarter was led by a collapse in Atlantic rates following the repositioning of more ships than usual into the Atlantic for the South American grain season. Bearish conditions prevailed until July. Improvement in the fourth quarter was less pronounced and more short-lived than the seasonal strengthening that is typical at the year end.

Conditions have remained very bearish at the start of 2015 and, in February, the BDI fell to its lowest since indices began in 1985. Newbuilding deliveries deferred from 2014 have coincided with a seasonal demand slow down due to the lunar new year holidays in China and weather-related cargo disruptions in key trade areas.

KEY SUPPLY DEVELOPMENTS

The market remained weighed down by the continued oversupply of larger dry bulk ships despite reduced net fleet growth in 2014.

The global fleet of 25,000-40,000 dwt Handysize ships grew 2.7% net in 2014 driven by 6.8% newbuilding deliveries and 4.4% scrapping. This segment of the dry bulk fleet saw a lower rate of deliveries than all other dry bulk segments in 2014.

The overall dry bulk fleet grew 4.4% net – the lowest level in over 10 years.

A reduction in port congestion in South America released capacity into the Atlantic in the second and third quarters.

Widespread slow steaming had continued to curtail effective dry bulk shipping capacity, but the dramatic drop in crude oil and fuel prices during the last quarter resulted in early signs of increased vessel operating speeds thereby potentially increasing global shipping supply.

KEY DEMAND DEVELOPMENTS

Dry bulk demand in 2014 is estimated by R.S. Platou to have increased by 4.1% year on year, weighed down by particularly disappointing second half cargo volumes into China.

Chinese coal imports declined 11% by 36 million tonnes due to slower economic growth, increased use of hydro-electric power and China's actions to protect its domestic coal industry at the expense of imports. Conversely, coal imports into India grew by 26 million tonnes – not enough to balance China's reduction.

The Indonesian ban on bauxite and nickel ore exports impacted global minor bulk trades throughout the year. China replaced some imports of these two commodities from other countries, but the overall impact on dry bulk demand was negative.

Chinese imports of iron ore grew by a healthy 14% or 113 million tonnes, particularly out of Australia where mining capacity had been increased, taking away market share from Brazilian miners. This resulted in a shorter average sailing distance thereby impacting tonne-mile demand for large bulk carriers.

Other Chinese dry bulk imports increased, although insufficiently to counter balance the above negative factors.

SHIP VALUES

Ship values started strong but declined over the year influenced by the weakening freight market and, in the fourth quarter, the effect of the weakening Japanese Yen allowing Japanese sellers to accept lower US Dollar prices. Clarksons currently value their benchmark five year old Handysize at US$14.5 million - a level last seen in 2003.

Handysize newbuilding prices remained relatively flat over the year and currently stand at US$22 million.

ORDERBOOK

The Handysize orderbook currently stands at 23% and the overall dry bulk orderbook stands at 21%. This size of orderbook remains an obstacle to restoring a healthier supply/demand balance in the freight market.

New ship orders placed (representing 8% of the fleet) decreased steadily during 2014 to the lowest levels since 2001.

The majority of dry bulk capacity on order is from Chinese shipyards, and we expect current market pressures to result in actual deliveries falling well short of scheduled deliveries.

PACIFIC BASIN DRY BULK

OUR PERFORMANCE IN 2014

Our Pacific Basin Dry Bulk business generated a net loss of US$30.0 million (2013: US$26.1 million profit) and a positive EBITDA of US$94.0 million.

This disappointing performance reflects the impact of weak dry bulk spot market rates, which fell more than 60% over the year. Additionally the Group's consolidated results were affected by non-cash accounting charges and provisions of US$130 million comprising:

- a non-cash provision of US$101 million for inward chartered vessel contracts taken at higher rates primarily in 2010; and
- a non-cash unrealised derivative charge of US$29 million relating mainly to the fair value change of bunker fuel hedges following a more than 50% drop in fuel prices.

Dry Bulk net (loss)

US$(30)m

Dry Bulk EBITDA

US$94m

Our positive EBITDA in this challenging market was driven by our ability to generate daily earnings that outperformed the market and by our continued good control of our owned vessel operating costs.

Segment Operating Performance

US$ Million	1H14	2H14	2014	2013	Change
Handysize contribution	26.2	2.3	**28.5**	51.9	-45%
Handymax contribution	(10.7)	(4.1)	**(14.8)**	8.5	-274%
Post-Panamax contribution	2.7	2.8	**5.5**	5.7	-5%
Segment operating performance before overheads	18.2	1.0	**19.2**	66.1	-71%
Direct overheads	(24.7)	(24.5)	**(49.2)**	(40.0)	-23%
Segment net (loss)/profit	(6.5)	(23.5)	**(30.0)**	26.1	-215%
Segment EBITDA	53.4	40.6	**94.0**	115.0	-18%
Segment vessel net book value	1,545.0	1,539.0	**1,539.0**	1,436.3	+7%
Segment net assets	663.0	516.9	**516.9**	494.5	+5%

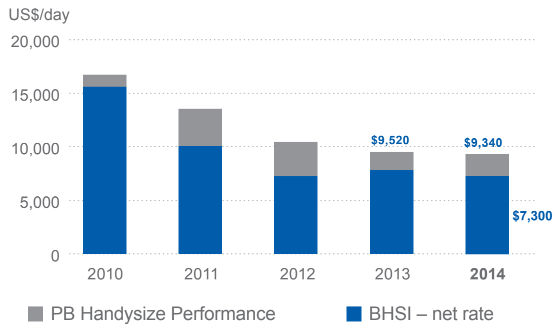
Headcount increased primarily due to the significant expansion of our owned fleet

KEY PERFORMANCE INDICATORS

Performance vs Market

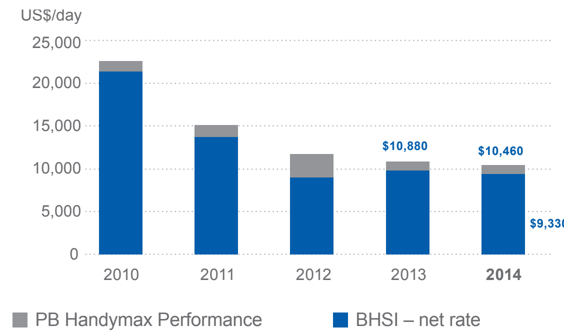
Handysize

28% outperformance compared to market



Handymax

12% outperformance compared to market

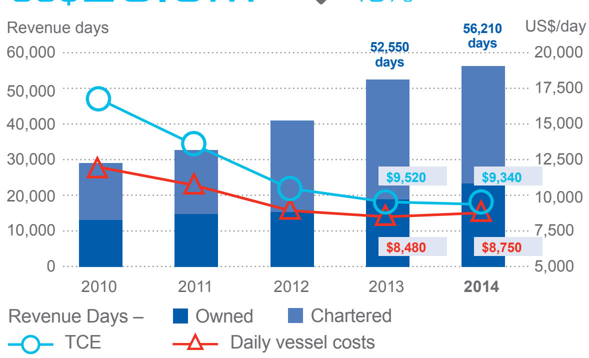


- Our outperformance compared to spot market indices reflects the value of our business model, fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes

Profitability

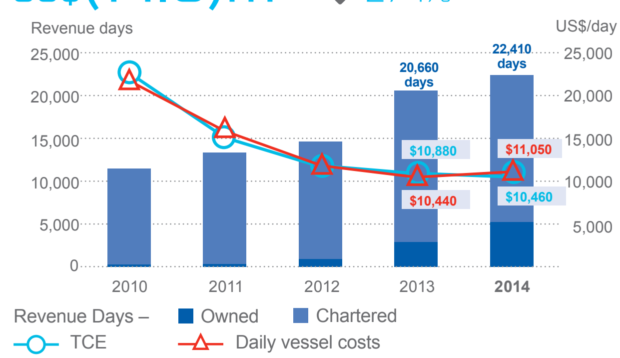
Handysize

US$28.5m 45%



Handymax

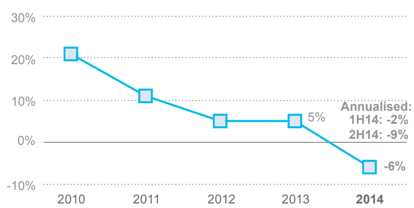
US$(14.8)m 274%



- In difficult market conditions, we generated Handysize daily earnings of US$9,340 and daily costs of US$8,750 on 56,210 revenue days
- We operated an average of 155 Handysize and 62 Handymax ships resulting in 7% and 9% year-on-year increases in our Handysize and Handymax revenue days
- Our capacity increased as our purchased vessels continued to deliver, increasing the proportion of our owned ships and enhancing our service to customers
- Handymax vessels chartered in on a short-term basis at higher cost at the end of 2013 impacted our first half performance, and we incurred losses on long-term chartered ships we took at higher rates primarily in 2010

Return on net assets

(6)% annualised 11 points

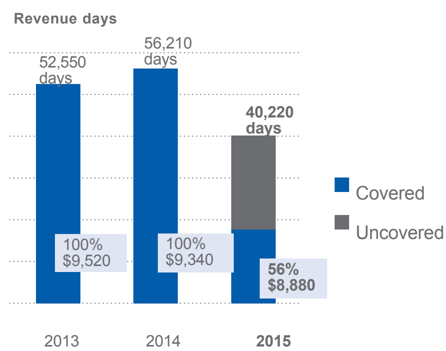


- Our return on dry bulk net assets was negative 6%
- We aim to achieve solid long-term returns on assets, so we have invested counter-cyclically for enhanced returns in stronger markets
- As our owned fleet of dry bulk ships expands and we securing new loans, additional finance costs and borrowings were fully allocated from Treasury to our dry bulk segment thus impacting our dry bulk segment net assets

Future Earnings and Cargo Cover

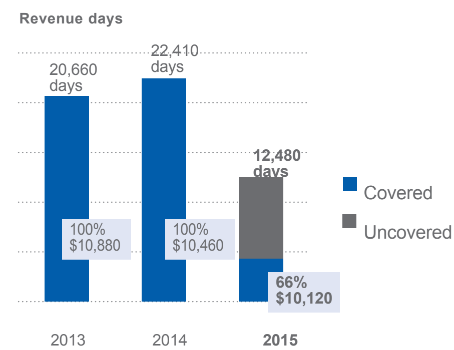
Handysize

56% cover for 2015 at US$8,880 per day



Handymax

66% cover for 2015 at US$10,120 per day



- We have covered 56% and 66% of our 40,220 Handysize and 12,480 Handymax revenue days currently contracted for 2015
(cargo cover excludes revenue days related to inward-chartered vessels on variable, index-linked rates)
- While ship operators such as ourselves typically face significant exposure to the spot market, our long-term contract cover provides a degree of earnings visibility

OUR BUSINESS HIGHLIGHTS

Our Fleet (Physical Capital)

We have taken delivery of all 33 high-quality secondhand ships that we committed to purchase since late 2012 at prices which we consider attractive for the long term. Together with a number of delivered newbuildings, they have more than doubled the size of our owned fleet and slotted well into our cargo systems, and are performing well and making a positive cash contribution in a weak market.

We currently operate 218 dry bulk ships of which 80 are owned, 41 are long-term chartered and 97 are on index-linked or short-term charters. A further 18 owned and 14 chartered newbuildings are scheduled to join our core fleet over the next two years, which will increase the number of our owned fleet to a record of almost 100 dry bulk ships.

Our owned fleet expansion programme cemented our position as the world's largest owner and operator of Handysize ships complemented by a sizeable Handymax fleet. The increased scale of our fleet of owned and long-term chartered "Handies" – supported by our award-winning in-house technical management team – ensures our ability to deliver industry-leading reliability and shipment frequency and a competitive service for our customers without over-depending on third-party spot market ships.

Our Staff and Office Network (Human Capital)

Our service delivery is backed by 11 customer-facing offices from which our dynamic regional chartering and operations teams of 29 nationalities provide our customers with localised commercial and operational support. Our global network covers all major continents and oceans so that we can offer a reliable, tailored and flexible freight service anywhere in the world and at any time.

We strengthened our in-house technical management team in Hong Kong in tandem with the expansion of our owned fleet. We now employ around 3,000 seafarers and, both ashore and at sea, we continue to operate to the highest workplace and operating standards to ensure healthy working conditions and a strong safety culture.

Our Partners (Relationship Capital)

Underpinning our strength is the endorsement and support we have earned from our over 400 customers for whom we carried 52 million tonnes of cargo in 2014. Despite weak forward market pricing, we continued to secure several multi-year cargo contracts – extending up to 2022 – at reasonable long-term freight rates for us and our customers alike. We work hard to build and maintain understanding, trust and support with our partners, including also tonnage providers, suppliers and agents.

In part due to our partners' strong endorsement of Pacific Basin, we were awarded the first ever "BIMCO Shipping Company of the Year" award for our innovative customer service and solid service reliability – high recognition and a great honour coming from our industry's largest association.

Our Fleet/Cargo Optimisation (Intellectual Capital)

Our ability to combine our physical, human, relationship and other Capitals – leveraging one against the other – is what enables us to outperform. The synergies of our fleet scale, global office network, efficient cargo systems and operational expertise enable us to generate average daily vessel earnings which outperformed the BHSI and BSI spot market indices by 28% and 12% respectively in 2014.

Our ability to combine our Capitals also makes Pacific Basin stand out as a strong, transparent, long-term counterparty for cargo customers and tonnage providers alike. We offer a healthy, visible balance sheet and a performance track record to match. We are committed to responsible business practices and a high standard of corporate social responsibility which we consider a necessary obligation to all our counterparties and stakeholders.

OUTLOOK

Dry Bulk Market Outlook

Opportunities

- Growth in Chinese imports of minor bulk commodities
- Solid US economic growth providing stimulus to the global economy
- Lower oil and other commodity prices stimulating greater demand, industrial output and dry bulk exports
- Market pressures causing actual newbuilding deliveries to fall significantly short of scheduled deliveries

Threats

- Low fuel prices causing a general increase in vessel operating speeds potentially increasing global shipping supply
- Further reduction in Chinese economic growth
- Lower commodity prices shutting out smaller producers often using Handysize or Handymax ships
- Declining newbuilding prices may lead to increased new ship ordering and excessive fleet growth
- Greater national protectionism favouring domestic supplies over foreign imports

Outlook for our Dry Bulk Business

At the time of writing, the Baltic Dry Index (BDI) is at its lowest since indices began in 1985 and the freight market has become dysfunctional in some regions where cargo availability is very limited – exacerbated by the lull around the lunar new year holidays in China.

2015 has started with a larger dry bulk supply surplus than a year ago due to the unexpected failure of demand to outpace moderate fleet growth last year.

Demand growth continues to be threatened by the Indonesian mineral exports ban, reduced Chinese coal imports, lower growth in Chinese economic and industrial development, and the softer growth outlook for most developed economies with the notable exception of the US.

Low crude oil and other commodity prices in time may stimulate the Chinese and OECD economic and industrial output, but they pose a significant threat to dry bulk shipping in the nearer term. Low fuel prices and, in turn, a return to normal vessel operating speeds threaten to worsen the demand-supply imbalance and impede any freight market recovery.

Consequently, we take a cautious view on the freight earnings outlook in the medium term.

The longer term outlook for our own business remains more positive as the versatile Handysize vessel class is better protected in weak markets by greater geographical and cargo diversification and less exposure to the iron ore and coal trades where the vessel surplus is concentrated. In addition, we acquired most of our ships at historically attractive prices, so our large owned fleet benefits from a competitive cost base that helps us to weather protracted market weakness.

Strategy

Our core business remains firmly focused on the Handysize and Handymax segments and these will receive even more of our attention as our towage business scales down.

We are managing our business for a weak market scenario over the coming few years which ensures we are also well placed to capitalise on improved trading conditions, should they return sooner. We strive to deliver profitable contributions even in a weak market, and we seek to safeguard the Company's continued strong cash position and EBITDA generation.

We are working hard on making our dry bulk platform even more robust. That includes initiatives to reduce our costs and grow our customer relationships which enhance our access to cargoes – in turn facilitating our continued outperformance of the market.

Good control of our vessel operating expenses, efficient workflows and minimising administrative costs are especially important in these difficult times. We are implementing new ship management and accounting software to facilitate these objectives.

In Handymax, we will concentrate our fleet and cargo focus on a tighter geographical range to enable better ship-cargo matching and to optimise our front and backhaul combinations to generate better vessel earnings.

While we are currently neither buying nor taking ships on long-term charter, we will continue to supplement our core fleet with low-rate short-term chartered ships, which make a good contribution to our service and our results even in the depressed market.

However, this difficult market will present acquisition and chartering opportunities for companies able to access capital.

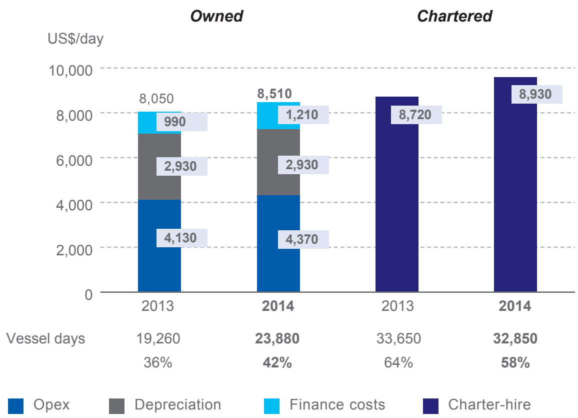
We remain satisfied with our 51 acquisitions from late 2012 to early 2014, we have more than doubled our owned fleet at historically attractive prices and have enhanced our competitive cost base. All are well suited to our cargo systems, and will leverage the market recovery when it comes.

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.

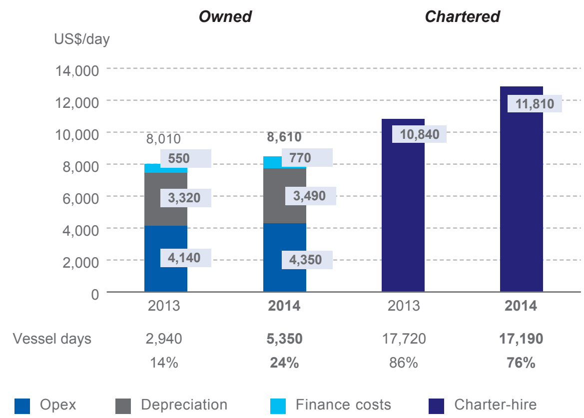
Handysize Daily Vessel Costs

Blended US$8,750 (2013: US$8,480)



Handymax Daily Vessel Costs

Blended US$11,050 (2013: US$10,440)



Our dry bulk fleet incurred cost of services (including bunker fuel costs and port disbursements) of US$1.63 billion (2013: US$1.55 billion) representing 93% of total Group cost of services (2013: 94%).

Our proportion of owned Handysize and Handymax vessels increased 6% and 10% to 42% and 24% respectively with the delivery of purchased vessels. That proportion will increase further as our remaining 18 owned newbuildings deliver.

Opex – The daily opex element of our vessel costs increased 6% for Handysize and 5% for Handymax mainly due to increase in crew wages and more vessels on Atlantic trading which incurred higher costs for stores and spares.

Depreciation – Handysize daily depreciation (including capitalisation of dry-docking costs) was substantially unchanged compared to 2013. Handymax daily depreciation increased due to delivery of our newer and larger size vessels.

Finance costs – Daily finance costs increased due to i) the reallocation of all the financing and associated costs for dry bulk vessels from treasury to the Pacific Basin Dry Bulk segment, and ii) the increase in bank borrowings.

Charter-hire – Chartered-in days represented 58% and 76% of our total Handysize and Handymax vessel days respectively. Our Handysize chartered-in days decreased 2% to 32,850 days (2013: 33,650 days) while our Handymax chartered-in days decreased 3% to 17,190 days (2013: 17,720 days). We reduced the use of chartered vessels with the delivery of our vessel purchases. A non-cash provision of US$101 million was made for inward chartered vessel contracts taken at higher rates primary in 2010.

Daily cash cost – Our average owned and chartered daily cash cost was US$7,520 (2013: US$7,410) for our Handysize fleet and US$10,220 (2013: US$9,970) for our Handymax fleet. With the delivery of our committed newbuildings, the number of Handysize and Handymax owned vessel days in 2015 are expected to increase to 24,970 and 5,650 respectively. Applying the same daily opex and finance costs as in 2014, and applying the existing committed 13,500 Handysize and 5,440 Handymax inward chartered vessel days, the average owned and chartered daily cash cost would be US$7,020 for our Handysize fleet and US$8,440 for our Handymax fleet.

Direct overheads comprise chartering, operations and technical staff and office costs related to our dry bulk ships. Its increase was mainly due to the full-year effect of a step increase in dry bulk headcount following a 31% increase in owned vessels and overhead cost inflation. Spread across our vessel days, the US$49.2 million aggregate overhead translated into a 15% increase in daily cost to US$620 per day (2013: US$540 per day), reverting to 2011 and 2012 levels.

During the year, we secured 11,740 Handysize vessel days (2013: 10,980 days) and 2,540 Handymax vessel days (2013: 2,190 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 36% and 15% of our chartered Handysize and Handymax vessel days respectively.
Our fleet of owned and finance-leased dry bulk vessels experienced an average 0.4 days unplanned technical off-hire per vessel during the period – down from 2.0 days in 2013.

PB TOWAGE

OUR PERFORMANCE AND BUSINESS HIGHLIGHTS

Our PB Towage division generated a net loss of US$15.1 million in 2014 reflecting the impact on our revenues of an increasingly competitive landscape. Additionally, the Group's consolidated results were affected by towage-related one-off items including:

- non-cash impairments and provisions of US$70.5 million mainly comprising the US$63.9 million impairment and provision we booked in the first half; and
- business disposal losses of US$7.6 million and related exchange losses of US$12.7 million. These comprised the sale of i) our harbour towage business (US$9.9 million net book loss and US$9.3 million exchange loss) and ii) our interest in the OMSA joint venture (US$2.3 million net book gain and US$3.4 million exchange loss).

Segment Operating Performance

US$ Million	1H14	2H14	**2014**	2013	Change
Offshore & Infrastructure projects	(2.6)	4.1	**1.5**	21.3	-93%
Harbour towage	2.4	(1.8)	**0.6**	8.2	-93%
Segment operating performance before overheads	(0.2)	2.3	**2.1**	29.5	-93%
Direct overheads	(9.0)	(8.2)	**(17.2)**	(19.0)	+9%
Segment net (loss)/profit	(9.2)	(5.9)	**(15.1)**	10.5	-244%
Segment EBITDA	(3.0)	(3.0)	**(6.0)**	24.2	-125%
Segment vessel net book value	126.1	41.5	**41.5**	181.6	-77%
Segment net assets	136.8	106.7	**106.7**	203.9	-48%

Offshore Towage

In the offshore towage sector, the wind-down of the construction of Gorgon and other gas projects resulted in increasing competition for fewer employment opportunities, which reduced the revenue of our fleet.

As announced on 17 November 2014, we sold our 50% interest in the Gorgon-focused OMSA joint venture to our joint-venture partner resulting in an expected US$3.5 million gain on disposal and US$3.4 million non-cash charge from foreign exchange reserves. US$1.2 million of the gain has been reclassified as consultancy fees most of which will arise in 2015. Sale proceeds equivalent to US$9.4 million have been received, including an amount of US$6 million which we received in January 2015.

Our barging project for Western Desert Resources (WDR) was restructured resulting in unrecoverable project costs of US$3.5 million in the first half of 2014. WDR entered into voluntary administration in September. The administrator has not yet been able to find a buyer for the business, and so we have booked additional charges of US$5.7 million (based on year-end exchange rates) against the debts owing from WDR and the impaired value of vessels, as described in our 11 September announcement.

Harbour Towage

Our harbour towage activity was affected by reducing port volumes and increased competition in open ports, and our discussion with PSA Marine did not produce an offer for our harbour towage business. This led us to reassess the prospects for PB Towage necessitating a non-cash impairment charge and a provision in our interim results.

We reached agreement in December to sell our harbour towage business to Smit Lamnalco. The transaction has completed, generating in our consolidated 2014 results: i) a net book loss of US$9.9 million (US$0.9 million higher than announced due to the weaker Australian Dollar and the change in working capital at disposal), and ii) a US$9.3 million non-cash charge from foreign exchange reserves (US$0.6 million higher than announced due to the weaker Australian Dollar).

The disposal of the business as a going concern ensured that the staff and crew transferred as an integral part of the transaction and saves us the significant cost of vessel dockings scheduled for this year. The disposal, along with the sale of a tug and a barge to the same buyer, generated proceeds equivalent to US$63 million which we received on completion in February 2015.

Towage Outlook & Strategy

The completion of this harbour towage transaction and other asset sales leaves Pacific Basin with a towage vessel net book value of US$41.5 million including 13 offshore tugs and 6 barges.

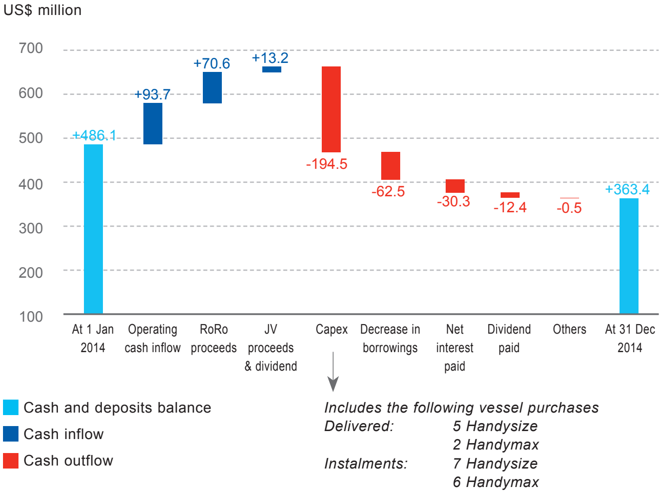
We have downsized our New Zealand and Australian offshore towage organisation significantly, with 2015 direct overheads of the remaining towage operations expected to be below US$5 million. Our remaining towage presence is primarily in the Middle East where we have repositioned some of our offshore tugs from Australia and employment prospects are better. However, the outlook for offshore towage remains challenging and is worsened by the fall in oil prices, which is affecting oil and gas projects.

Our remaining fleet in Australasia includes a few offshore tugs still on charter to OMSA and the laid-up vessels released from the defunct WDR project, which we are looking to sell.

FUNDING

CASH FLOW AND CASH

2014 Sources and Uses of Group Cash Flow



The Group's four main sources of funds are operating cash flows, bank loans, convertible bonds and equity.

As part of the ordinary activities of the Group, the Treasury function actively manages the cash and borrowings of the Group to ensure sufficient funds are available to meet the Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long term, the Group aims to maintain a conservative consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of property, plant and equipment – which we believe is sustainable over all stages of the shipping cycle.

CURRENT POSITION AND OUTLOOK

- In late 2014, we drew down US$122 million of new secured bank borrowings.
- As at 31 December 2014, the Group had cash and deposits of US$363.4 million resulting in a 40% net gearing ratio.
- US$179 million of bank borrowings and finance lease liabilities will be repaid in 2015. These include US$89 million in bank loans due that will release 11 vessels from mortgages that can be used for further financing.
- US$350 million of undrawn committed Japanese export credit facilities will largely fund US$385 million of our newbuilding commitments. In 2015, we expect to draw down US$94 million from such Japanese export credit facilities which will fund newbuilding commitments of US$109 million due in the same year.
- Towage sale proceeds of US$69 million were received in early 2015.
- RoRo vessel sale proceeds of about US$60 million are expected in 2015.
- The 2016 convertible bonds principal repayment is able to be funded through both new bank borrowing facilities to be arranged during 2015 using unmortgaged dry bulk vessels and the proceeds from the towage sales.

CASH FLOW

The major factors influencing future cash balances are operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings.

CASH AND DEPOSITS

Treasury is permitted to invest in a range of cash and investment products subject to limits specified in the Group Treasury Policy. These include overnight and term deposits, money market funds, liquidity funds, certificates of deposit, structured notes, and currency-linked deposits.

Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

The split of current and long-term cash, deposits and borrowings is analysed as follows:

US$ Million	2014	2013	Change
Cash and deposits	361.7	483.2	
Restricted bank deposits – non-current – current	 0.1 1.6	 1.3 1.6	
Total cash and deposits	**363.4**	486.1	-25%
Current portion of long-term borrowings	(179.1)	(328.6)	
Long-term borrowings	(820.6)	(708.7)	
Total borrowings	**(999.7)**	(1,037.3)	+4%
Net borrowings	(636.3)	(551.2)	-15%
Net borrowings to net book value of property, plant and equipment KPI	40.1%	34.0%	
Net borrowings to shareholders' equity	63.5%	42.3%	
Net working capital	294.7	259.3	+14%

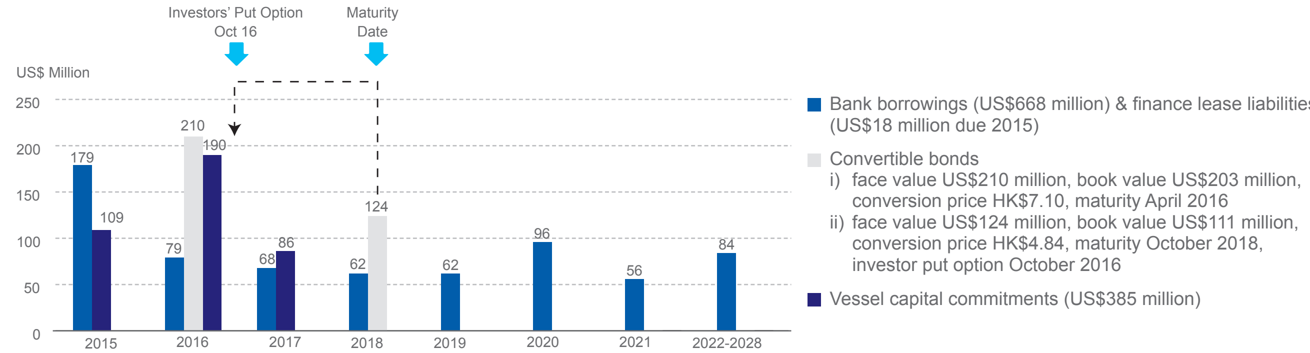
The Group's cash and deposits at 31 December 2014 comprised US$353.9 million in United States Dollars and US$9.5 million in other currencies. They are primarily placed in liquid deposits of 3 months or less and saving accounts to maintain the liquidity to meet the Group's vessel purchase commitments and working capital needs.

Restricted bank deposits at 31 December 2014 primarily relate to additional collateral for certain bank borrowings. The equivalent in 2013 included collateral pledged to maintain guarantees issued for the Towage segment.

During the year, Treasury achieved a 1.2% return on Group cash. Interest income is benchmarked against a target yield of 0.7% being 50 basis point above 3-month USD LIBOR.

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



The Group's Treasury function arranges financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. Borrowings comprise:

- bank borrowings;
- the debt element of convertible bonds; and
- finance lease liabilities.

The aggregate borrowings of the Group amounted to US$999.7 million (2013: US$1,037.3 million). They are denominated in United States Dollars, except at 31 December 2013 bank loans equivalent to US$22.2 million are denominated in Australian Dollars.

BANK BORROWINGS

Bank borrowings (net of deferred loan arrangement fees) were US$668.0 million (2013: US$690.4 million) at 31 December 2014 and are in the functional currency of the business segment to which they relate. Bank borrowings reduced during the year in line with loan amortisation. Towards the year end we drew down total new bank borrowings of US$122 million – secured on 12 vessels – which will refinance the US$89 million of loans due in the first half of 2015. In addition, the Group secured additional Japanese export credit facilities totalling US$350.2 million for 18 newbuildings. The loans under these facilities will be drawn after the delivery of the vessels, starting with US$94 million which is expected to be drawn in the second half of 2015.

The Group monitors the loans-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group pledges additional cash or offers additional unmortgaged vessels as collateral.

As at 31 December 2014:

- The Group's bank borrowings were secured by mortgages over 69 (2013: 73) vessels with a total net book value of US$1,246.1 million (2013: US$1,225.4 million) and an assignment of earnings and insurances in respect of these vessels.
- The Group had 30 (2013: 41) unmortgaged vessels with a total net book value of US$262.0 million (2013: US$338.4 million) split into 11 dry bulk ships with a net book value of US$220.5 million and 19 tugs and barges with a net book value of US$41.5 million.
- The Group has been in compliance with all its loans-to-asset value requirements.
- The Group had undrawn committed bank borrowing facilities of US$350.2 million (2013: US$23.8 million).

P/L impact:

The increase in interest (after capitalisation) to US$19.2 million (2013: US$11.3 million) was mainly due to an increase in average bank borrowings to US$647.3 million (2013: US$464.2 million) and the decrease in interest capitalised to undelivered newbuild vessels to US$0.2 million (2013: US$3.3 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

FINANCE LEASE LIABILITIES

Finance lease liabilities decreased following scheduled repayments during the year. Finance lease liabilities are allocated to the dry bulk segment in which the assets are owned.

Finance lease liabilities as at 31 December 2014 were US$18.3 million (2013: US$23.0 million) relating to three Handysize vessels with a total net book value of US$19.1 million (2013: three with a total net book value of US$25.0 million) whose bareboat charters expire in December 2015. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

Pursuant to the terms of the bareboat charters, the Group has the option to individually re-purchase each of the three Handysize vessels at any time with three months' notice during the bareboat charter period.

P/L impact:

Finance charges of US$1.4 million (2013: US$5.8 million) represent interest payments on Handysize vessels under finance leases.

CONVERTIBLE BONDS

The debt components of the 1.75% p.a. coupon April 2016 convertible bonds and 1.875% p.a. coupon October 2018 convertible bonds changed to US$202.8 million and US$110.6 million respectively (2013: US$216.4 million and US$107.4 million) at 31 December 2014. The overall decrease in the debt component amount is mainly due to the partial repayment of the 2016 convertible bonds with a face value of US$20.4 million on 12 April 2014, following the exercise by certain bondholders of their right to redeem the bonds at 100% of the principal amount pursuant to the terms and conditions of the bonds.

The 2016 convertible bonds principal repayment is able to be funded through both new bank borrowing facilities to be arranged during 2015 using unmortgaged dry bulk vessels and the proceeds from the towage sales.

P/L impact:

The US$15.0 million (2013: US$15.2 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9%.

FINANCE COSTS

FINANCE COSTS BY NATURE

US$ Million	Average interest rate P/L	Cash	Balance at 31 December 2014	Finance costs 2014	2013	(Increase)/ decrease in finance costs
Bank borrowings including realised interest rate swap contracts	3.9%	3.9%	668.0	27.8	17.1	(63%)
Finance lease liabilities	6.6%	6.6%	18.3	1.4	5.8	76%
Convertible bonds	4.9%	1.8%	313.4	15.0	15.2	1%
	4.3%	3.3%	999.7	44.2	38.1	(16%)
Finance lease purchase option termination expenses				–	15.3	
Unrealised interest rate swap income				(1.7)	(2.0)	
Other finance charges				1.1	0.7	
Total finance costs				43.6	52.1	16%

The KPIs on which management focuses to assess the cost of borrowings are:

- Average interest rates for the sources of borrowings (see table above)
- Group Interest Coverage

	2014	2013
Group Interest Coverage	**1.9x**	2.3x

Group Interest Coverage is calculated as EBITDA divided by total gross finance costs

Our dry bulk and towage operations incurred finance costs of US$43.6 million (2013: US$52.1 million). Included in the 2013 finance costs were US$15.3 million termination costs of the embedded fixed interest rate swap contracts associated with exercising the 10 purchase options on finance-leased vessels.

Following the Group's dry bulk vessel acquisitions and after securing new loans, additional finance costs and borrowings were allocated from Treasury to the dry bulk segment, thus reducing the segment net assets.

For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the business segments. Consequently, the Treasury segment has nil net finance cost.

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. During the year, US$8.6 million of interest rate swap contract costs were realised and US$1.7 million of unrealised gains arose resulting in a net US$6.9 million swap contract charge. As at 31 December 2014, 12% (2013: 10%) of the Group's long-term borrowings were subject to floating interest rates. As at 31 December 2015 and 2016, we expect 14% and 25% of the Group's existing and committed long-term borrowings will be subject to floating interest rates.

DELIVERED VESSELS

As at 31 December 2014, the Group had delivered vessels with a net book value of US$1,528 million as follows:

		Number	Average size (dwt tonnes)	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Dry Bulk	Handysize	67	31,500	8.9	16.1	1,081
Dry Bulk	Handymax	15	55,500	5.9	23.7	356
Dry Bulk	Post-Panamax	1	115,000	3.0	49.3	49
Towage	Tugs & Barges	19	N/A	9.1	2.2	42

Precise vessel market values are difficult to determine when buying interest is limited in uncertain shipping markets. Latest estimated fair market values published by Clarksons are US$14.5 million and US$17.5 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

Tugs and barges are denominated in their functional currency of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

VESSEL COMMITMENTS

As at 31 December 2014, the Group had vessel commitments of US$384.7 million. These vessels are scheduled to deliver to the Group between July 2015 and April 2017.

(US$ Million)	Number of vessels	2015	2016	2017	Total
Contracted and authorised commitments					
Handysize vessels	12	85.4	129.8	34.7	249.9
Handymax vessels	6	23.3	59.9	51.6	134.8
	18	108.7	189.7	86.3	384.7
Funding					
Planned drawdown of committed Japanese export credit facilities		(94.3)	(153.6)	(102.3)	(350.2)

These commitments, along with future potential vessel acquisitions, will be financed by a combination of cash generated by the Group's operations, existing cash and committed long-term borrowings. Where commitments are in currencies other than USD, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

VESSEL PURCHASE OPTIONS

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the Group's existing purchase options in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in those years, are as follows:

Earliest year in which options may be exercised	Vessel type	Number of vessels at 31 December 2014[2]	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2015	Handysize	1	7	13.9
2016	Handysize	2	5	25.6
	Handymax	1	5	30.0
	Post-Panamax	1	5	44.4
2017	Handysize	2	9	17.3
2020	Handysize	4	5	22.8
2021	Handysize	2	6	23.9
	Handymax	1	5	29.3
2022	Handymax	1	7	27.0
2025	Handysize	1	7	27.6
Total		16		

Note 1: Includes certain purchase options priced in Japanese Yen.
Note 2: In respect of three finance lease vessels with an average age of 17 years, we hold purchase options which are currently exercisable at an average price of US$6.1 million.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$877.8 million (2013: US$854.1 million), comprising: US$590.2 million for Handysize; US$244.9 million for Handymax; US$42.5 million for Post-Panamax; and US$0.2 million for tugs.

Our Handysize operating lease committed days decreased 1.8% to 56,560 days (2013: 57,600 days) while our Handymax operating lease committed days increased 34.1% to 19,410 days (2013: 14,470 days).

As part of Other Expenses, the Group made a US$100.9 million provision in the year ended 31 December 2014 for the remaining charter periods of Handysize and Handymax time charter contracts substantially all of which expire in the next five years as the average inward charter rates are higher than the likely average rate for time charter equivalent earnings during those charter periods. The provision will be released back to the income statement in the periods in which the charter payments for these vessels are due, as follows:

Year	Handysize	Handymax	US$ Million Total
2015	12.3	9.0	21.3
2016	13.0	11.5	24.5
2017	10.6	9.4	20.0
2018	10.6	8.3	18.9
2019	9.6	6.6	16.2
Total	56.1	44.8	100.9

The following table shows the average contracted daily charter rates and the annual total number of vessel days of our chartered-in Handysize and Handymax vessels during their remaining operating lease terms by year, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

COMMITMENTS EXCLUDING INDEX-LINKED VESSELS

	Handysize			Handymax		
		Average daily rate			Average daily rate	
Year	Vessel days	Before provision write-back (US$)	After provision write-back (US$)	Vessel days	Before provision write-back (US$)	After provision write-back (US$)
2015	13,500	9,670	8,760	5,440	11,880	10,230
2016	8,920	10,310	8,850	3,490	12,900	9,600
2017	8,470	10,310	9,060	2,920	12,950	9,730
2018	7,340	10,830	9,390	2,730	12,940	9,900
2019	6,620	10,970	9,520	2,190	12,950	9,940
2020+	11,710	10,950		2,640	12,810	
Total	56,560			19,410		
Aggregate operating lease commitments		US$590.2m			US$244.9m	

2015 COMMITMENTS INCLUDING INDEX-LINKED VESSELS

Our fixed, after provision, rate and variable rate index-linked lease commitments showing 2014 completed and 2015 outstanding lease periods can be analysed as follows:

	2014		**1H2015**		**2H2015**	
Handysize	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long-term (> 1 year)	10,530	9,690	6,040	8,770	5,690	8,940
Short-term	10,580	8,940	1,770	8,120	–	–
Index-linked	11,740	8,110	4,200	Market rate	2,530	Market rate
Total	32,850	8,930	12,010		8,220	
Handymax						
Long-term (> 1 year)	3,940	12,530	1,850	10,340	1,840	10,710
Short-term	10,710	12,000	1,750	9,640	–	–
Index-linked	2,540	9,910	670	Market rate	380	Market rate
Total	17,190	11,810	4,270		2,220	

Index-linked vessel operating lease commitments refer to leases with market-linked variable charter rates. The variable charter rates are linked to the Baltic Handysize Index or Baltic Supramax Index (as applicable) and adjusted – usually upwards – to reflect differences in the vessels' characteristics compared to Baltic indices reference vessels. Vessels we chartered are typically larger and more fuel efficient than index reference vessels.

FINANCIAL STATEMENTS

GROUP PERFORMANCE REVIEW

US$ Million	2014	2013	Change
Revenue	1,718.5	1,708.8	+1%
Cost of services	(1,758.1)	(1,653.7)	-6%
Gross (loss)/profit	(39.6)	55.1	-172%
Segment net (loss)/profit	(45.9)	36.0	-228%
Treasury	–	(4.4)	+100%
Discontinued operations – RoRo	(0.2)	(0.5)	+60%
Indirect general and administrative expenses	(9.4)	(15.5)	+40%
Underlying (loss)/profit	(55.5)	15.6	-456%
Sale of harbour towage and OMSA JV	(7.6)	–	
Towage exchange (loss)/gain	(12.7)	5.1	
Provision for onerous contracts	(100.9)	(0.7)	
Towage impairments and provisions	(70.5)	–	
Unrealised derivative (expenses)/income	(28.9)	1.8	
RoRo exchange loss	(5.0)	(7.8)	
Other impairments and provisions	(3.9)	2.8	
Expenses relating to exercising 10 finance lease purchase options	–	(15.3)	
(Loss)/profit attributable to shareholders	(285.0)	1.5	>-100%
EBITDA	82.2	118.2	-30%
Net profit margin	-17%	0%	-17%
Return on average equity employed	-23%	0%	-23%

The main drivers of our results in 2014 were as follows:

- Revenue grew by 1% mainly due to 7% and 9% increases in our total Handysize and Handymax revenue days respectively, offset by decreases in our daily charter rates
- Cost of services grew 6% mainly due to increases in vessel operating costs attributable to the growth of our dry bulk fleet
- Indirect general and administrative expenses decreased mainly due to one-off wind-down costs of certain non-core operations in 2013
- Segment and underlying results turned to net losses mainly due to both a weak dry bulk market and weak towage results
- losses of US$7.6 million from the disposals of both our harbour towage business and OMSA and their related non-cash exchange losses of US$12.7 million
- a non-cash provision of US$100.9 million for inward chartered vessels contracts
- non-cash Towage vessel impairments and provisions of US$70.5 million
- an unrealised derivative charge of US$28.9 million from a reduction in average oil prices affecting our bunker fuel swap contracts

EBITDA amounted to US$82.2 million (2013: US$118.2 million) contributing to a positive operating cash flow

Cash and deposits at the year end of US$363.4 million (2013: US$486.1 million)

SEGMENT NET PROFIT

US$ Million	2014	2013
Pacific Basin Dry Bulk	(30.0)	26.1
PB Towage	(15.1)	10.5
All other segments	(0.8)	(0.6)
Segment net (loss)/profit	(45.9)	36.0

SEGMENTS

Management analyses the Group's performance in two reporting segments:

- Pacific Basin Dry Bulk
- PB Towage

Non-segment activities mainly comprise:

- Treasury
- PB RoRo, discontinued in September 2012

UNDERLYING PROFIT

Includes:

- Segment results
- Treasury results
- Discontinued operations
- Indirect general and administrative expenses

Excludes:

- Disposal gains and losses, and impairments
- Unrealised non-cash portion of results from derivative instruments relating to future periods

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 December 2014 US$'000	2013 US$'000
Continuing operations			
Revenue		**1,718,454**	1,708,792
Cost of services		**(1,758,078)**	(1,653,695)
Gross (loss)/profit		**(39,624)**	55,097
General and administrative expenses		**(9,353)**	(17,558)
Vessel impairment and provision		**(161,301)**	(656)
Other income and gains		**6,209**	8,735
Other expenses		**(32,000)**	(3,719)
Finance income		**10,789**	14,679
Finance costs		**(43,552)**	(52,122)
Share of profits less losses/impairment of joint ventures		**(8,193)**	5,028
Share of profits less losses/impairment of associates		**(1,500)**	1,542
(Loss)/profit before taxation	4	**(278,525)**	11,026
Taxation	5	**(1,217)**	(1,168)
(Loss)/profit for the year		**(279,742)**	9,858
Discontinued operations			
Loss for the year		**(5,222)**	(8,335)
(Loss)/profit attributable to shareholders		**(284,964)**	1,523
Dividends	6	**12,489**	12,490
Basic and diluted earnings per share			
for (loss)/profit attributable to shareholders (in US cents)	7		
From continuing operations		**(14.66)**	0.51
From discontinued operations		**(0.27)**	(0.43)
From (loss)/profit attributable to shareholders		**(14.93)**	0.08

Please see Note 3(A) for income statement segment information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December 2014 US$'000	2013 US$'000
(Loss)/profit attributable to shareholders	**(284,964)**	1,523
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges:		
– fair value (losses)/gains	**(23,564)**	7,126
– transferred to finance costs in income statement	**8,485**	4,569
Release of exchange loss/(gain) from reserves to income statement for foreign operations upon:		
– disposal of harbour towage business	**9,312**	–
– disposal of a RoRo vessel	**5,022**	8,331
– disposal of OMSA JV	**4,374**	–
– repayment of shareholder loans by subsidiaries	**(1,015)**	(5,146)
Currency translation differences	**(7,986)**	(31,113)
Fair value (losses)/gains on available-for-sale financial assets	**(768)**	165
Total comprehensive income attributable to shareholders	**(291,104)**	(14,545)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,584,924**	1,622,297
Investment properties		**2,605**	2,675
Land use rights		**2,894**	2,971
Goodwill		**25,256**	25,256
Interests in joint ventures		**682**	26,650
Investments in associates		**–**	1,332
Available-for-sale financial assets		**4,126**	4,894
Derivative assets		**46**	13,175
Trade and other receivables	8	**8,936**	65,975
Restricted bank deposits		**89**	1,269
Other non-current assets		**–**	5,917
		1,629,558	1,772,411
Current assets			
Inventories		**79,524**	104,006
Derivative assets		**3,670**	2,238
Assets held for sale		**5,749**	–
Trade and other receivables	8	**225,679**	142,374
Restricted bank deposits		**1,605**	1,593
Cash and deposits		**361,731**	483,200
		677,958	733,411
Assets of discontinued operations classified as held for sale		**–**	31,624
		677,958	765,035
Total assets	3(B)	**2,307,516**	2,537,446
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**191,781**	193,237
Retained profits		**231,086**	526,582
Other reserves		**578,879**	584,475
Total equity		**1,001,746**	1,304,294
LIABILITIES			
Non-current liabilities			
Derivative liabilities		**22,326**	18,779
Long-term borrowings		**820,645**	708,660
Provision for onerous contracts		**79,582**	–
		922,553	727,439
Current liabilities			
Derivative liabilities		**23,524**	4,580
Trade and other payables	9	**157,698**	166,475
Current portion of long-term borrowings		**179,099**	328,565
Taxation payable		**1,572**	1,985
Provision for onerous contracts		**21,324**	656
		383,217	502,261
Liabilities of discontinued operations classified as held for sale		**–**	3,452
		383,217	505,713
Total liabilities	3(B)	**1,305,770**	1,233,152
Net current assets		**294,741**	259,322
Total assets less current liabilities		**1,924,299**	2,031,733

Please see Note 3(B) for balance sheet segment information.

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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").

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2. ADOPTION OF NEW/REVISED HKFRS

Certain amendments to standard are mandatory for the accounting period beginning 1 January 2014. However, the adoption of these amendments to standard does not result in any substantial change to the Group's accounting policies, although there are additional disclosures in respect of these amendments.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions. Reports are presented to the heads of divisions as well as the Board for the purpose of making strategic decisions, allocation of resources and assessing performance. The reportable operating segments in this note are consistent with how information is presented to the heads of divisions and the Board.

The Group's revenue has been primarily derived from the provision of dry bulk shipping services internationally, and towage services to the harbour and offshore sectors in Australia and New Zealand.

"Treasury" manages the Group's cash and borrowings.

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

3. SEGMENT INFORMATION (CONTINUED)

(A) Income Statement Segment Information

For the year ended 31 December 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	1,633,293	80,937	331	1,714,561	–	–	219	1,714,780	3,674	1,718,454
Freight and charter-hire	1,633,293 [1]	77,338	–	1,710,631	–	–	219[1]	1,710,850	3,674 [1]	1,714,524
Maritime management services	–	3,599	331	3,930	–	–	–	3,930	–	3,930
Bunker & port disbursements	(862,865)[2]	(6,046)	–	(868,911)	–	–	(30,687)[2]	(899,598)	899,598 [2]	–
Time charter equivalent earnings	770,428									
Cost of services	(767,023)	(90,795)	–	(857,818)	–	–	–	(857,818)	(900,260)	(1,758,078)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(899,598)[2]	(899,598)
Charter-hire expenses for vessels	(499,592)	(10,077)[4]	–	(509,669)	–	–	–	(509,669)	(662)[4]	(510,331)
Vessel operating costs	(127,618)	(53,672)	–	(181,290)	–	–	–	(181,290)	–	(181,290)
Depreciation of vessels	(90,584)	(9,880)	–	(100,464)	–	–	–	(100,464)	–	(100,464)
Direct overheads	(49,229)	(17,166)	–	(66,395)	–	–	–	(66,395)	–	(66,395)
Gross (loss)/profit	3,405	(15,904)	331	(12,168)	–	–	(30,468)	(42,636)	3,012	(39,624)
General and administrative expenses	–	–	–	–	–	–	(9,353)[3]	(9,353)	–	(9,353)
Vessel impairment and provision	–	–	–	–	–	–	(171,376)[5]	(171,376)	10,075 [6]	(161,301)
Other income and expenses	–	–	–	–	–	–	(22,779)[7]	(22,779)	(3,012)[1,4]	(25,791)
Finance costs, net	(33,441)	(1,004)	–	(34,445)	–	–	1,682[8]	(32,763)	–	(32,763)
Share of profits less losses/ impairment of joint ventures	–	1,882	–	1,882	–	–	–	1,882	(10,075)[6]	(8,193)
Share of profits less losses/ impairment of associates	–	–	–	–	–	–	(1,500)	(1,500)	–	(1,500)
(Loss)/profit before taxation	(30,036)	(15,026)	331	(44,731)	–	–	(233,794)	(278,525)	–	(278,525)
Taxation	–	(110)	(1,107)	(1,217)	–	–	–	(1,217)	–	(1,217)
Loss for the year	(30,036)	(15,136)	(776)	(45,948)	–	–	(233,794)	(279,742)	–	(279,742)
Discontinued operations										
Loss for the year	–	–	–	–	–	(200)	(5,022)[9]	(5,222)	–	(5,222)
Loss attributable to shareholders	(30,036)	(15,136)	(776)	(45,948)	–	(200)	(238,816)	(284,964)	–	(284,964)

Notes:

1) *Net unrealised forward freight agreement benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, both realised and unrealised benefits and expenses are reclassified to other income and other expenses. The related derivative assets and liabilities are under "Unallocated Others".*
2) *Net unrealised bunker swap contract benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, bunkers & port disbursements are reclassified to cost of services. The related derivative assets and liabilities are under "Unallocated Others".*
3) *"Unallocated Others" represents mainly corporate overheads.*
4) *Provision utilisation of the portion of Towage charter contracts which lapsed during the year ended 31 December 2014 is allocated under "PB Towage". For the presentation of the financial statements, the above is reclassified to other income.*
5) *"Unallocated Others" represents the non-cash provision for onerous contracts of US$100.9 million, and non-cash impairment charges for i) PB Towage vessels of US$58.9 million, ii) PB Towage interest in its joint ventures of US$10.1 million and iii) other provisions of US$1.5 million. These provision and impairments are not allocated to the Pacific Basin Dry Bulk and PB Towage segment results as these do not relate to the underlying operations of the segments. The related vessels, interest in joint ventures and liabilities are under "Pacific Basin Dry Bulk" and "PB Towage".*
6) *For the presentation of the financial statements, the impairment of PB Towage interest in joint ventures in 2014 is reclassified to share of profits less losses/impairment of joint ventures.*
7) *"Unallocated Others" mainly represents i) a loss from the disposal of our harbour towage business and OMSA of US$7.6 million and ii) their related non-cash exchange loss of US$12.7 million including an exchange gain released from reserve arising from the repayment of equity shareholder loan by Towage of US$1.0 million (2013: US$5.1 million).*
8) *"Unallocated Others" represents net unrealised interest rate swap contract benefits of US$1.7 million (2013: US$2.0 million). The amount for 2013 is also offset by an expense of US$15.3 million relating to the repayment of the finance lease liabilities upon exercise of ten purchase option under finance leases.*
9) *"Unallocated Others" in 2014 represents the release from foreign exchange reserve amounting to US$5.0 million (2013: US$8.3 million) in relation to one (2013: three) RoRo vessel whose bareboat charter to the purchaser commenced during the year.*
10) *For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the appropriate business segment. This results in the Treasury segment having a nil net finance cost.*

3. SEGMENT INFORMATION (CONTINUED)

(A) Income Statement Segment Information (Continued)

For the year ended 31 December 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclass-ification	Per Financial Statements
					Treasury	PB RoRo	Others			
Continuing operations										
Revenue	1,599,373	107,988	593	1,707,954	–	–	(370)	1,707,584	1,208	1,708,792
Freight and charter-hire	1,599,373[1]	100,423	–	1,699,796	–	–	(370)[1]	1,699,426	1,208 [1]	1,700,634
Maritime management services	–	7,565	593	8,158	–	–	–	8,158	–	8,158
Bunker & port disbursements	(863,858)[2]	(4,128)	–	(867,986)	–	–	192[2]	(867,794)	867,794 [2]	–
Time charter equivalent earnings	735,515									
Cost of services	(688,635)	(97,266)	–	(785,901)	–	–	–	(785,901)	(867,794)	(1,653,695)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(867,794)[2]	(867,794)
Charter-hire expenses for vessels	(488,781)	(11,199)	–	(499,980)	–	–	–	(499,980)	–	(499,980)
Vessel operating costs	(91,712)	(54,284)	–	(145,996)	–	–	–	(145,996)	–	(145,996)
Depreciation of vessels	(68,139)	(12,737)	–	(80,876)	–	–	–	(80,876)	–	(80,876)
Direct overheads	(40,003)	(19,046)	–	(59,049)	–	–	–	(59,049)	–	(59,049)
Gross profit	46,880	6,594	593	54,067	–	–	(178)	53,889	1,208	55,097
General and administrative expenses	–	–	–	–	(2,059)	–	(15,499)[3]	(17,558)	–	(17,558)
Other income and expenses, net	–	(132)	–	(132)	–	–	5,700 [7]	5,568	(1,208)[1]	4,360
Finance costs, net	(20,825)	(931)	–	(21,756)	(2,337)	–	(13,350)[8]	(37,443)	–	(37,443)
Share of profits of joint ventures	–	5,028	–	5,028	–	–	–	5,028	–	5,028
Share of profits less losses/ impairment of associates	–	–	–	–	–	–	1,542	1,542	–	1,542
Profit/(loss) before taxation	26,055	10,559	593	37,207	(4,396)	–	(21,785)	11,026	–	11,026
Taxation	–	(97)	(1,071)	(1,168)	–	–	–	(1,168)	–	(1,168)
Profit/(loss) for the year	26,055	10,462	(478)	36,039	(4,396)	–	(21,785)	9,858	–	9,858
Discontinued operations										
Loss for the year	–	–	–	–	496	(500)	(8,331)[9]	(8,335)	–	(8,335)
Profit/(loss) attributable to shareholders	26,055	10,462	(478)	36,039	(3,900)	(500)	(30,116)	1,523	–	1,523

3. SEGMENT INFORMATION (CONTINUED)

(B) Balance Sheet Segment Information

At 31 December 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Per Financial Statements
	• Vessels delivered & under construction • Goodwill	• Harbour towage receivables	• Properties		• Group unallocated cash • RoRo receivables		• Derivative assets	
Total assets	**1,753,952**	**119,396**	**8,658**	**1,882,006**	**425,461**	**–**	**49[1,2]**	**2,307,516**
Including:								
Property, plant and equipment	**1,538,954**	**41,652**	**4,318**	**1,584,924**	**–**	**–**	**–**	**1,584,924**
– Include additions to PP&E	**187,310**	**4,208**	**2,954**	**194,472**	**–**	**–**	**–**	**194,472**
Interest in a joint venture	**–**	**682**	**–**	**682**	**–**	**–**	**–**	**682**
Total cash and deposits	**–**	**–**	**94**	**94**	**363,331**	**–**	**–**	**363,425**
		• Bunker tanker, N.Z.						
Total liabilities	**1,237,100**	**12,693**	**1,145**	**1,250,938**	**9,223**	**–**	**45,609[1,2]**	**1,305,770**
Including:								
Long-term borrowings	**999,744**	**–**	**–**	**999,744**	**–**	**–**	**–**	**999,744**
	• Bank loans • Convertible bonds • Finance lease liabilities						• Derivative liabilities	

At 31 December 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Per Financial Statements
Total assets	1,654,865	243,693	12,542	1,911,100	579,309	31,624	15,413[1,2]	2,537,446
Including:								
Property, plant and equipment	1,436,312	183,035	2,950	1,622,297	–	–	–	1,622,297
– Include additions to PP&E	442,147	14,350	1,863	458,360	–	–	–	458,360
Interests in joint ventures	–	26,650	–	26,650	–	–	–	26,650
– Include additions to interest in a joint venture	–	17,999	–	17,999	–	–	–	17,999
Investments in associates	–	–	1,332	1,332	–	–	–	1,332
Total cash and deposits	–	15,361	120	15,481	470,581	–	–	486,062
Total liabilities	1,160,396	39,788	882	1,201,066	12,065	3,452	16,569[1,2]	1,233,152
Including:								
Long-term borrowings	1,015,012	22,213	–	1,037,225	–	–	–	1,037,225

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

US$'000	2014	2013
Bunkers consumed	509,778	540,210
Depreciation		
– owned vessels	93,887	69,966
– leased vessels	6,577	10,910
– other owned property, plant and equipment	1,978	1,737
– investment properties	67	67
Amortisation of land use rights	74	113
Provision for onerous contracts	100,906	656
Provision for impairment losses		
– vessels	58,892	–
– trade receivables	1,477	1,530
Interest on borrowings		
– bank loan	19,306	14,643
– convertible bonds	15,010	15,227
– finance leases	1,411	5,830
Net losses on interest rate swap contracts	6,881	3,793
Other finance charges (Note)	1,102	15,934
Finance income		
– bank interest income	(4,014)	(7,109)
– other interest income	(6,149)	(7,353)
– finance lease interest income	(626)	(217)
Lubricating oil consumed	8,646	6,697
Net losses on bunker swap contracts	39,488	279
Net losses/(gains) on forward foreign exchange contracts	87	(481)
Net losses on forward freight agreements	3,673	1,208
Loss on disposal of harbour towage business	19,295	–
Loss on disposal of OMSA JV	1,987	–
Gain on disposal of property, plant and equipment	362	525

Note: Other finance charges in 2013 included the expenses relating to the repayment of the finance lease liabilities upon the exercise of ten purchase options under finance leases amounting to US$15.3 million.

5. TAXATION

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

US$'000	2014	2013
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2013: 16.5%)	636	641
Overseas tax, provided at the rates of taxation prevailing in the countries	596	720
Adjustments in respect of prior year	(15)	(193)
Tax charges	1,217	1,168

6. DIVIDENDS

	2014			2013		
	HK cents per share	US cents per share	US$'000	HK cents per share	US cents per share	US$'000
Proposed final dividend	5.0	0.6	12,489	5.0	0.6	12,490
Dividend paid during the year	5.0	0.6	12,385	5.0	0.6	12,397

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting on 22 April 2015.

7. 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 2013 Share Award Scheme ("SAS") and previous Long Term Incentive Scheme ("LTIS") and unvested restricted shares.

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 and LTIS but after adjusting for the number of potential dilutive ordinary shares from convertible bonds, share options and unvested restricted shares where dilutive.

		Basic & Diluted EPS 2014	Basic EPS 2013	Diluted EPS 2013
(Loss)/profit from continuing operations	(US$'000)	**(279,742)**	9,858	9,858
Loss from discontinued operations	(US$'000)	**(5,222)**	(8,335)	(8,335)
(Loss)/profit attributable to shareholders	(US$'000)	**(284,964)**	1,523	1,523
Weighted average number of ordinary shares in issue	('000)	**1,908,712**	1,935,299	1,935,490
Basic earnings per share				
– continuing operations	(US cents)	**(14.66)**	0.51	0.51
– discontinued operations	(US cents)	**(0.27)**	(0.43)	(0.43)
	(US cents)	**(14.93)**	0.08	0.08
Equivalent to				
– continuing operations	(HK cents)	**(113.66)**	3.95	3.95
– discontinued operations	(HK cents)	**(2.12)**	(3.34)	(3.34)
	(HK cents)	**(115.78)**	0.61	0.61

Diluted earnings per share for the year ended 31 December 2014 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have antidilutive effect.

8. TRADE AND OTHER RECEIVABLES

(A) Trade Receivables

Included in trade and other receivables are net trade receivables and their ageing based on invoice date is as follows:

US$'000	**2014**	2013
< 30 days	**30,446**	27,500
31-60 days	**5,543**	6,029
61-90 days	**3,192**	3,888
> 90 days	**4,279**	7,246
	43,460	44,663

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.

(B) Other Receivables from Disposal of RoRos

Other receivables include US$58.0 million (2013: US$100.9 million) in relation to the net sale proceeds for the last two (2013: three) RoRo vessels that will be settled by December 2015. These balances represent the fair value based on their cash flows discounted at a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread.

(C) Other Receivables from Disposal of Harbour Towage Business

Other receivables include US$57.8 million in relation to the net sale proceeds for the harbour towage business. The disposal has been completed subsequent to the year end and the receivables settled in February 2015.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing based on due date is as follows:

US$'000	2014	2013
< 30 days	48,247	70,982
31-60 days	987	1,072
61-90 days	1,279	157
> 90 days	3,945	3,883
	54,458	76,094

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Following the exercise of the put option right by bondholders of the Group's convertible bonds due 2016, redemption and cancellation of the bonds (having an aggregate full principal amount of US$20,400,000 together with accrued but unpaid interest thereon) was completed on 14 April 2014. The remaining outstanding aggregate principal amount of the bonds was reduced to US$209,600,000, representing 91.13% of the total principal amount of the bonds originally issued.

Save as disclosed above and other than for satisfying restricted awards granted under the SAS and LTIS, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the share capital or convertible bonds of the Group during the year.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year, the Company has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2014.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND AND BOOK CLOSURE

The Board has proposed a final dividend for the year ended 31 December 2014 of HK 5 cents per share and, if such dividend is approved by the shareholders at the 2015 Annual General Meeting of the Company, it is expected be paid on or about 12 May 2015 to those shareholders whose names appear on the Company's register of members on 29 April 2015.

The register of members of the Company will be closed on 29 April 2015 when no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 April 2015. The ex-dividend date for the final dividend will be on 27 April 2015.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2014 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 17 March 2015.

DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
David Muir Turnbull, Mats Henrik Berglund, Andrew Thomas Broomhead and Chanakya Kocherla.

Independent Non-executive Directors:
Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili.

Note: The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.