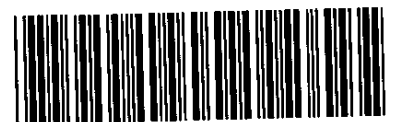


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P&O Annual Report 2019

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The Peninsular and Oriental Steam Navigation Company (P&O) is a DP World Company.
16 Palace Street, London SW1E 5JQ, England.
Incorporated by Royal Charter with limited liability. Company Number Z73.

Company Information

Board of directors

Mohammad Al Hashimy
R.A. Al Qahtani (appointed on 16 April 2018)
Mantraraj Dipak Budhdev (appointed on 2 January 2019)
Sarmad Qureshi (resigned 25 June 2019)

Secretary

Mohammad Al Hashimy

Registered Office

The Peninsular and Oriental Steam Navigation Company

16 Palace Street

London

SW1E 5JQ

Telephone +44 (0)20 7901 4000

Incorporated by Royal Charter with limited liability, company number Z73

Auditors

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E14 5GL

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Group strategic report for the year ended 31 December 2019

The directors present their strategic report on the Group for the year ended 31 December 2019.

Principal Group activities

The principal activity of The Peninsular and Oriental Steam Navigation Company ("P&O") and of its subsidiaries (referred to as "the Group") in the year was the operation and development of container terminals and related logistical operations worldwide ("Ports"). Our aim is to enhance the supply chain efficiency of our customers by effectively handling container, bulk and general cargo across our network.

Review of operations and results

The results of the Group are set out in detail on pages 17 to 22 and in the accompanying notes. The financial position of the Parent Company is set out in detail on page 69 and in the accompanying notes.

The Group's key financial and other performance indicators during the year were as follows:

	2019	2018	Change
Ports - Container throughput (TEUs'm)	35.5	36.2	(1.9%)
Profit from continuing operations before taxation (£'m)	265.0	345.0	(23.2%)
Profit for the year from continuing operations (£'m)	202.3	243.7	(17.0%)
Adjusted EBITDA (£'m)*	512.0	508.4	0.7%
Return on Capital Employed	8.2%	11.3%	-
Net Assets (£'m)	2,328.7	2,244.3	3.8%
Net Debt to equity ratio	38.5%	43.5%	-
Net cash inflow from operating activities (£'m)	294.8	289.5	1.8%
Net cash inflow from investing activities (£'m)	29.5	62.9	(53.1%)
Net cash (outflow) from financing activities (£'m)	(288.5)	(337.9)	14.6%

*Earnings before separately disclosed items, interest, tax, depreciation and amortization ("Adjusted EBITDA").

Gross throughput of 35.5 million twenty-foot equivalent units (TEU's) was marginally down by 1.9% than last year mainly due to weaker performances across the Europe, Africa and Middle East region.

Profit before taxation for the year ended 31 December 2019 was £265.0m, down by 23.2% from the prior year profit before taxation of £345.0m, mainly due to reversal of TAMP provisions in Asia Pacific and India segment in last year. Excluding the impact of any separately disclosed items, profit before taxation was £274.7m down by 7.7% compared to a prior year profit before taxation of £297.5m, mainly due to reduced profits from Australia and Americas region.

Profit for the year was £202.3m down by 17.0% from the prior year profit of £243.7m, mainly due to reversal of TAMP provisions in Asia Pacific and India segment last year. Excluding the impact of any separately disclosed items profit for the year was £212.0m, down by 10.4% from the prior year profit of £222.4m, mainly due to reduced profits from Australia and Americas region.

Adjusted EBITDA for the year was £512.0m increased marginally by 0.7% from the prior year EBITDA of £508.4m, mainly due to stronger performance in Europe, Africa and Middle East segment, partially offset by weaker performance in Australia and Americas region.

Return on capital employed is 8.2% for the year ended 31 December 2019 as compared to 11.3% for the year ended 31 December 2018, due to decreased EBIT and increase in net assets during the year.

Net assets at 31 December 2019 of £2,328.7m were increased by 3.8% when compared to £2,244.3m at 31 December 2018, the movements are detailed in the consolidated statement of changes in equity.

Net debt to equity decreased to 38.5% at 31 December 2019 from 43.5% at 31 December 2018, mainly on account of increase in equity and reduced debt.

Net cash inflow from operating activities was £294.8m higher by 1.8% from the prior year, mainly on account of favourable movements in working capital, which was partly offset by decreased EBITDA.

Net cash generated from investing activities was £29.5m lower by 53.1% from the prior year, mainly due to decrease in dividends received from equity accounted investees in Asia Pacific and India segment during the year.

Net cash used in financing activities was £288.5m lower by 14.6% from the prior year, mainly on account of decrease in payment in relation to loans with group undertakings during the year.

Group strategic report for the year ended 31 December 2019 *(continued)*

On 29 April 2019, the Group has disposed-off its entire shareholding of 49% in PT Terminal Petikemas Surabaya for a consideration of £30.9 million.

Principal risks and uncertainties

During 2019, the Group continued to monitor and review the principal business performance risks that could materially affect the Group's business, financial condition and reputation. While other risks exist outside those listed, we have made a conscious effort to disclose those of greatest importance to our business. The Group's risk management process aims to provide reasonable assurance that we understand, monitor and manage the principal uncertainties. A summary of the Group's principal risks, the nature and management of these risks are further described below.

Macroeconomic instability

Risk Description and Impact: - Container handling generally correlates with GDP growth of the global economy. Market conditions in many of the geographies where we operate can be challenging due to macroeconomic or geopolitical issues, which can potentially impact our volume growth and profitability.

Risk Management: - Our business remains focused on origin and destination cargo which is less susceptible to economic instability. Although our focus on faster-growing emerging markets may result in volume volatility in the short term, we believe that the medium to long-term prospects remain solid. We aim to deliver high levels of service to meet our customers' expectations and continue to proactively manage costs. We have a well-diversified global portfolio of investments across a number of jurisdictions, spreading our concentration risk due to an even geographical spread of our business activity. Increasingly, we are investing in port related assets that further diversify our risks.

Industry Capacity and Competition

Risk Description and Impact: - The utilisation of our operations is influenced by any available capacity to handle container volumes. In some jurisdictions port authorities tender many projects simultaneously and create capacity beyond medium-term demand, which will lead to overcapacity in that market. An increase in capacity can lead to intensified competition between port operators, resulting in weak pricing power, loss of revenue and low return on investment.

Additionally, the Group's business operations may be subject to increasing competition as a result of existing or new market entrants through the introduction of new capacity, consolidation between port operators and vertical integration of international shipping lines. This could adversely affect the Group's financial condition and lead to downward pressure on tariffs.

Risk Management: - Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. Where possible, we also invest in free zone/logistics parks to support businesses and attract more companies wanting to explore the markets where we operate ports and terminals. We bring on capacity in line with demand, with a view to avoiding overcapacity.

The Group's investment in deep-sea capacity allows us to handle ultra-large vessels and offers a competitive advantage.

We focus on high levels of customer service and develop sustainable, high-value and trusted customer relationships throughout our portfolio. We operate customer engagement projects to improve and extend supply chain relationships. Senior executive sponsors are in constant dialogue with our customers and we maintain a watching brief on all markets. We are also taking steps to initiate immediate contacts with cargo owners across its portfolio in order to orchestrate marketing efforts and attract cargo to its facilities. We remain focused on origin and destination cargo, which is less affected by competition than transshipment cargo.

Group strategic report for the year ended 31 December 2019 (continued)

Major Projects – Development and planning

Risk Description and Impact: - Major projects contribute significantly to reshaping our portfolio and delivering on our strategy. We are involved in number of high-value, long-term projects that can take months or years to complete. Due to their nature these projects are exposed to geo-political events, forces of nature, unforeseen site conditions, technology development, equipment deliveries, and other external factors which can result in delays or cost overruns. Failure to deliver these major projects can expose the Group to the risk of reduced profitability and potential losses.

Risk Management: - Our pre-qualification criteria and process continues to be enhanced, with comprehensive information being collected and managed to make sure our contractor's list is solid and companies are categorised according to their actual skills and recent performance on other contracts. Relationships with top-tier vendors are constantly developed and managed, securing top management commitment from contractors to our projects. Procurement processes in place ensure contracts are rigorously negotiated to mitigate any identified project risks. Project risks are constantly assessed, mitigated, managed and reported by the Project Management Department ("PMD") during the project planning and execution stage. This is supported by the deployment of online project management and reporting tools.

Several levels of approval are in place for the large-scale contracts up to the level of our Board. In addition to the involvement of highly skilled project management individuals on each project, more attention is being placed on the planning stage of projects, to avoid and address eventual project liabilities, following PMD procedures and best practices in project management standards.

Strategic equipment procurement and implementation controls are in place throughout the duration of projects and clear lines of responsibility are assigned to the project implementation team and the procurement performance team. Where multilateral or bank finance is a source of funding, the projects are required to meet internationally established project financing requirements. Where appropriate, financing packages are structured and covenants set to ensure sufficient headroom to accommodate non-material delays.

Geopolitical

Risk Description and Impact: - The Group seeks new opportunities and operates across a large number of jurisdictions, resulting in exposure to a broad spectrum of economies, political and social frameworks. Political instability, changes to the regulatory environment or taxation, international sanctions, expropriation of property, civil strife and acts of war can disrupt the Group's operations, increase costs or negatively impact existing operations, service, revenues and volumes.

Risk Management: - We have a well-diversified global portfolio of investments across a number of geographical jurisdictions that spread our risk. We also actively maintain a mix between investing in emerging markets and developed markets to balance our risk return profile. Our focus on the more resilient origin and destination cargo also lowers the risk of volatility. Our experienced business development team undertakes initial due diligence and we analyse current and emerging issues and maintain business continuity plans to respond to threats and safeguard our operations and assets.

Authoritative and timely intervention is made at both national and international levels in response to legislative, fiscal and regulatory proposals that we feel are disproportionate and not in our interests. Ongoing security assessments and continuous monitoring of geopolitical developments along with engagement with local authorities and joint venture partners, ensures that we are well-positioned to respond to changes in political environments.

Global Pandemic Risk

Risk Description and Impact: - The world is facing an unprecedented set of challenges and is navigating uncharted territory, due to global onset of coronavirus (COVID-19). COVID-19 has spreading rapidly, with tragic consequences for many people across many geographies. The World Health Organization declared COVID-19 a pandemic on March 11, 2020, causing a huge impact on people's lives, families and communities. Global efforts to contain the virus are also having significant economic consequences as the world is working through extraordinarily difficult times. Many countries have gone into prolonged periods of lockdowns with a reduction in economic activities within the countries and curtailment of trading between countries. Reduction in international trade will directly impact the volume of cargo that is processed through the ports managed by the subsidiaries of the group and by reference the revenue and profitability performance. Given the significant disruption caused by Covid-19, Drewry and Sea-Intel forecast container volumes to decline by 8-10% in 2020. The group revenue and profitability forecasts including investment decisions for the future periods will be impacted by this.

Group strategic report for the year ended 31 December 2019 (continued)

Global Pandemic Risk (continued)

Risk Management: - Though unprecedented, as a global trade enabler we are prepared for such challenges. We are taking calm and deliberate actions for the well-being of our people and the health of our company. Our robust balance sheet, strong liquidity and the flexibility in our portfolio and financial framework provides us with options. For our people and our business, we invest in resilience and ensure that rigorous business continuity planning takes place, response plans are developed and that there are regular testing and reviews – this includes a detailed risk review in light of COVID-19. This ensures that we remain focused on understanding what our key disruption threats are, and more importantly what we will do to keep our people safe and minimise impact to the business should a disruption occur.

Our dedicated Health and Safety department work very closely with our people department to keep employees updated about the guidance provided by WHO and local authorities while also ensuring appropriate protection measures are in place. We are continuously reminding employees about the importance of maintaining social distancing and hand hygiene. Policies and procedures are in place to help keep our people safe, including responding to symptoms and remote working. We continue to remain customer-orientated, focusing on identifying new solutions and revenue streams to meet the needs of our customers during these challenging times.

IT Systems, Infrastructure Failure and Cyber Threat

Risk Description and Impact: - Our business and operations are increasingly dependent on information technology to drive the efficiencies of their operations, ensure integrity of information and business workflows, and integration to stakeholders including customers and regulatory authorities, ensuring that port operations and its machinery operate continuously. As a Group, the use of IT applications is core to our competitive advantage.

As we continue to embed greater digitisation into the P&OSNCo strategy, we continue to realise significant advantages with regard to customer experience, revenue, and cost. This will enable Group to achieve growth targets in an evolving landscape.

However, this, coupled with the increased use of social media and the evolving sophistication of cyber threats, leads to corporates becoming targets for malicious and unauthorised attempts to access their IT systems for information and intelligence. Our Group could be compromised by an incident that breaches our IT security. This could result in liabilities including claims, loss of revenue, litigation and harm to the Group's reputation.

Risk Management: - We have developed IT strategies that are aligned with business objectives. Our Global IT framework is based on COBIT5, ISO 27001, TOGAF, PMI and ITIL. We regularly review, update and evaluate all software, applications, systems, infrastructure and security. This includes regular vulnerability assessment and penetration testing. All software and systems are upgraded or patched regularly to ensure that we have minimised our vulnerabilities. Each of our business units has an IT disaster recovery plan. Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats.

We have online training and awareness courses for our employees to ensure they remain aware regarding the proper use of our computer systems and cyber security. Our security infrastructure is updated regularly and employs multiple layers of defence. Connectivity to our partners' systems is controlled, monitored and logged.

Safety Risks

Risk Description and Impact: - The industry in which we operate sees a great interaction between people and heavy equipment/loads, which exposes us to a range of health and safety hazards. The potential impacts could include harm to our people, regulatory action, legal liability, increased costs and damage to our reputation. This risk is increasing as we diversify our business. Our ultimate goal is zero harm to our employees, third parties and communities near our operations.

Risk Management: - Our Board of Directors is fully committed to creating a safety culture throughout the Group. We regularly monitor the implementation of our safety strategy at our terminals, which includes employee training, regular audits and management objectives in relation to the safety of our people. We continue to record and report on all safety impacts at business units to the Board and senior management. This includes collecting, analysing, reporting and monitoring data on a monthly basis in order to measure the safety performance of our business units.

We investigate all incidents and have a working group in place to highlight trends, reduce risk factors and identify and implement measures aimed at eliminating future incidents. Terminal management is responsible for local terminal safety risks and is supported by safety guides, operational manuals and procedures and oversight from our local, regional and Global Safety teams, which coordinate consistent approaches to safety risks. A Vendor Code of Conduct has been established to ensure that contractors' selection criteria are aligned with our safety policies prior to commencing work on our terminals.

Group strategic report for the year ended 31 December 2019 *(continued)*

Legal and Regulatory

Risk Description and Impact: - Our Group is subject to detailed local, regional and global laws and regulations across different jurisdictions. These laws and regulations are becoming more complex and increasingly stringent and are subject to various legal and regulatory obligations. We are expanding geographically and therefore we are exposed to increasing numbers of laws and regulations when operating our businesses.

New legislation and other evolving practices could impact our operations and increase the cost of compliance. For example, the UK Bribery Act applies to all our operations worldwide. We need to constantly monitor compliance within our existing operations and business development opportunities. Another example is competition law and merger control rules, which are applicable in almost all jurisdictions. We must ensure that we operate in compliance with these rules. This is even more critical in our industry which has few players, few competitors and few customers. Regulators across the world exchange data and scrutinise companies on a global level.

Failure to comply with legislation could lead to substantial financial penalties, disruption to business, personal and corporate liability and loss of reputation.

Risk Management: - The Group monitors changes to regulations across its portfolio to ensure that the effect of any changes is minimised and that compliance is continually managed. Comprehensive policies, procedures and trainings are in place to promote legal and regulatory compliance. Ongoing dialogue with our external lawyers to maintain knowledge of relevant legal developments in the markets where we operate. Ongoing dialogue with our regions to proactively be aware of changes in the way business / operations are conducted and be in a position to advise accordingly.

Compliance

Risk Description and Impact: - The Group demonstrates high standards of business integrity and ensures compliance with a wide range of internal, local and international laws e.g. anti-corruption and bribery laws/ Modern Slavery Act. As our business spreads geographically, we are increasingly operating in countries identified as having a higher risk of exposure to these laws. We also have to ensure compliance with trade sanctions, and import and export controls. Failure by our employees or agents to comply with these regulations could result in substantial penalties, criminal prosecution and significant damage to our reputation. This could in turn impact our future revenue and cash flow. Allegations of corruption or bribery or violation of sanctions regulations could also lead to reputation and brand damage with investors, regulators and customers.

Risk Management: - The Group has a Code of Ethics, Anti-Bribery policy, Modern Slavery policy in place, which is followed from parent company, with a zero-tolerance approach to bribery and fraud and has developed both online training and fraud risk awareness workshops across the Group to raise awareness and promote compliance. We have an anti-fraud framework in place for preventing, detecting and responding to frauds to meet the stringent requirements of the UK Bribery Act. This is particularly focused on higher risk regions to ensure the Group's policies are understood and enforced. We have an externally administered whistleblowing hotline for reporting any concerns. These are investigated and reported to the Audit Committee on a quarterly basis. We provide new starters and existing employees with training on anti-bribery and corruption as part of the induction process. We have a Vendor Code of Conduct to ensure vendors comply with these laws and a gift and hospitality policy for all employees.

Leadership and Talent

Risk Description and Impact: - Leadership and talent risk is inherent to all businesses and failure to effectively attract, develop and retain talent in key areas could impact our ability to achieve growth ambitions and operate effectively. DP World's People strategy strive to mitigate these risks by creating environment where people can thrive and grow as a part of a dynamic business.

Risk Management: - Retention strategies are in place for identified scarce skills. We promote a safe working environment for our employees and operate a global health and wellbeing programme. We continuously monitor and benchmark our remuneration packages in order to attract and retain employees of a suitable caliber and skill set. The DP World Institute develops and delivers training programmes across all levels, focused on improving operational and managerial competencies.

We partner with some of the most reputable learning institutions, such as London Business School and Harvard University, for the development of our leaders. We have entered into agreements with the leading global recruitment and executive search firms to support us as and when needed and are currently enhancing our social media sourcing channels.

Effective performance management remains a high priority and is regularly monitored across the Group. We have in place a succession planning strategy for critical roles in the business, which forms part of our talent management process.

Group strategic report for the year ended 31 December 2019 *(continued)*

Labour Unrest

Risk Description and Impact: - Labour strikes and unrest or other industrial relations disputes pose a risk to our operational and financial results. Unions are now communicating transnationally and coordinating actions against multinational companies. Dealing with issues in isolation is therefore becoming more challenging. Some of our Group's employees are represented by labour unions under collective labour agreements. The Group may not be able to renegotiate agreements satisfactorily when they expire and may face industrial action. In addition, labour agreements may not be able to prevent a strike or work stoppage and labour disputes may arise even in circumstances where the Group's employees are not represented by labour unions.

Risk Management: We have an engagement strategy with unions and employees in those areas most affected by employee disputes. This includes multi-year agreements and clearly assigned responsibilities for maintaining close relationships with unions locally, nationally and internationally. We are proactive and timely in our responses to the needs of the unions. A senior management representative holds a Chairperson role on the European Works Council, which provides a forum to interact directly with union representatives on a timely and continuous basis.

We continue to monitor operational downtime arising from local disputes. We conduct employee engagement surveys with a formal process for following up on employee concerns. We continue to develop a response capability to address and offset the impact of work stoppages as a result of labour disputes within the local regulatory and legal framework under which we operate.

Environmental

Risk Description and Impact: - There is a growing portfolio of legislation and government regulations aimed at tackling climate change, which could have consequences for our operations at national or regional level. New legislation and other evolving practices could impact our operations and increase the cost of compliance. A breach in any of these regulations can result in the Group facing regulatory action and legal liability, including considerable financial penalties, disruption to business, personal and corporate liability and damage to our reputation.

Similarly, any spillage or release of a harmful substance can have devastating consequences on the environment and numerous implications for our business. Major incidents related to oil or chemical releases can result in the Group being held liable for financial compensation, and/or clean-up costs and potentially result in our reputation being permanently damaged.

Risk Management: - We have a dedicated team responsible for continually reviewing regulatory risks, which actively engages with policymakers and governments to assist in managing and mitigating any risks associated with regulatory changes. Operational terminals, executives, managers and technical leaders play an important role in developing strategies and actions to combat the adverse potential effects of climate change through planning, modification of infrastructure and retrofitting, etc.

We continue to monitor and report our carbon emissions to the Board and senior management and globally to stakeholders.

We review the cargo and chemicals that we handle prior to their arrival in our operations and take appropriate action and care when handling dangerous materials to prevent incidents before they happen. We have developed targeted controls, guidance and training to prepare our terminals for response to any releases, large or small, should an incident occur. We investigate all environmental incidents and have a working group in place to highlight trends, reduce risk factors and identify and implement measures aimed at eliminating future incidents.

Group strategic report for the year ended 31 December 2019 (continued)

Corporate responsibility, safety and the environment

There are Group policies for health, safety, welfare, environment and social responsibility which are communicated to all staff. Each operating company is required to produce its own policies and management systems to reflect Group policies and best industry practice in its sector of business. The Company also encourages the adoption of similar policies by its significant joint ventures and associates.

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk
- Credit risk

This section presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the consolidated financial statements.

The Board of Directors, in conjunction with the Board of Directors of DP World PLC, the ultimate controlling company of the Group, have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors in the Group Treasury policy. Generally, the Group seeks to apply hedge accounting in order to manage the volatility in the consolidated income statement.

Currency risk

The Group has extensive overseas and international business operations and operates in a number of foreign currencies which gives rise to transactional and translational foreign exchange risk. The foreign currencies to which the Group is most exposed are the US Dollar, the Indian Rupee, the Canadian Dollar and the Euro. In general, the Group's profits and stockholders' funds benefit if these currencies are strong against Sterling.

The proportion of the Group's net operating assets denominated in foreign currencies is approximately 84.8% (2018: 88.5%) with the result that the Group's consolidated statement of financial position and, in particular owner's equity, can be affected by currency movements when it is retranslated at each year end rate. The Group partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross currency swaps. The impact of currency movements on operating profit is partially mitigated by interest costs being incurred in foreign currencies.

Exchange movements arising on foreign currency investments are taken directly to equity.

Group strategic report for the year ended 31 December 2019 *(continued)*

Currency risk *(continued)*

A portion of the Group's activities generate part of their revenue and incur some costs outside their main functional currency. Due to the diverse number of locations in which the Group operates there is some natural hedging that occurs within the Group. When it is considered that currency volatility could have a material impact on the results of an operation, hedging using forward foreign currency contracts is undertaken to reduce the short-term effect of currency movements.

When the Group's businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are hedged, in most instances, using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value.

As well as the direct effect on cash flows, exchange rates also affect the Group's businesses because of their overall economic influence. In particular, exchange rates affect international trade flows which impact on the activities of the Group.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a fixed/floating interest rate and bank deposits.

Approximately £677.8 million (2018: £240.2 million) of the Group's interest-bearing loans and borrowings carry interest at floating rates. The Group's policy is to manage its interest cost by entering into interest rate swap agreements in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2019, after taking into account the effect of interest rate swaps, approximately 59.2% (2018: 81.1%) of the Group's borrowings are at a fixed rate of interest.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and are required to submit financial guarantees based on their creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group applies IFRS 9 simplified approach to measure expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group uses an allowance matrix to measure the ECLs of trade receivables which comprise a very large number of small balances. These historical loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Thus, expected credit loss rates are based on the payment profile of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. These historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group identified gross domestic product (GDP), global supply/ demand index of container market, global freight rate index of container market, oil prices in international markets and consumer price index (CPI) to be the most relevant factors for performing macro level adjustments in expected credit loss financial model.

Other financial assets

Credit risk arising from other financial assets of the Group comprises cash and cash equivalents and certain derivative instruments. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risks with regard to bank deposits by dealing only with reputable banks with a minimum credit rating of A-.

Financial guarantees

The Group's policy is to consider the provision of a financial guarantee to wholly-owned subsidiaries where there is a commercial rationale to do so. Guarantees may also be provided to joint ventures and associates in very limited circumstances and always only for the Group's share of the obligation. The provision of guarantees always requires the approval of management.

Group strategic report for the year ended 31 December 2019 (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital employed (ROCE), which the Group defines as earnings before interest and tax and before separately disclosed items (SDI), as a percentage of total assets less current liabilities.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Promoting the success of the Group

The Directors of the Group must act in a way, as defined in section 172 of the Companies Act 2006. This requires Directors to act in way which would promote the success of the Group and consider the following matters:

- a) the likely long-term consequences of decisions;
- b) the need to foster the Group's business relationships with suppliers, customers and others;
- c) the impact of the Group's operations on the community and the environment;
- d) the desirability of the Group maintaining a reputation for high standards of business conduct;
- e) the need to act fairly; and
- f) the interests of the company's employees.

As part of their induction to the Group, a Director is made aware of their duties by the Company Secretary.

Long-term decisions - The Directors systematically review and monitor a Group risk register with respect to regulatory, legislative, financial and political risk and act accordingly to mitigate any long-term risks. Details of the principal risks and uncertainties can be found within this report.

Business Relationships – the Group's strategy is to grow and develop business relationships. The Directors do this by maintaining strong relationships with both suppliers and customers, through the executive management team.

Community and Environment – the operations of the Group may have impacts on the environment and the Directors consider this when making decisions including reviewing the cargo and chemicals that the Group handles prior to their arrival and take appropriate action and care when handling dangerous materials to prevent incidents before they happen.

Maintaining a reputation for high standards of business conduct and to act fairly - the Directors periodically consider changes in health and safety legislation, anti-bribery and modern slavery legislative within the Group.

Interests of the Company's employees - the Directors promote a safe working environment for our employees and operate a global health and wellbeing programme.

By order of the Board



Mohammad Alhashimy

Secretary
25 June 2020
Company Number Z73

Report of the directors

The directors present their report and accounts for the year ended 31 December 2019.

Directors

The directors of the Company who held office during the year and to the date of this report were as follows:

Mohammad Alhashimy
R.A. Al Qahtani (appointed on 16 April 2018)
Mantraraj Dipak Budhdev (appointed on 2 January 2019)
Sarmad Qureshi (resigned 25 June 2019)

Dividends

The Company did not pay any dividend during 2019 (2018: £1,200 million).

Employees

The Company is committed to keeping employees throughout the Group informed of performance, development and progress through its established system of briefings by management, and widely distributed news and information bulletins.

There is a European Works Council, known as the European Council, the purpose of which is to inform and consult with employee representatives on transnational issues. Members are elected in the UK and Ireland and either elected or appointed, in accordance with national laws, in other countries. The Council meets twice a year.

The Company's aim is to meet the objectives of the code of good practice on the employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and abilities. It remains Company policy to retain employees who become disabled whilst in its service and to provide specialised training where appropriate.

Employees are able to share in the Group's results through performance related bonus schemes which are widely applied in the Group.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 6 to the consolidated financial statement sets out the Group's objectives, policies and processes for managing the Group's financial risk, including capital management, and note 30 provides details of the Group's exposure to credit risk, liquidity risk and interest rate risk arising from financial instruments.

The Group has within current receivables an amount of £1,225.7m (2018: £1,072.3m) due from its intermediate parent companies and fellow subsidiaries and believe these to be recoverable.

The board of directors remain satisfied with the Group's funding and liquidity position. At 31 December 2019, the Group had net debt of £1,345.3m (2018: £973.5m) and had no committed borrowing facilities (2018: nil).

The coronavirus outbreak since early 2020 which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally has brought about additional uncertainties in the Group's operating environment. These restrictive measures, if prolonged, could slow national economic development, disrupt international trade, results in travel disruptions, decrease global shipping and reduce the use of Group's ports and logistics facilities. The Group has been closely monitoring the impact of the developments on the Group's businesses mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have adverse impact of the earnings of the Group. As the situation is fast evolving, the effect of outbreak is subject to significant levels of uncertainty, with full range of possible effects currently unknown. We continue to support our customers in keeping their supply chains running, however as global demand continues to be significantly affected, we proactively respond to lower demands. The Group has long term port concession rights to operate port terminals in several countries across the world generating a stable stream of revenue. The Group's investment in automation and digitization has allowed terminals to remain operational and continue to serve cargo owners during these challenging times. In terms of managing cashflow, the Group is well positioned to respond to the near-term uncertainty through disciplined investments and focusing on costs. The Group's strong balance sheet will allow us to weather through this storm.

Based on the above and having made enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore they consider it appropriate to adopt the going concern basis in preparing the accounts.

Report of the directors (continued)

Directors Indemnity Insurance

All directors are entitled to indemnification from the Company to the extent permitted by law against claims and legal expenses incurred in the course of their duties.

Such qualifying third-party indemnity insurance is provided and remains in force as at the date of approving the directors' report.

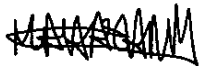
Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor's are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Mohammad Alhashimy

Secretary
25 June 2020
Company Number Z73
16 Palace Street
London
SW1E 5JQ

Statement of Directors' responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Corporate Governance

Overview

Good governance and risk management are core to our business achieving its objectives. The POSNCo business model integrates best practice in these areas and is the blueprint to achieving our vision as a Group to lead the future of world trade. The Corporate Governance Report has been structured to align with the principles set out in the Corporate Governance Best Practice Standards as detailed in The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations). It sets out the actions that we have taken in 2019 to implement these practices.

Corporate governance framework

The Group adopts the corporate governance framework of the Parent Company (DP World PLC). A detailed Corporate Governance Report of DP World PLC as reported in its 2019 Annual Report can be accessed at <https://www.dpworld.com/investors/financials-and-Presentations/financial-reports/annual-reports>.

At POSNCo level, the Board is at the center of our Corporate Governance Framework. It works closely with and is aligned with each of the committees formed by the Group's ultimate Parent Company, DP World PLC. The principal DP World PLC Committees include the Remuneration, Audit and Risk, and Nominations and Governance Committees, with formally delegated duties and responsibilities and written terms of reference. From time to time, the Board may set up additional committees to consider specific issues when the need arises. Reports on the activities of the principal DP World PLC Committees and their terms of reference are available on the DP World PLC website, www.dpworld.com. The Deputy Group General Counsel & Company Secretary provides support as the secretary for the principal DP World PLC Committees. The Board considers that the Corporate Governance Framework, which is aligned with that of its ultimate Parent Company, DP World PLC, promotes the prudent and sound management of the Company in the long-term interest of the Company and its shareholders and is effective in promoting compliance with the Corporate Governance principles.

The Group's compliance with six principles enshrined in Wates Corporate Governance Principles is described as below: -

1. Purpose and Leadership

A balanced Board with the necessary skills, knowledge and industry experience to lead our Group is key to achieving our strategic objectives and long-term goals. The Board remains committed to effectively leading the Company, ensuring that our business is managed prudently and soundly to drive sustained long-term value for our shareholders. The balance of skills and expertise on our Board will allow us to continue creating value as we expand our horizons and lead the future of world trade.

2. Board composition

The directors of the Company who held office during the year and to the date of this report were as follows:

Mohammad Alhashimy
R.A. Al Qahtani
Mantraraj Dipak Budhdev (appointed on 2 January 2019)
Sarmad Qureshi (resigned 25 June 2019)

3. Director's responsibilities

The Board is responsible for overseeing the management of the Company and approves all its major decisions. Subject to the provisions of the Companies Act 2006, the Articles of Association (the 'Articles') and to directions given by special resolution of the Company, the Board may exercise all the powers of the Company, whether relating to the management of the business or not. The Board meets regularly, on an ad hoc basis but at least four times each year, and is instrumental in planning the medium- and long-term strategy of the Company. Board resolutions are passed by a simple majority of Directors present at a meeting or unanimously in writing.

Matters reserved for consideration by the Board are key matters which include setting the strategic objectives of the Group, declaring dividends, approving major transactions, setting the annual budget for the Group, approving safety and environment policies, insurance, risk management and internal controls.

Corporate Governance (continued)

3. Director's responsibilities (continued)

Meeting attendance

The Board held a total of seven meetings during 2019.

The table below shows the number of meetings individual Directors could have attended in 2019, and their actual attendance.

Name of the Director	Attendance	No. of Meetings
Mohammad Alhashimy	7	7
R.A. Al Qahtani	0	7
Mantraraj Dipak Budhdev	7	7
Sarmad Qureshi	0	2

4. Opportunities and risk

As the Board, we are ultimately responsible for determining the Group's risk appetite and its willingness to accept certain risks in pursuit of achieving the Group's strategic objectives. The Board is also responsible for maintaining appropriate risk management and internal control systems. Audit and Risk Committee at Group's Parent Company level assists the Board in discharging its responsibilities with regards to financial reporting, external and internal audits, internal controls and risk management. Audit and Risk Committee is supported by Enterprise Risk Management Committee, which assists the Board in fulfilling its oversight responsibilities in relation to the Principal Risks faced by the group.

During 2019, we continued to review the Group's principal risks that could have material effects on our business, financial condition and reputation. The principal risks and our approach to managing them are discussed on pages 2 to 9 of the Strategic Report.

5. Remuneration

The remuneration committee formed at parent company level assists the board in determining the framework and broad policy for the remuneration of the executive directors and other members of senior management.

The reward policy for Executive Directors and senior management (Executive Committee and other experienced managers) is guided by the following key principles:

- Business strategy support: aligned with our business strategy with focus on both short-term goals and the creation of long-term value ensuring alignment to shareholders' interests;
- Competitive pay: ensures competitiveness against our target market;
- Fair pay: ensures consistent, equitable and fair treatment within the organisation; and
- Performance-related pay: linked to performance targets via short- and long-term incentive plans and the pay review process.

6. Stakeholders relationship and engagement

At POSNCo, we are committed to conducting our business in the ways which are responsible and sustainable, in economic, social and environmental terms. Consistent delivery on this commitment demands effective policies and processes of engagement with the full range of stakeholders who influence, and are impacted by, our business operations. By 'engagement' we mean the two-way dialogue which enables us to listen and respond to stakeholder views and concerns on issues which are important to them. The central goal of our stakeholder engagement strategy and related activities is to generate and maintain a positive climate of stakeholder opinion and interaction, based on a sense of involvement and a shared belief in mutually beneficial outcomes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

Opinion

We have audited the financial statements of The Peninsular and Oriental Steam Navigation Company ("the company") for the year ended 31 December 2018 which comprise the Group and Parent Company Balance Sheet, the Group Statement of Income, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and related notes, including the accounting policies in Notes 3 and 4.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

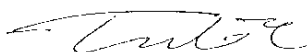
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Tom Eve (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London E14 5GL
25 June 2020

Consolidated income statement
For the year ended 31 December 2019

							£ million
Year ended 31 December 2019				Year ended 31 December 2018			
Note	Before separately disclosed items	Separately disclosed items (refer note 9)	Total	Before separately disclosed items	Separately disclosed items (refer note 9)	Total	
Group revenue	7	949.7	-	949.7	965.1	77.0	1,042.1
Cost of sales		(570.3)	-	(570.3)	(562.3)	-	(562.3)
Gross profit		379.4	-	379.4	402.8	77.0	479.8
Other operating income		25.6	-	25.6	22.8	-	22.8
Administrative costs		(152.8)	(2.5)	(155.3)	(172.3)	(23.5)	(195.8)
Earnings from equity accounted investees	7, 9	108.6	(2.1)	106.5	122.9	(2.9)	120.0
Group operating profit		360.8	(4.6)	356.2	376.2	50.6	426.8
Loss on sale and termination of businesses	9	-	(7.4)	(7.4)	-	(2.7)	(2.7)
Profit before finance expense		360.8	(12.0)	348.8	376.2	47.9	424.1
Finance income	10	32.7	9.8	42.5	34.0	(0.4)	33.6
Finance expense	10	(118.8)	(7.5)	(126.3)	(112.7)	-	(112.7)
Net finance expense		(86.1)	2.3	(83.8)	(78.7)	(0.4)	(79.1)
Profit/ (loss) before taxation		274.7	(9.7)	265.0	297.5	47.5	345.0
Income tax expense	11	(62.7)	-	(62.7)	(75.1)	(26.2)	(101.3)
Profit/ (loss) for the year	7	212.0	(9.7)	202.3	222.4	21.3	243.7
Attributable to:							
Owners of the company			183.6				225.0
Non-controlling interests			18.7				18.7

The accompanying notes form an integral part of financial statement.

P&O Annual Report

Consolidated statement of comprehensive income For the year ended 31 December 2019

		£ million	
	Note	2019	2018
Profit for the year		202.3	243.7
Other comprehensive income			
Items that are or may be reclassified subsequently to consolidated income statement:			
Effective portion of changes in fair value of cash flow hedges		(13.8)	8.6
Foreign currency translation differences for foreign operations		(37.1)	(13.6)
Recycled reserves on disposals		(15.9)	-
Share of other comprehensive income of equity accounted investees		1.7	(8.4)
Current and deferred tax on other comprehensive income		0.4	(2.9)
Items that will never be reclassified to consolidated income statement:			
Re-measurements of post-employment benefit obligations	26	0.1	23.0
Current and deferred tax on actuarial gains		0.3	(1.4)
Total other comprehensive income for the year		(64.3)	5.3
Total comprehensive income for the year		138.0	249.0
Attributable to:			
Owners of the company		120.1	230.9
Non-controlling interests		17.9	18.1

The accompanying notes form an integral part of financial statement.

Consolidated statement of financial position
as at 31 December 2019

		£ million	
	Note	2019	2018
Non-current assets			
Intangible assets	12	324.1	374.8
Right of use assets	13	413.2	-
Property, plant and equipment	14	1,780.8	1,826.6
Investment properties	14A	5.3	5.6
Investments in equity accounted investees	15	491.9	536.2
Other investments	18	0.5	24.3
Trade and other receivables	17	48.2	52.2
Loans to group undertakings	17	14.8	7.5
Deferred tax assets	16	5.0	-
		3,083.8	2,827.2
Current assets			
Inventories	18A	20.8	17.9
Trade and other receivables	17	184.1	188.5
Tax recoverable		2.2	1.9
Loans to group undertakings	17	1,225.7	1,072.3
Cash and cash equivalents	19	317.1	291.0
		1,749.9	1,571.6
Total assets		4,833.7	4,398.8
Non-current liabilities			
Interest bearing loans and borrowings	20	1,181.8	1,225.0
Lease liabilities	21	419.4	1.7
Trade and other payables	22	88.1	87.4
Loan from group undertakings	22	33.7	64.6
Deferred tax liabilities	16	260.2	274.7
Employee benefits	26	111.2	121.7
Provisions	22A	1.6	0.5
		2,096.0	1,775.6
Current liabilities			
Interest bearing loans and borrowings	20	32.6	39.5
Lease liabilities	21	28.6	1.2
Trade and other payables	22	211.3	225.2
Income tax liabilities		35.8	36.9
Loan from group undertakings	22	86.0	60.2
Employee benefits	26	5.6	5.5
Provisions	22A	9.1	10.4
		409.0	378.9
Total liabilities		2,505.0	2,154.5
Net assets		2,328.7	2,244.3

The accompanying notes form an integral part of financial statement.

P&O Annual Report

Consolidated statement of financial position (continued) as at 31 December 2019

		£ million	
	Note	2019	2018
Equity			
Issued capital	24	843.2	843.2
Share premium	24	815.4	815.4
Translation reserve		199.2	250.6
Hedging reserve		(53.3)	(41.5)
Other reserves	24	170.5	170.5
Retained earnings		305.4	157.8
		2,280.4	2,196.0
Non-controlling interests	23	48.3	48.3
Total equity		2,328.7	2,244.3
Total equity and liabilities		4,833.7	4,398.8

The accounts were approved by the board of directors and signed on its behalf on 25 June 2020 by:



Mohammad Alhashimy
Director



Mantraraj Budhdev
Director

The Peninsular and Oriental Steam Navigation Company – Company Number Z73

The accompanying notes form an integral part of financial statement.

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Share capital	Share premium	Translation reserve	Hedging reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£ million								
Balance as at 1 January 2018	843.2	815.4	274.7	(49.8)	170.5	1,111.1	3,166.1	41.4	3,206.5
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	225.0	225.0	18.7	243.7
Total other comprehensive income, net of income tax	-	-	(24.1)	8.3	-	21.7	5.9	(0.6)	5.3
Total comprehensive income	-	-	(24.1)	8.3	-	246.7	230.9	18.1	249.0
Transactions with owners recorded directly in equity									
-Dividends	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests									
- Purchase of non-controlling interests	-	-	-	-	-	-	-	1.0	1.0
-Dividends	-	-	-	-	-	-	-	(12.2)	(12.2)
Total Transactions with non-controlling interests	-	-	-	-	-	-	-	(11.2)	(11.2)
At 31 December 2018	843.2	815.4	250.6	(41.5)	170.5	157.8	2,196.0	48.3	2,244.3
At 1 January 2019	843.2	815.4	250.6	(41.5)	170.5	157.8	2,196.0	48.3	2,244.3
Adjustment on initial application of IFRS 16									
At 1 January 2019 (restated)	843.2	815.4	250.6	(41.5)	170.5	122.1	(35.7)	(5.0)	(40.7)
At 1 January 2019 (restated)	843.2	815.4	250.6	(41.5)	170.5	122.1	2,160.3	43.3	2,203.6
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	183.6	183.6	18.7	202.3
Total other comprehensive income, net of income tax	-	-	(51.4)	(11.8)	-	(0.3)	(63.5)	(0.8)	(64.3)
Total comprehensive income	-	-	(51.4)	(11.8)	-	183.3	120.1	17.9	138.0
Transactions with non-controlling interests									
-Dividends	-	-	-	-	-	-	-	(12.9)	(12.9)
Total Transactions with non-controlling interests	-	-	-	-	-	-	-	(12.9)	(12.9)
At 31 December 2019	843.2	815.4	199.2	(53.3)	170.5	305.4	2,280.4	48.3	2,328.7

The accompanying notes form an integral part of financial statement.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019	2018
Operating activities			
Profit after taxation		202.3	243.7
Adjustments to reconcile profit before taxation to net cash provided by operating activities			
Share of profits of equity accounted investees	15	(106.5)	(120.0)
Loss on sale of intangibles and property, plant and equipment		(0.2)	(0.2)
Loss on sale and termination of business		(16.3)	2.7
Gain on sale of other investments		23.8	-
Impairment loss	9	2.5	-
Net finance expense	10	83.8	79.1
Taxation expense	11	62.7	101.3
Non-cash employee benefit expense		3.1	3.4
Depreciation and amortisation charges		151.2	132.2
Gross cash flows from operations		406.4	439.5
Movement in working capital:			
Change in inventories		(3.6)	(0.2)
Change in trade and other receivables		18.2	34.3
Change in trade and other payables		(22.9)	(123.3)
Change in provisions		35.3	66.50
Income taxes paid		(91.9)	(104.2)
Employee benefits paid		(22.8)	(23.0)
Net cash provided by operating activities		318.7	289.6
Investing activities			
Capital expenditure		(93.8)	(98.9)
Investment in equity accounted investees		-	(1.7)
Proceeds from disposals of fixed assets		-	18.4
Dividends received from joint ventures and associates	15	77.1	131.0
Interest received		15.3	14.1
Proceeds from disposals of equity accounted investees		30.9	-
Net cash provided by investing activities		29.5	62.9
Financing activities			
Drawdown from long-term financing		37.5	74.1
Repayments of long-term financing		(62.1)	(78.0)
Repayments of lease liabilities		(32.9)	(4.1)
Repayment of loans with group undertakings		(167.0)	(241.5)
Drawdown of loans with group undertakings		1.2	-
Net interest paid		(76.1)	(77.3)
Amounts contributed by non-controlling interests		-	1.0
Dividends paid to non-controlling interest		(12.9)	(12.2)
Net cash used in financing activities		(312.3)	(338.0)
Increase/ (decrease) in cash and cash equivalents		35.9	14.5
Cash and cash equivalents at beginning of year	18	291.0	279.7
Currency translation differences relating to cash and cash equivalents		(9.8)	(3.2)
Cash and cash equivalents at end of year		317.1	291.0

The accompanying notes form an integral part of financial statement.

Notes to the consolidated financial statements

(forming part of the financial statements)

1 Reporting entity

The Peninsular and Oriental Steam Navigation Company (the "Company") is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and jointly controlled entities. The parent company financial statements present information about the company as a separate entity and not as a Group.

The Company's ultimate parent undertaking, DP World PLC (formerly DP World Limited), includes the Company in its consolidated financial statements. The consolidated financial statements of DP World PLC, which is listed in Dubai as per consolidated disclosures, are prepared in accordance with IFRS.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 69 to 98.

The consolidated financial statements were approved by the board of directors on 24 June 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

The methods used to measure fair values are discussed further in note 5.

(c) Funding and liquidity

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 6 to the consolidated financial statement sets out the Group's objectives, policies and processes for managing the Group's financial risk, including capital management, and note 30 provides details of the Group's exposure to credit risk, liquidity risk and interest rate risk arising from financial instruments.

The Group has within current receivables an amount of £1,225.7 million (2018: £1,072.3 million) due from its intermediate parent companies and fellow subsidiaries and believe these to be recoverable.

The Board of Directors remain satisfied with the Group's funding and liquidity position. At 31 December 2019, the Group had net debt of £1,345.3 million (2018: £973.5 million) and had no committed borrowing facilities (2018: nil).

The coronavirus outbreak since early 2020 which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally has brought about additional uncertainties in the Group's operating environment. These restrictive measures, if prolonged, could slow national economic development, disrupt international trade, results in travel disruptions, decrease global shipping and reduce the use of Group's ports and logistics facilities. The Group has been closely monitoring the impact of the developments on the Group's businesses mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have adverse impact of the earnings of the Group. As the situation is fast evolving, the effect of outbreak is subject to significant levels of uncertainty, with full range of possible effects currently unknown. We continue to support our customers in keeping their supply chains running, however as global demand continues to be significantly affected, we proactively respond to lower demands and show progress in our transformation and financial performance, we are strongly positioned to weather the storm. The Group has, for the moment, frozen all capex and are reviewing cost lines and possible revenue opportunities throughout the business as well as examining opportunities to access various Governmental support programmes available across countries. The focus is on cash conservation, no expansion Capex, close watch on receivables, strict cost control, new revenue opportunities due to disruption, and continued support to strategic initiatives.

The Group also has considerable diversity of financial resources with a number of customers across different geographic areas. In its base case scenario, management expects the impact of COVID19 will impact the 2020 performance but expects a partial rebound in financial performance in 2021 once the impacts from the lockdown and travel restrictions recede and operations revert to the new normal.

Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

(c) Funding and liquidity (continued)

With the base case scenario, management expects to generate EBITDA of approximately 66% of the historic 2 year average and have a closing cash position in excess of that at 31 December 2019 as at both 31 December 2020 and 31 December 2021 after taking mitigation actions principally related to rescheduling of uncommitted future capital expenditure.

The appearance of COVID-19 has however introduced additional risk and uncertainty which may impact the future trading performance and liquidity of the Group. This could result in the mandatory closure of ports, a reduction in volumes and lower levels of new business being generated, as well as the likelihood of slower cash receipts. As the situation and uncertainty associated with the COVID-19 pandemic continues to evolve, there remains the potential for the creation of additional future financial risk.

In response to this and its potential impact on the company's ability to continue as a going concern, Management has prepared an additional downside scenario to model the potential impact for the Group up until 31 December 2022. Under this severe but plausible downside scenario, management projects a prolonged impact of the COVID19 on travel restrictions and international trade for the remainder of 2020 and the first 4 months in 2021. In this scenario the Group is expected to have a closing cash position of approximately 35% lower than in the base case scenario as at 31 December 2020 and 31 December 2021 after taking mitigation actions, principally related to rescheduling of uncommitted future capital expenditure. The Group would continue to operate within all relevant financial covenants.

On this basis, the board has a reasonable expectation that the Group has adequate resources to manage its business risks successfully and continue in operational existence for the foreseeable future. Thus, the board is of the view that the going concern assumption is appropriate and as such the consolidated financial statements have been prepared on this basis.

(d) Functional and presentation currency

The functional currency of the Company is Pound sterling ("£"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

These consolidated financial statements are presented in Pound sterling ("£"), which in the opinion of management is the most appropriate presentation currency of the company in view of the global presence of the Group. All financial information presented in £ are rounded to the nearest 0.1 million.

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant estimates and judgements are listed below:

- i. Estimate of useful lives of property, plant and equipment and port concession rights with finite lives.
- ii. Estimate of expected future cash flows and discount rates for calculating present value of such cash flows used to compute value-in-use of cash-generating units.
- iii. Estimate required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rate used for computation of defined benefit liability.
- iv. Judgement in calculating the appropriate discount rate and lease term.
- v. Judgement is required in determining the worldwide provision for income taxes.

3 Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements.

a) New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

b) New standards, amendments and interpretations adopted by the Group

IFRS 16

The Group has initially applied IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains same as earlier.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

ii. Group as a lessee

The Group leases mainly include concession rights to operate port terminals, plant & equipment and related properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases – i.e. these leases are on-balance sheet.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Group presents right-of-use assets and lease liabilities separately on its statement of financial position.

Leases classified as operating leases under IAS 17

Previously, the Group classified concession rights to operate port terminals as operating leases under IAS 17. These leases typically run for a period of 25 - 99 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group has used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipments and office equipments);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Notes to the consolidated financial statements *(continued)*

3 Changes in accounting policies *(continued)*

ii. Group as a lessee *(continued)*

a) New standards, amendments and interpretations adopted by the Group *(continued)*

IFRS 16 Leases *(continued)*

Leases classified as finance leases under IAS 17

The Group leases a number of items of property, plant and equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

iii. Transition impacts on financial statements

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019 £ million
Right-of-use asset	422.8
Deferred tax asset/ current tax	4.2
Retained earnings	35.7
Non-controlling interests	5.0
Investment in equity-accounted investees	(23.4)
Lease liabilities	(444.3)

For measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its applicable incremental borrowing rate at 1 January 2019 which were in the range of 4% per annum to 12% per annum.

	1 January 2019 £ million
Operating lease commitments at 31 December 2018	1,387.5
Discounted using the lessee's incremental borrowing rate at 1 January 2019	441.4
Add: finance lease liabilities recognised as at 31 December 2018	2.9
Total lease liability recognised as at 1 January 2019	444.3

Impacts for the year

Due to application of IFRS 16, the Group has recognised amortisation and interest costs, instead of operating lease expense. During the year, the Group has recognised £18.0 million of depreciation charge and £21.5 million of interest costs from these leases.

Also, refer note 4(h) for accounting policy on leases.

4 Significant accounting policies

The accounting policies set out below have been applied consistently in the year presented in these consolidated financial statements and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Business combinations

The acquisition method of accounting is used to account for business combinations including common control transactions by the Group on the date of acquisition. For each significant business combination, the Group engages external, independent and qualified valuers who have the relevant experiences to carry out the fair valuation exercise of the net assets based on market related assumptions and weighted average cost of capital. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets (including previously unrecognised port concession rights) acquired and liabilities (including contingent liabilities and excluding future restructuring) assumed.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

In an acquisition, if the purchase price is lower than the fair value of the assets acquired, the resulting gain will be recognised immediately in the statement of consolidated income statement.

In case of business combinations under common control, if the purchase price is lower than the fair value of the assets acquired, the resulting gain will be recognised directly in equity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the consolidated income statement.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(iii) Business combination achieved in stages

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognised in profit or loss.

(iv) Change in ownership interests in subsidiaries without loss of control

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The difference between the fair value of any consideration paid or received and relevant shares acquired or disposed off in the carrying value of net assets of the subsidiary is recorded in equity under retained earnings.

(v) Disposal of subsidiaries (loss of control)

On the loss of control, the Group derecognises the subsidiary and recognises any surplus or deficit arising on the loss of control in the consolidated statement of profit or loss. Any retained interest is re-measured at fair value on the date control is lost and is subsequently accounted as an equity-accounted investee or as a FVOCI-equity instrument depending on the level of influence retained.

(vi) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(vii) Investments in associates and joint ventures (equity-accounted investees)

The Group's interest in equity-accounted investees comprise interest in associates and joint ventures. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Investments in equity-accounted investees are accounted for using the equity method and are initially recorded at cost including transaction costs. The Group's investment includes fair value adjustments (including goodwill) net of any accumulated impairment losses.

At each reporting date, the Group determines whether there is any objective evidence that the investments in the equity-accounted investees are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the same in the consolidated income statement.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from the transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(b) Foreign currency

(i) Functional and presentation currency

The functional currency of the Group is Pound sterling. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which it operates (functional currency). These consolidated financial statements are presented in £, which is the Group's presentation currency. All amounts have been rounded to the nearest million, unless otherwise indicated

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Foreign currency differences are generally recognised in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currency are translated to the functional currency of each entity at the foreign exchange rate ruling at the date of transaction with no further re-measurement in future.

(iii) Foreign operations

For the preparation of consolidated financial statements, the differences arising on translation of financial statements of foreign operations into £ are recognised in other comprehensive income and accumulated in the translation reserve except to the extent of share of non-controlling interests in such differences. Accumulated translation differences are recycled to profit or loss on de-recognition of foreign operations as part of the gain or loss on such derecognition. In case of partial derecognition, accumulated differences proportionate to the stake derecognised are recycled.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI (other comprehensive income) and accumulated in the translation reserve.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the consolidated statement of other comprehensive income, to the extent that the hedge is effective.

(c) Financial instruments

(i) Non-derivative financial assets

Under IFRS 9, on initial recognition, a financial asset is classified and measured at:

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI') - debt instrument;
- FVOCI - equity instrument; or
- Fair value through profit or loss ('FVTPL').

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and also on the basis of the contractual cash flows characteristics of the financial instrument.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

ii. Non-derivative financial liabilities

Classification, initial recognition and measurement

Under IFRS 9, financial liabilities at inception can be classified either at amortised cost or FVTPL.

The Group's non-derivative financial liabilities consist of loans and borrowings, bank overdrafts, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. The Group classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortised cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities are carried at their amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

iii. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its cash flows exposed to risk of fluctuations in foreign currencies and interest rates.

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

Initial recognition

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognised in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation

On initial designation of the derivatives as the hedging instrument, the Group formally documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedging instrument and hedged item, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other together with the methods that will be used to assess the effectiveness of the hedging relationship.

Subsequent measurement

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in consolidated statement of other comprehensive income to the extent that the hedge is effective and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss.

When the hedged item is a non-financial asset, the amount recognised in the consolidated statement of other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in consolidated statement of other comprehensive income is transferred to the consolidated statement of profit or loss in the same period that the hedged item affects the consolidated statement of profit or loss.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Derivative instruments that are not designated as hedging instruments in hedge relationships are classified as financial liabilities or assets at fair value through profit or loss.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

iii. Derivative financial instruments and hedge accounting

Derecognition

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in consolidated statement of other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, then the balance in equity is reclassified to the consolidated statement of profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to set off on a net basis, or to realise the assets and settle the liability simultaneously.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (refer to note 4(i)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are depreciated as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and recognised within 'other income' in the consolidated income statement.

Capital work-in-progress

Capital work-in-progress is measured at cost less impairment losses and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Dredging

Dredging expenditure is categorised into capital dredging and major maintenance dredging. Capital dredging is expenditure which includes creation of a new harbour, deepening or extension of the channel berths or waterways in order to allow access to larger ships which will result in future economic benefits for the Group. This expenditure is capitalised and amortised over the expected period of the relevant concession agreement. Major maintenance dredging is expenditure incurred to restore the channel to its previous condition and depth. Maintenance dredging is regarded as a separate component of the asset and is capitalised and amortised evenly over 10 years.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

(iii) Depreciation

Land and capital work in progress is not depreciated. Depreciation on other assets is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and is based on cost less residual value.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Dredging (continued)

(iii) Depreciation (continued)

The estimated useful lives of assets are as follows:

Assets	Useful life (years)
Buildings	5 – 50
Plant and equipment	3 – 25
Vessels	10 – 30
Dredging (included in land and buildings)	10 – 99

Dredging costs are depreciated on a straight line basis based on the lives of various components of dredging.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if required.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 4 (i) (i)).

(iv) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. In an acquisition, if the purchase price is lower than the fair value of the assets acquired, the resulting gain will be recognised immediately in the consolidated income statement.

Goodwill is measured at cost less accumulated impairment losses (refer to note 4(i)). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and is not tested for impairment separately.

(f) Port concession rights

The Group classifies the port concession rights as intangible assets as the Group bears demand risk over the infrastructure assets. Substantially all of the Group's terminal operations are conducted pursuant to long-term operating concessions or leases entered into with the owner of a relevant port for terms generally between 25 and 50 years (excluding the port concession rights relating to associates and joint ventures). The Group commonly starts negotiations regarding renewal of concession agreements with approximately 5 - 10 years remaining on the term and often obtains renewals or extensions on the concession agreements in advance of their expiration in return for a commitment to make certain capital expenditures in respect of the subject terminal. In addition, such negotiations may result in the re-basing of rental charges to reflect prevailing market rates. However, based on the Group's experience, incumbent operators are typically granted renewal often because it can be costly for a port owner to switch operators, both administratively and due to interruptions to port operations and reduced productivity associated with such transactions. Port concession rights consist of:

(i) Port concession rights arising on business combinations

The cost of port concession rights acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, port concession rights are carried at cost less accumulated amortisation and any accumulated impairment losses (refer to note 4(i)). The useful lives of port concession rights are assessed to be either finite or indefinite.

Port concession rights with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the port concession rights may be impaired. The amortisation period and amortisation method for port concession rights with finite useful lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on port concession rights with finite useful lives are recognised in the consolidated statement of profit or loss on a straight-line basis.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(f) Port concession rights (continued)

(i) Port concession rights arising on business combinations (continued)

Port concession rights with indefinite lives (arising where freehold rights are granted) are not amortised and are tested for impairment at least on an annual basis or when the impairment indicator exists, either individually or at the cash-generating unit level. The useful life of port concession rights with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(ii) Port concession rights arising from Service Concession Arrangements (IFRIC 12)

The Group recognises port concession rights arising from a service concession arrangement, in which the grantor (government or port authorities) controls or regulates the services provided and the prices charged, and also controls any significant residual interest in the infrastructure such as property, plant and equipment, if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

Port concession rights also include certain property, plant and equipment which are reclassified as intangible assets in accordance with IFRIC 12 'Service Concession Arrangements'. These assets are amortised based on the lower of their useful lives or concession period. Amortisation of port concession rights is recognised in the consolidated income statement as part of 'cost of sales'.

Gains or losses arising from de-recognition of port concession rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

The estimated useful lives for port concession rights range within a period of 5 - 50 years (including the concession rights relating to equity accounted investees).

(g) Inventories

Inventories mainly consist of spare parts and consumables. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(h) Leases

Policy applicable under IAS 17 until 31 Dec 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessee

Assets held by the Group under leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance lease.

Contingent payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Leases of land in port concession

Leases of land have not been classified as finance leases as the Group believes that the substantial risks and rewards of ownership of the land have not been transferred. The existence of a significant exposure of the lessor to performance of the asset through contingent rentals was a basis of concluding that substantially all the risks and rewards of ownership have not passed.

(ii) Group as a lessor

The Group leases out its investment property and these are classified as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it is a lessor.

Notes to the consolidated financial statements (*continued*)

4 Significant accounting policies (*continued*)

(h) Leases (*continued*)

Policy applicable under IFRS 16 from 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

i. Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately on statement of financial position.

Variable lease payments that depend on revenue and output are recognised in statement of profit or loss in the period in which the condition that triggers those payments occurs.

ii. Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(i) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed for impairment whenever there is an indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing, the assets are grouped together into smallest group of assets (cash generating unit or "CGU") that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's.

Goodwill and port concession rights with infinite useful lives, as part of their respective cash-generating units, are also reviewed for impairment at each reporting date or at least once in a year regardless of any indicators of impairment. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

In respect of non-financial assets (other than goodwill), impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount, which would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Impairment of non-derivative financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any are held); or
- the financial asset is more than 180 days past due.

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

(k) Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Any excess payment received over par value is treated as share premium. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(l) Employee benefits

(i) Pension and post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan in which the company pays the fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement during which the services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan asset is deducted to arrive at net obligation. The calculation is performed annually by a qualified actuary using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised directly in the consolidated statement of other comprehensive income. The cost of providing benefits under the defined benefit plans is determined separately for each plan. Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi-employer defined benefit schemes where it is not possible to identify the Group's share of the scheme, are charged to the consolidated income statement as they fall due.

(ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

(iii) Short-term service benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating loss.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the consolidated income statement.

(n) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(n) Revenue (continued)

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of port related services

The Group's revenue mainly consists of port related services (containerised stevedoring, break bulk, general cargo, and marine services) which are generally carried out in a short span of time. These port related services are contracted with the customers as a single transaction. These port related services have high degree of integration and accordingly, constitute a single distinct performance obligation for the Group. Revenue from these services is recognised at the point in time when the services are rendered to the customer and are usually payable within 30 to 45 days.

The Group also provides container storage services at the request of the customer based on the usage period in the storage yard which constitute a separate distinct performance obligation. Revenue from container storage services is recognised over a period of storage days and are usually payable within 30 to 45 days.

For revenue recognition, the Group determines the transaction price in accordance with the tariff rates published by the port authorities in certain jurisdictions or agreed rates with the customers.

(o) Finance income and expense

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the consolidated income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the consolidated income statement.

Finance income and expense also include realised and unrealised exchange gains and losses on monetary assets and liabilities (refer to note 4(b)(ii)).

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to a business combination, or items recognised directly in consolidated statement of other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. It also includes any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the temporary differences arising on the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- the temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

(q) Inventories

Inventories include raw material, spare parts, consumables, and fuel on board of vessels. These are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(r) Separately disclosed items

The Group presents, as separately disclosed items on the face of the consolidated income statement, those items of income and expense which, because of the nature of the events giving rise to them, merit separate presentation to allow users to understand better, the elements of financial performance in the period, so as to facilitate a comparison with prior periods and a better assessment of trends in financial performance.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Port concession rights

Port concession rights acquired in a business combination are accounted at their fair values. The fair value is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investments in debt securities

The fair values of equity and debt securities are determined by reference to their quoted closing bid price at the reporting date. The fair value of debt securities held to maturity is determined based on the discounted cash flows at a market related discount rate. The fair value of debt securities held to maturity is determined for disclosure purposes only.

(iv) Trade and other receivables/ payables

The fair value of trade and other receivables and trade and other payables approximates to the carrying values due to the short term maturity of these instruments.

(v) Derivatives

The fair value of forward exchange contracts and interest rate swaps is based on the bank quotes at the reporting dates. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(vi) Non-derivative financial liabilities

Fair value for quoted bonds is based on their market price (including unpaid interest) as at the reporting date. Other loans include term loans and finance leases. These are largely at variable interest rates and therefore, the carrying value normally equates to the fair value.

The fair value of bank balances and cash and bank overdrafts approximates to the carrying value due to the short term maturity of these instruments.

Notes to the consolidated financial statements (continued)

6 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements. Also refer to note 29 for further details.

Risk management framework

The Board of Directors, in conjunction with the Board of Directors of DP World PLC, have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, amounts due from related parties and investment securities.

Trade and other receivables

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and are required to submit financial guarantees based on their creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Other financial assets

Credit risk arising from other financial assets of the Group comprises cash and cash equivalents and certain derivative instruments. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group manages its credit risks with regard to bank deposits, throughout the Group, through a number of controls, which include assessing the credit rating of the bank either from public credit ratings, or internal analysis where public data is not available and consideration of the support for financial institutions from their central banks or other regulatory authorities.

Financial guarantees

The Group's policy is to consider the provision of a financial guarantee to wholly-owned subsidiaries, where there is a commercial rationale to do so. Guarantees may also be provided to equity accounted investees in very limited circumstances and always only for the Group's share of the obligation. The provision of guarantees always requires the approval of senior management.

Notes to the consolidated financial statements (continued)

6 Financial risk management (continued)

Risk management framework (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities and by ensuring adequate internally generated funds. The Group's terms of business require amounts to be paid within 60 days of the date of provision of the service. Trade payables are normally settled within 45 days of the date of purchase.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivative contracts in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors in the Group Treasury policy. Generally, the Group seeks to apply hedge accounting in order to manage the volatility in the consolidated income statement.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

(i) Currency risk

The proportion of the Group's net operating assets denominated in foreign currencies is approximately 71.6% (2016: 80.5%) with the result that the Group's consolidated statement of financial position, and in particular owner's equity, can be affected by currency movements when it is retranslated at each year end rate. The Group partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross currency swaps. The impact of currency movements on operating profit is partially mitigated by interest costs being incurred in foreign currencies.

Interest on borrowings is denominated in the currency of the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying foreign operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

A portion of the Group's activities generate part of their revenue and incur some costs outside their main functional currency. Due to the diverse number of locations in which the Group operates there is some natural hedging that occurs within the Group. When it is considered that currency volatility could have a material impact on the results of an operation, hedging using forward foreign currency contracts is undertaken to reduce the short-term effect of currency movements.

When the Group's businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are hedged in most instances using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value.

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a fixed/floating interest rate and bank deposits.

Notes to the consolidated financial statements (continued)

6 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's policy is to manage its interest cost by entering into interest rate swap agreements, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2019, after taking into account the effect of interest rate swaps, approximately 59.2% (2018: 81.5%) of the Group's borrowings are at a fixed rate of interest.

Capital management

The Board's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Equity consists of issued capital, share premium, other reserves, retained earnings, and non-controlling interests. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios such as adjusted net debt/ adjusted equity and adjusted net debt/ adjusted EBITDA in order to support its business and maximise shareholder value. The Group also monitors its interest coverage ratio as well for this purpose.

For calculating these ratios:

- Adjusted net debt is defined as total loans and borrowings including lease liabilities less cash and cash equivalents.
- Adjusted EBITDA is defined in note 7 Segment information.

The Board monitors these ratios without considering the impact of IFRS 16 Leases which require further adjustments to adjusted EBITDA and equity. These modified ratios are also provided as an additional information.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The key performance ratios as at 31 December are as follows:

		£ million		
	Note	2019	2019	2018
		Pre-IFRS 16	Post-IFRS 16	Pre-IFRS 16
Total interest bearing loans and borrowings	20	1,214.4	1,214.4	1,264.5
Add: IFRS 16 lease liabilities	21	-	448.0	-
Less: cash and cash equivalents	19	(317.1)	(317.1)	(291.0)
Total adjusted net debt	A	897.3	1,345.3	973.5
Total equity		2,328.7	2,328.7	2,244.3
Add: IFRS 16 adjustments		63.0	-	-
Adjusted equity	B	2,391.7	2,328.7	2,244.3
EBITDA as per segmentation		512.0	512.0	508.4
Less: IAS 17 leases		(40.6)	-	-
Adjusted EBITDA	C	471.4	512.0	508.4
Net finance costs before separately disclosed items	D	86.1	86.1	78.7
Adjusted net debt/ Equity	A/B	0.4	0.6	0.4
Adjusted net debt/ adjusted EBITDA	B/C	5.1	4.5	4.4
Interest cover before separately disclosed items	C/D	5.5	5.9	6.5

Notes to the consolidated financial statements (continued)

7. Operating segments

The internal management reports which are prepared under EU-IFRS are reviewed by the Board of Directors ('Chief Operating Decision Maker') based on the location of the Group's assets and liabilities. The Group has identified the following geographic areas as its basis of segmentation. The Group measures segment performance based on the earnings before separately disclosed items, interest, tax, depreciation and amortisation ("Adjusted EBITDA").

- Asia Pacific and India
- Australia and Americas
- Europe, Africa and Middle East

Each of these operating segments have an individual appointed as Segment Director responsible for these segments, who in turn reports to the Chief Operating Decision Maker.

In presenting the geographic information, segment revenue, segment results from operation, segment assets and segment liabilities has been allocated based on the geographic location of the entity. In addition to the above reportable segments, the Group also reports unallocated head office costs, finance costs, finance income, tax expense and tax liabilities under the head office segment in line with Group internal management report.

Information regarding the results of each reportable segment is included below.

					£ million	
					2019	
By region	Note	Asia Pacific and India	Australia and Americas	Europe Africa and Middle East	Head Office	Total group
Revenue from ports and terminals		205.9	255.3	424.7	-	885.9
Revenue from logistics and maritime services		19.8	-	44.0	-	63.8
Total Revenue		225.7	255.3	468.7	-	949.7
Segment results from operations		178.2	45.2	129.1	(3.7)	348.8
Finance income	10	-	-	-	42.5	42.5
Finance expenses	10	-	-	-	(126.3)	(126.3)
Tax expenses	11	-	-	-	(62.7)	(62.7)
Profit/(loss) for the year		178.2	45.2	129.1	(150.2)	202.3
Depreciation and amortisation		31.5	41.8	77.4	0.5	151.2
Share of profit of equity accounted investees before separately disclosed items		91.9	0.9	15.8	-	108.6
Tax expenses	11	-	-	-	62.7	62.7
Capital expenditure		17.9	5.3	70.6	-	93.8
Segment assets						
Current and non-current assets		399.0	507.2	1929.4	1499.0	4334.6
Equity-accounted investments	15	328.9	6.5	163.2	(6.7)	491.9
Taxation assets		-	-	-	7.2	7.2
Total assets		727.9	513.7	2092.6	1499.5	4833.7
Segment liabilities						
Current and non-current liabilities		141.3	41.8	216.6	1809.3	2209.0
Taxation liabilities		-	-	-	296.0	296.0
Total liabilities		141.3	41.8	216.6	2105.3	2505.0
Earning before separately disclosed items, interest, tax, depreciation and amortisation ("Adjusted EBITDA")						
Revenue before separately disclosed items		225.7	255.3	468.7	-	949.7
Adjusted EBITDA		193.4	110.8	211.0	(3.2)	512.0
Finance income		-	-	-	32.7	32.7
Finance costs		-	-	-	(118.8)	(118.8)
Tax expense	11	-	-	-	(62.7)	(62.7)
Depreciation and amortisation		(31.5)	(41.8)	(77.4)	(0.5)	(151.2)
Adjusted net profit		161.9	69.0	133.6	(152.5)	212.0
Adjusted for separately disclosed items	9	16.3	(23.8)	(4.5)	2.3	(9.7)
Profit from continuing operations		178.2	45.2	129.1	(150.2)	202.3

Net finance cost and tax expense from various geographical locations and head office have been grouped under head office.

Notes to the consolidated financial statements (continued)

7. Operating segments (continued)

						£ million
						2018
	Note	Asia Pacific and India	Australia and Americas	Europe Africa and Middle East	Head Office	Total group
By region						
Revenue from ports and terminals		267.2	285.7	419.2	-	972.1
Revenue from logistics and maritime services		26.4	-	43.6	-	70.0
Total Revenue		293.6	285.7	462.8	-	1042.1
Segment results from operations		248.8	85.2	116.7	(26.6)	424.1
Finance income	10	-	-	-	33.6	33.6
Finance expenses	10	-	-	-	(112.7)	(112.7)
Tax expenses	11	-	-	-	(101.3)	(101.3)
Profit/(loss) for the year		248.8	85.2	116.7	(207.0)	243.7
Depreciation and amortisation		32.4	39.0	60.4	0.4	132.2
Share of profit of equity accounted investees before separately disclosed items		103.6	0.9	18.4	-	122.9
Tax expenses	11	-	-	-	101.3	101.3
Capital expenditure		2.5	43.6	52.8	-	98.9
Segment assets						
Current and non-current assets		433.5	524.0	1554.2	1349.0	3860.7
Equity-accounted investments	15	369.5	6.6	165.3	(5.2)	536.2
Taxation assets		-	-	-	1.9	1.9
Total assets		803.0	530.6	1719.5	1345.7	4398.8
Segment liabilities						
Current and non-current liabilities		132.8	48.1	222.1	1439.9	1842.9
Taxation liabilities		-	-	-	311.6	311.6
Total liabilities		132.8	48.1	222.1	1751.5	2154.5
Earning before separately disclosed items, interest, tax, depreciation and amortisation ("Adjusted EBITDA")						
Revenue before separately disclosed items		216.6	285.7	462.8	-	965.1
Adjusted EBITDA		209.8	124.2	180.8	(6.4)	508.4
Finance income		-	-	-	34.0	34.0
Finance costs		-	-	-	(112.7)	(112.7)
Tax expense	11	-	-	-	(75.1)	(75.1)
Depreciation and amortisation		(32.4)	(39.0)	(60.4)	(0.4)	(132.2)
Adjusted net profit		177.4	85.2	120.4	(160.6)	222.4
Adjusted for separately disclosed items	9	71.4	0.0	(3.7)	(46.4)	21.3
Profit from continuing operations		248.8	85.2	116.7	(207.0)	243.7

8. Net operating costs

			£ million
Included within Group operating profit are the following items:			2018
Depreciation and amortisation of prepaid leases, intangible assets and property plant and equipment	2019	151.2	132.2
Audit fees		1.1	0.9
			£ million
Fees paid to the company's principal auditor – KPMG	2019		2018
Fees paid to the company's auditor for the audit of the Company's accounts and its subsidiaries		1.1	0.9
Non-audit and other assurance services:			
Tax services		0.3	-
All other services		0.1	0.5
		0.4	0.5
Total of audit and non-audit services		1.5	1.4

Fees of £40,449 (2018: £39,386), in respect of the audit, and Nil (2018: Nil), in respect of tax services, were paid to KPMG LLP by the P&O pension scheme.

Notes to the consolidated financial statements (continued)

9. Separately disclosed items

							£ million
							2019
	Revenue	General and administration	Equity earnings	Sale of business	Net financing cost	Income tax	Total
General and administration costs	-	(2.5)	-	-	-	-	(2.5)
Share of loss from equity accounted investees	-	-	(2.1)	-	-	-	(2.1)
Sale of business	-	-	-	(7.4)	-	-	(7.4)
Hedge costs	-	-	-	-	2.3	-	2.3
	-	(2.5)	(2.1)	(7.4)	2.3	-	(9.7)

							£ million
							2018
	Revenue	General and administration	Equity earnings	Sale of business	Net financing cost	Income tax	Total
Revenue	77.0	-	-	-	-	-	77.0
Restructuring provision	-	(2.7)	-	-	-	-	(2.7)
Guaranteed minimum pension costs	-	(20.8)	-	-	-	-	(20.8)
Share of loss from equity accounted investees	-	-	(2.9)	-	-	-	(2.9)
Sale of business	-	-	-	(2.7)	-	-	(2.7)
Hedge costs	-	-	-	-	(0.4)	-	(0.4)
Income tax	-	-	-	-	-	(26.2)	(26.2)
	77.0	(23.5)	(2.9)	(2.7)	(0.4)	(26.2)	21.3

The Group presents, as separately disclosed items on the face of the consolidated income statement, those items of income and expense which, because of the nature of the events giving rise to them, merit separate presentation to allow users to understand better, the elements of financial performance in the period, so as to facilitate a comparison with prior periods and a better assessment of trends in financial performance.

Revenue : In the previous years, a deferred revenue provision was recognised in the 'Asia Pacific and India' region in relation to the difference in revenue between the billed rates and the rates specified by the Tariff Authority order. Due to change in tariff regulatory environment, management has reversed this provision in 2018.

General and administration expenses relates to impairment of property, plant and equipment in the 'Europe, Africa and Middle East' region. (2018 related to restructuring provision in a subsidiary in the 'Asia Pacific and India' region).

Guaranteed minimum pension costs relates to additional costs arising in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment confirming that UK pension schemes are required to equalise male and female members' benefits for the effect of unequal GMPs.

Share of loss from equity-accounted investees relates to impairment of property, plant and equipment in the 'Europe, Africa and Middle East' region. (2018 related to the loss on termination of hedge in the 'Europe, Africa and Middle East' region).

Sale of business relates to the loss on termination of a concession in the 'Asia Pacific and India' region. (2018 related to the loss on sale of a subsidiary in the 'Europe, Africa and Middle East' region).

Hedge costs relates to the ineffective elements of hedges in subsidiaries in the 'Europe, Africa and Middle East' region and 'Asia Pacific and India' region.

Income tax - 2019 : Nil (2018 related to the tax on the deferred revenue provision reversal in the 'Asia Pacific and India' region).

Notes to the consolidated financial statements (continued)

10. Net financing expenses

	£ million	
	2019	2018
Finance income		
Interest income		
- Third parties	15.4	14.1
- Related parties	10.1	9.1
Exchange gains	7.2	9.7
Fair value gain	9.8	0.7
	42.5	33.6
Finance expenses		
Interest expense		
- Third parties	(76.7)	(79.0)
- Related parties	(4.5)	(5.1)
- Lease liabilities	(21.5)	-
Exchange losses	(12.9)	(24.4)
Fair value loss	(7.5)	(1.1)
Net interest costs in respect of pension plans	(3.2)	(3.1)
	(126.3)	(112.7)
Net financing expense	(83.8)	(79.1)

11. Taxation

	£ million	
	2019	2018
UK corporation tax		
Current tax charge for the year	(5.2)	(5.2)
Adjustment in respect of prior years	1.6	2.9
	(3.6)	(2.3)
Overseas tax		
Current tax charge for the year	(64.4)	(81.0)
Adjustment in respect of prior years	(0.7)	(23.9)
	(65.1)	(104.9)
Total current tax	(68.7)	(107.2)
Deferred tax		
Origination and reversal of temporary differences in the current year	3.0	5.7
Adjustment in respect of prior years	3.0	0.2
Tax on profit for the year	(62.7)	(101.3)
Tax recognised in statement of other comprehensive income		
Current tax on IFRS 16 adoption in P&L Reserves	0.1	
Deferred tax on IFRS 16 adoption in P&L Reserves	4.0	
Current tax in OCI	1.3	0.7
Deferred tax in OCI	(0.6)	(5.0)
Total	4.8	(4.3)

The adjustments in respect of prior periods is £ 3.9 million (2018: -£20.8 million) arises from the finalisation and agreement of prior year tax computations for companies in the UK and overseas.

Notes to the consolidated financial statements (continued)

11. Taxation (continued)

Factors affecting the taxation charge for the current year

The total taxation charge is higher (2018: higher) than the profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained as follows:

Reconciliation of the effective tax rate	%	£ million	%	£ million
	2019		2018	
Profit before taxation		265.0		345.0
Profit before taxation multiplied by the standard rate of corporation tax in the UK of:	19.00%	50.3	19.00%	65.6
Effects of:				
Non-taxable income less expenses not deductible for tax purposes	(4.3%)	(11.4)	(7.8%)	(26.9)
Tax deduction in respect of pension schemes	(1.1%)	(2.8)	0.5%	1.8
Net of (unrelieved tax losses carried forward) utilisation of tax losses	(0.0%)	(0.1)	1.0%	3.5
Accounting profits on chargeable assets	0.0%	0.0	0.5%	1.6
Changes in the overseas tax rates	0.9%	2.3	(0.9%)	(3.2)
Higher rate taxes on overseas earnings	20.8%	55.2	19.2%	66.2
Withholding and other taxes suffered overseas	5.7%	15.2	5.7%	19.5
Tax on earnings from equity accounted investees	(15.9%)	(42.1)	(13.8%)	(47.6)
Adjustments to tax charge in respect of prior periods	(1.5%)	(3.9)	6.0%	20.8
Effective tax rate	23.65%	62.7	29.4%	101.3

The profit before taxation of £265.0 million (2018: £345.0 million) includes the Group's share of profits of joint ventures and associates within continuing operations of £106.5 million (2018: £120.0 million) which is net of a tax charge of £42.1 million (2018: £47.6 million).

The Group's overseas tax rates are typically a mixture of rates higher and lower than 19.00 percent. They include the effect of overseas tax benefits available to infrastructure projects.

12. Intangible assets

	£ million		
	Port concession rights	Goodwill	Total
Cost			
At 1 January 2019	651.4	41.9	693.3
Additions	0.1	-	0.1
Transfers to property, plant and equipment	(32.8)	-	(32.8)
Exchange adjustments	(31.7)	(1.9)	(33.6)
At 31 December 2019	587.0	40.0	627.0
Accumulated amortization			
At 1 January 2019	(318.5)	-	(318.5)
Charge for the year	(24.3)	-	(24.3)
Transfers to property, plant and equipment	23.9	-	23.9
Exchange adjustments	16.0	-	16.0
At 31 December 2019	(302.9)	-	(302.9)
Net book amount at 31 December 2019	284.1	40.0	324.1
Cost			
At 1 January 2018	705.9	42.5	748.4
Disposals	(6.0)	-	(6.0)
Additions	1.1	-	1.1
Exchange adjustments	(49.6)	(0.6)	(50.2)
At 31 December 2018	651.4	41.9	693.3
Accumulated amortization			
At 1 January 2018	(330.7)	-	(330.7)
Disposals	0.1	-	0.1
Charge for the year	(30.6)	-	(30.6)
Exchange adjustments	42.7	-	42.7
At 31 December 2018	(318.5)	-	(318.5)
Net book amount at 31 December 2018	332.9	41.9	374.8

At 31 December 2019, there are no port concession rights that are pledged to secure bank loans (2018: Nil).

Notes to the consolidated financial statements (continued)

12. Intangible assets (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations and port concession rights with indefinite useful lives have been allocated to various cash-generating units ("CGU"), which are reportable business units, for the purposes of impairment testing.

Impairment testing is done at operating port (or group of ports) level that represents an individual CGU. Details of the CGUs by operating segment are shown below:

Cash generating units aggregated by operating segment	Carrying amount of goodwill £' million	Pre-tax discount rate %	Terminal growth rate %	Discount rate change required for carrying amount to equal recoverable amount %	Average budgeted margin growth change required for carrying amount to equal recoverable amount %	Terminal growth rate change required for carrying amount to equal recoverable amount %
2019						
Europe, Africa and Middle East	14.2	7.3 - 15.3	2.5	0.4 - 13.0	Refer note (a)	Refer note (a)
Australia and Americas	15.7	7.5 - 16.2	2.5	4.4	Refer note (a)	Refer note (a)
Asia Pacific and India	10.1	7.7 - 10.8	2.5	6.0	(2.6)	Refer note (a)
Total	40.0					
2018						
Europe, Africa and Middle East	15.0	7.6 - 15.3	2.5	0.6 - 9.3	Refer note (a)	Refer note (a)
Australia and Americas	16.2	7.8 - 15.7	2.5	5.4	Refer note (a)	Refer note (a)
Asia Pacific and India	10.7	8.1 - 12.4	2.5	11.9	(15.0)	Refer note (a)
Total	41.9					

- (a) As per the sensitivity analyses, even if these assumptions are reduced to 0%, it will still result in recoverable amounts being higher than the carrying amounts.

The recoverable amount of the CGU has been determined based on their value in use calculated using cash flow projections based on the financial budgets approved by the Board covering a three year period and a further outlook for five years, which is considered appropriate in view of the outlook for the industry and the long-term nature of the concession agreements held i.e. generally for a period of 25-50 years.

Key assumptions used in the value in use calculations

The following describes each key assumption on which the Board has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted margins – The basis used to determine the value assigned to the budgeted margin is the average gross margin achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements, price fluctuations and manpower costs.

Discount rates – These represent the cost of capital adjusted for the respective location risk factors. The Group uses the post-tax industry average weighted average cost of capital based on the rate of 10 years default free US treasury bonds adjusted for country-specific risks.

Cost inflation – The forecast general price index is used to determine the cost inflation during the budget year for the relevant countries where the Group is operating which has been sourced from International Monetary Fund (IMF).

Terminal growth rate – In the Board's view, the terminal growth rate is the minimum growth rate expected to be achieved beyond the eight-year period. This is based on the overall regional economic growth forecasted and the Group's existing internal capacity changes for a given region. The Group also takes into account competition and regional capacity growth to provide a comprehensive growth assumption for the entire portfolio. Based on historical global container volume average growth, assuming 2.5% terminal value growth rate for the Group is reasonable. The values assigned to key assumptions are consistent with the past experience of the Board.

Sensitivity to changes in assumptions

The calculation of value in use for the CGU is sensitive to future earnings and therefore a sensitivity analysis was performed. The analysis demonstrated that for all CGU's a 10% decrease in earnings for a future period of three years from the reporting date would not result in significant impairment. Similarly, an increase of 0.25% in discount rate and decrease of 0.25% in terminal growth rate would not result in impairment.

Notes to the consolidated financial statements (continued)

13. Right of use assets

	£ million			
	Port concession rights	Plant, machinery and vehicles	Land and Building	Total
Cost				
Recognition on initial application of IFRS 16 as at 1 January 2019	391.5	17.2	14.1	422.8
Additions during the year	-	-	0.2	0.2
Written off during the year	(0.5)	-	-	(0.5)
Exchange adjustments	6.9	0.9	(0.3)	7.5
At 31 December 2019	397.9	18.1	14.0	430.0
Accumulated Depreciation				
Charge for the year	(14.0)	(1.8)	(2.2)	(18.0)
Written off during the year	0.5	-	-	0.5
Exchange adjustments	0.4	0.6	(0.3)	0.7
At 31 December 2019	(13.1)	(1.2)	(2.5)	(16.8)
Net book amount at 31 December 2019	384.8	16.9	11.5	413.2

	2019 £ million	2018 £ million
Amount recognised in consolidated statement of profit or loss		
Depreciation expense of right-of-use assets	18.0	-
Interest expense on lease liabilities (included in finance cost)	21.5	0.2
Expense relating to short-term leases, leases of low value assets and variable lease payments	123.0	148.7
Amount recognised in consolidated statement of cash flows		
Lease payments made during the year (included under financing activities)	32.9	4.1

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment

	£ million				
	Property	Vessels	Plant and equipment	Capital work-in-progress	Total
Cost					
At 1 January 2019	853.2	204.1	1,499.3	20.0	2,576.6
Additions	0.3	1.6	6.3	85.6	93.8
Transfers from intangible assets	-	-	32.8	-	32.8
Transfers from capital work-in-progress	6.0	1.1	24.3	(31.4)	-
Disposals	(5.9)	(0.1)	(13.2)	-	(19.2)
Exchange adjustments	(24.2)	(11.4)	(20.6)	(3.4)	(59.6)
At 31 December 2019	829.4	195.3	1,528.9	70.8	2,624.4
Accumulated depreciation					
At 1 January 2019	(249.7)	(69.2)	(431.1)	-	(750.0)
Charge for the year	(31.1)	(10.5)	(67.3)	-	(108.9)
Impairment losses	-	(2.5)	-	-	(2.5)
Transfers from intangible assets	-	-	(23.9)	-	(23.9)
Disposals	4.1	2.6	12.7	-	19.4
Exchange adjustments	6.8	3.3	12.2	-	22.3
At 31 December 2019	(269.9)	(76.3)	(497.4)	-	(843.6)
Net book amount at 31 December 2019	559.5	119.0	1,031.5	70.8	1,780.8
Cost					
At 1 January 2018	821.3	187.8	1,417.8	59.2	2,486.1
Additions	19.8	33.1	12.4	26.8	92.1
Transfers from capital work-in-progress	16.3	-	47.9	(64.2)	-
Disposals	(0.6)	(20.8)	(8.0)	(0.7)	(30.1)
Exchange adjustments	(3.6)	4.0	29.2	(1.1)	28.5
At 31 December 2018	853.2	204.1	1,499.3	20.0	2,576.6
Accumulated depreciation					
At 1 January 2018	(219.9)	(66.5)	(348.5)	-	(634.9)
Charge for the year	(29.7)	(9.5)	(62.4)	-	(101.6)
Disposals	0.4	7.8	9.7	-	17.9
Exchange adjustments	(0.5)	(1.0)	(29.9)	-	(31.4)
At 31 December 2018	(249.7)	(69.2)	(431.1)	-	(750.0)
Net book amount at 31 December 2018	603.5	134.9	1,068.2	20.0	1,826.6

At 31 December 2019, property, plant and equipment with a carrying amount of £779.2 million (2018: £1,331.7 million) are pledged to secure bank loans (refer to note 20). At 31 December 2019, the net carrying value of the leased plant and equipment and other assets was £123.7 million (2018: £154.8 million).

Borrowing costs capitalised to property, plant and equipment amounted to £1.8 million (2018: £2.8 million) calculated using a capitalisation rate of 0.43% (2018: 0.45%).

Notes to the consolidated financial statements (continued)

14A Investment properties

	£ million
	Building and Infrastructure
Cost	
At 1 January 2019	5.7
Additions	-
Exchange adjustments	(0.1)
At 31 December 2019	5.6
Accumulated amortization	
At 1 January 2019	(0.1)
Charge for the year	(0.2)
Exchange adjustments	-
At 31 December 2019	(0.3)
Net book amount at 31 December 2019	5.3
Cost	
At 1 January 2018	-
Additions	5.5
Exchange adjustments	0.2
At 31 December 2018	5.7
Accumulated amortization	
At 1 January 2018	-
Charge for the year	(0.1)
Exchange adjustments	-
At 31 December 2018	(0.1)
Net book amount at 31 December 2018	5.6

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Investment property comprises a commercial property leased out to third parties.

Revenue on lease rentals from investment properties recognised in the profit or loss amount to £ 0.3 million (2018: £ 0.3 million) while associated costs related to these investment properties amount to £ 0.01 million (2018: £ 0.01 million). The rental income is dependent upon variable rates and the contracts are renewed annually.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term.

15. Investments in equity accounted investees

The following table summarises the financial information for equity-accounted investees, adjusted for fair value adjustments at acquisition and reconciled to the carrying amount of Group's interest in equity-accounted investees as included in consolidated statement of financial position:

	£ million
Cost at 1 January 2019	536.2
Share of profits for the year	106.5
Share of actuarial losses, net of tax	(0.6)
Share of movement in effective portion of cash-flow hedges, net of tax	2.3
IFRS 16 Transition impact	(23.4)
Share of movement in other reserves	(30.1)
Dividends	(77.1)
Exchange adjustments	(21.9)
Cost at 31 December 2019	491.9
Cost at 1 January 2018	542.2
Additions	1.7
Share of profits for the year	120.0
Share of actuarial losses, net of tax	0.2
Share of movement in effective portion of cash-flow hedges, net of tax	(8.6)
Dividends	(131.0)
Exchange adjustments	11.7
Cost at 31 December 2018	536.2

Notes to the consolidated financial statements (continued)

15. Investments in equity accounted investees (continued)

Summarised financial information for equity accounted investees:

	£ million	
	2019	2018
Sales and other operating revenues	506.4	527.3
Profit before interest and taxation	136.3	180.8
Net Finance costs	12.3	(17.9)
Profit before taxation	148.6	162.9
Taxation	(42.1)	(42.9)
Profit for the year	106.5	120.0
Non-current assets	965.4	793.2
Current assets	219.2	313.6
Total assets	1,184.6	1,106.8
Current liabilities	(187.9)	(195.3)
Non-current liabilities	(504.8)	(375.3)
Total liabilities	(692.7)	(570.6)
Net assets	491.9	536.2

16. Deferred tax assets and liabilities

	£ million		
	Assets	Liabilities	Net 2019
Property, plant and equipment	(1.2)	45.6	44.4
Intangible assets	(0.6)	0.1	(0.5)
Investment in equity accounted investees	-	16.6	16.6
Employee benefits	(5.7)	-	(5.7)
Provisions	(1.4)	0.1	(1.3)
Tax value of loss carried forward recognised	(23.8)	-	(23.8)
Financial instruments	(13.3)	5.0	(8.3)
Capital gain	-	221.7	221.7
Other	(9.9)	22.0	12.1
Total tax (assets)/liabilities	(55.9)	311.1	255.2
Tax offset	50.9	(50.9)	-
Total tax liabilities after offset	(5.0)	260.2	255.2

	Assets	Liabilities	Net 2018
Property, plant and equipment	(1.4)	48.8	47.4
Intangible assets	(0.6)	0.1	(0.5)
Investment in equity accounted investees	-	17.0	17.0
Employee benefits	(6.4)	-	(6.4)
Provisions	(1.1)	0.1	(1.0)
Tax value of loss carried forward recognised	(23.6)	-	(23.6)
Financial instruments	(12.4)	5.9	(6.5)
Capital gain	-	229.2	229.2
Other	(3.1)	22.2	19.1
Total tax (assets)/liabilities	(48.6)	323.3	274.7
Tax offset	48.6	(48.6)	0.0
Total tax (assets)/liabilities after offset	-	274.7	274.7

Deferred tax assets have not been recognised by some of the subsidiaries on their trading losses where utilisation is uncertain, either because they have not been agreed with tax authorities, or because they are not likely to generate taxable income in the foreseeable future to offset against these losses, or because of the impact of tax holidays. The Group will continuously review/ monitor these unrecognised tax losses and will consider recognising them as deferred tax asset in future if there are any significant changes to these assumptions. Details are as follows:

	2019			2018		
	Gross amount £ million	Tax effect £ million	Expiry date	Gross amount £ million	Tax effect £ million	Expiry date
Trading losses – will expire under current legislation	31.1	6.4	2020 - 2023	38.7	7.9	2019-2023
	4.0	0.9	2024 - 2027	1.3	0.4	2024-2027
	7.4	2.1	2035 - 2039	5.3	1.5	2035-2038
Trading losses - will not expire under current legislation	301.2	75.2	-	317.8	66.1	-
Capital losses – will not expire under current legislation	168.8	32.1	-	168.8	28.7	-

Notes to the consolidated financial statements (continued)

16. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	£ million				
	Balance at 1 January 2019	Exchange movements	Recognised in income	Acquired balances and disposals	Recognised in OCI and P&L reserves
Property, plant and equipment	47.4	(2.9)	(0.1)	0.0	0.0
Intangible assets	(0.5)	0.0	0.0	0.0	0.0
Investment in equity accounted investees	17.0	0.0	(0.4)	0.0	0.0
Employee benefits	(6.4)	0.1	(0.1)	0.0	0.7
Provisions	(1.0)	0.1	(0.4)	0.0	0.0
Tax value of loss carried forward recognised	(23.6)	(1.0)	0.8	0.0	0.0
Financial instruments	(6.5)	0.1	(1.2)	0.0	(0.7)
Capital gain	229.2	(7.5)	0.0	0.0	0.0
Other	19.1	0.7	(4.3)	0.0	(3.4)
Total tax liabilities/(assets)	274.7	(10.4)	(5.7)	0.0	(3.4)

	Balance at 1 January 2018	Exchange movements	Recognised in income	Acquired balances and disposals	Recognise d in OCI and P&L reserves
Property, plant and equipment	54.5	(2.8)	(4.3)	-	-
Intangible assets	2.9	-	-	(3.4)	-
Investment in equity accounted investees	16.5	-	0.5	-	-
Employee benefits	(8.2)	0.2	(0.6)	0.1	2.1
Provisions	(0.9)	(0.2)	-	0.1	-
Tax value of loss carried forward recognised	(16.7)	(8.3)	1.5	(0.1)	-
Financial instruments	(8.9)	(0.2)	(0.6)	(0.1)	3.3
Capital gain	216.8	12.4	-	-	-
Other	12.6	9.0	(2.3)	0.2	(0.4)
Total tax liabilities/(assets)	268.6	10.1	(5.8)	(3.2)	5.0

17. Trade and other receivables

	£ million			
	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	93.7	-	103.4	-
Other receivables	71.1	47.3	66.5	51.5
Prepayments and accrued income	19.3	0.9	18.6	0.7
	184.1	48.2	188.5	52.2
Loans to Parent Group undertakings:				
Loans to the intermediate parent company	1,185.2	-	1,026.8	-
Loans to fellow subsidiaries of the Group's ultimate controlling entity	40.5	14.8	45.5	7.5
	1,225.7	14.8	1,072.3	7.5

Trade receivables are reported net of a provision of £3.1 million (2018: £0.5 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

Amounts owed by Group undertakings bear interest in reference to LIBOR and are repayable on demand by the relevant parties. The directors believe that these loans are recoverable which is supported by cash repayments of £23.7 million received in 2019 (2018: £60.0 million).

Notes to the consolidated financial statements (continued)

18. Other investments

	£ million	
	2019	2018
Financial assets at fair value through other comprehensive income	0.5	24.3
	0.5	24.3

(a) The movement schedule for financial assets at fair value through other comprehensive income is as given below:

	£ million	
	2019	2018
Balance as of 1 st January	24.3	35.9
Disposals during the year *	(23.8)	(11.6)
Balance as of 31 st December	0.5	24.3

* On 31 January 2019, the Group disposed 3.15% shares in DP World Australia (Holding) Pty Limited with a carrying amount of £23.8 million at the date of the disposal. The loss on disposal was valued at £23.8 million.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

18A Inventories

	£ million	
	2019	2018
Raw materials, spare parts and consumables	21.9	19.1
Goods in transit	0.2	0.1
Fuel on board of vessels	0.3	0.3
	22.4	19.5
Provision for obsolete and slow moving items	(1.6)	(1.6)
Total Inventories	20.8	17.9

In 2019, inventories of £40.5 million (2018: £34.4 million) were recognised as an expense during the year and included in cost of sales. In addition, inventories have been reduced by £0.0 million (2018: £0.3 million) as a result of the write-down to net realisable value. This write-down was recognised as an expense during 2019.

19. Cash and cash equivalents

	£ million	
	2019	2018
Bank balances	157.8	140.5
Call deposits	130.4	124.3
Deposits under lien	28.9	26.2
Cash and cash equivalents as per the statement of financial position	317.1	291.0
Bank overdrafts	-	-
Cash and cash equivalents as per the consolidated statement of cash flows	317.1	291.0

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

The deposits under lien are placed to collateralise some of the borrowings of the Group.

Notes to the consolidated financial statements (continued)

20. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised costs. For information about the Group's exposure to interest rate and foreign currency risk, see note 30.

	£ million	
	2019	2018
Non-current		
Secured bank loans	775.3	796.0
Mortgage debenture stock	1.4	1.4
Unsecured loan	12.0	14.2
Unsecured bank loans	387.1	407.2
Unsecured bond issues	6.0	6.2
Total non-current	1,181.8	1,225.0
Current		
Secured bank loans	17.5	17.3
Unsecured bank loans	15.1	22.2
Total current	32.6	39.5
Total current and non-current	1,214.4	1,264.5

2019					£ million
2019	Nominal Interest rate	Year of maturity	Face value	Carrying value	
Unsecured Loans					
INR	Variable	2024	117.3	117.3	
INR	Variable	2020-2024	14.3	14.3	
USD	Variable	2021	41.9	41.9	
INR	Variable	2020	3.2	3.2	
INR	Variable	2022-2027	29.7	29.7	
USD	Variable	2023	195.8	195.8	
Secured Loans					
USD	Variable	2020	2.2	2.2	
USD	Variable	2029-2030	65	65	
USD	5.98% to 8%	2020-2022	10.7	10.7	
PGK	6.75%	2027	28.3	28.3	
EUR	Variable	2022	1.3	1.3	
EUR	1.18%-4.75%	2021-2026	11.5	11.5	
PKR	Variable	2025-2026	33.1	33.1	
GBP	Variable	2024-2036	617.0	617.0	
GBP*	4.50%	2045	23.7	23.7	
Unsecured bond issues					
USD	7.875%	2027	6.0	6.0	
Unsecured Loan					
EUR	4.000%	2024	12.0	12.0	
Mortgage debentures stocks					
GBP	3.500%	Undated	1.4	1.4	
Finance Leases					
Various Currencies	0.48% to 13.58%	2019- 2054	-	-	
Total			1,214.4	1,214.4	

Notes to the consolidated financial statements (continued)

20. Interest bearing loans and borrowings (continued)

2018	£ million			
2010	Nominal Interest rate	Year of maturity	Face value	Carrying value
Unsecured Loans				
INR	Variable	2024	121.2	121.2
INR	Variable	2019-2021	56.4	56.4
USD	Variable	2021	10.3	10.3
USD	Variable	2021	3.4	3.4
INR	Variable	2020	35.8	35.8
INR	Variable	2022-2027	202.3	202.3
Secured Loans				
USD	Variable	2020	7.0	7.0
CAD	Variable	2023	72.3	72.3
USD	Variable	2030	-	-
USD	2.75%	2019	47.5	47.5
USD	5.98% to 8%	2020-2022	2.4	2.4
EUR	Variable	2022	11.9	11.9
EUR	2.53%-4.75%	2021-2031	31.9	31.9
GBP*	9.50%	2017	640.3	640.3
Unsecured bond issues				
USD	7.88%	2027	6.2	6.2
Unsecured Loan				
EUR	4.00%	2024	12.7	12.7
EUR	Variable	Open	1.5	1.5
Mortgage debentures stocks				
GBP	0.0	Undated	1.4	1.4
Finance Leases				
Various Currencies	2.25% to 13.51%	2019- 2022	-	-
Total			1,264.5	1,264.5

* The above loans relating to London Gateway Port were refinanced in March 2016 for GBP 580m, for a tenure of 30 years.

Certain property, plant and equipment and port concession rights are pledged against the facilities obtained from the banks (refer to note 12 and note 13). The deposits under lien amounting to £ 28.9 million (2018: £ 26.2 million) are placed to collateralise some of the borrowings of the Company's subsidiaries (refer to note 18).

There has been no issuance or repayment of debt securities in the current year (2018: Nil). At 31 December 2019, the undrawn committed borrowing facilities of £ NIL (2018: £ NIL) were available to the Group, in respect of which all conditions precedent had been met.

Movement of interest bearing loans and borrowings

	£ million	
	2019	2018
Balance as at 1 January	1,264.5	1,248.3
Cash flow items		
Additional borrowings during the year	37.5	74.1
Repayment of borrowings during the year	(62.1)	(78.0)
Other non-cash items		
Translation adjustments	(25.5)	20.1
Balance at 31 December	1,214.4	1,264.5

Notes to the consolidated financial statements (continued)

21. Lease liabilities

	£ million	
	2019	2018
At 1 January	2.9	6.90
At 1 January 2019 upon adoption of IFRS 16	444.30	-
Payments	(32.90)	(4.10)
Additions	0.20	-
Interest expense	21.50	0.20
Reclassified from accounts payable	5.70	-
Translation adjustment	6.30	(0.10)
As at 31 December	448.00	2.9
Lease liabilities classified as:		
Non-current	419.4	1.7
Current	28.6	1.2
Total	448.00	2.9

Refer note 13 for right-of-use assets and also refer note 30(b) for maturity profile of lease liabilities.

22. Trade and other payables

	£ million			
	2019		2018	
	Current	Non-current	Current	Non-current
Trade payables	41.6	-	50.4	-
Other unsecured payables	32.1	14.9	48.8	17.7
Accruals and deferred income	136.7	23.1	125.5	22.6
Fair value of derivative financial instruments	0.9	50.1	0.5	47.1
	211.3	88.1	225.2	87.4
Loan from Parent group undertakings				
Loan from fellow subsidiaries of the Group's ultimate controlling entity	86.0	33.7	60.2	64.6
	86.0	33.7	60.2	64.6

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

22A. Provisions

	£ million	
	2019	2018
Opening balance	10.9	11.2
Provisions made during the year	14.0	15.1
Provisions utilised during the year	(14.2)	(15.4)
Closing Balance	10.7	10.9

During the current year, additional provision of £14.0 million was made (2018: £15.1 million) and an amount of £14.2 million was utilised (2018: £15.4 million). The recognised provision reflects management's best estimate of the most likely outcome of various legal and other claims, which are subject to considerable uncertainty in terms of outcome and timing of settlement.

Notes to the consolidated financial statements (continued)

23. Non-controlling interest

The following table summarises the financial information for the material NCI of the Group:

	£ million							
	2019 Europe, Africa and Middle East	2019 Australia and Americas	2019 Other individually immaterial subsidiaries *	2019 Gross Total	2018 Europe, Africa and Middle East	2018 Australia and Americas	2018 Other individually immaterial subsidiaries *	2018 Gross Total
<i>Balance sheet information</i>								
Non-current assets	49.2	26.0			50.3	35.0		
Current assets	32.2	39.0			17.4	38.0		
Non-current liabilities	(4.3)	(3.0)			(1.3)	(7.0)		
Current liabilities	(14.3)	(13.0)			(9.1)	(14.0)		
Net assets (100%)	62.80	49.00			57.3	52.0		
<i>Income statement information</i>								
Carrying amount of NCI as at 31 December	25.1	21.7	1.50	48.3	22.9	23.1	2.30	48.3
Revenue	32.3	82.0			22.7	124.0		
Profit after tax	8.9	(2.0)			6.8	3.0		
Other comprehensive income, net of tax	-	-			-	-		
Total comprehensive income (100%), net of tax	8.9	(2.0)			6.8	3.0		
Profit allocated to NCI	3.5	(1.0)	16.2	18.7	2.7	1.0	15.0	18.7
OCI allocated to NCI	-	-	(0.8)	(0.8)	-	-	(0.6)	(0.6)
Total comprehensive income allocated to NCI	3.5	(1.0)	15.4	17.9	2.7		14.4	18.1
Cash flows from operating activities	5.9	17.6			11.5	5.6		
Cash flows from investing activities	0.4	(2.3)			1.4	(4.1)		
Cash flows from financing activities	(1.4)	(0.7)			1.8	(0.6)		
Dividends paid to NCI					-	-		

24. Issued capital and reserves

Share capital and share premium account

The balances classified as share capital and share premium account include the total net proceeds on issue of the Company's equity share capital. The authorised share capital is £953.2 million (2018: £953.2 million) being the allotted capital together with £110.0 million (2018: £110.0 million) of unclassified shares. The nominal value of each class of share unit is £1. The number of shares held is 843.2 million. Share premium amounted to £815.4 million (2018: £815.4 million). The allotted, called up and fully paid share capital was £843.2 million as at 31 December 2019 (2018: £843.2 million).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are integral to the operations of the Company.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

Other reserves of £170.5 million (2018: £170.5 million) is made up of the Group's merger reserve of £454.2 million (2018: £454.2 million) and capital reserve £161.4 million (2018: £161.4 million), less goodwill deducted from reserves of £451.9 million (2018: £451.9 million), all arising under UK GAAP prior to transition to IFRS, plus a capital redemption reserve of £3.3 million (2018: £3.3 million) and amounts relating to share based payments of £3.5 million (2018: £3.5 million).

Notes to the consolidated financial statements (continued)

25. Employees

	£ million	
Employee costs	2019	2018
Wages and salaries	143.9	146.1
Social security costs	7.9	10.2
Pension and other post-retirement benefit costs	23.2	24.6
	175.0	180.9
Average number of employees at 31 December	2019	2018
UK full time	1,135	1,094
UK part time	13	13
Overseas full time	4,447	4,327
Overseas part time	163	157
	5,758	5,591

26. Employee benefits

The Group participates in a number of pension schemes throughout the world, mostly concentrated in the United Kingdom.

The board of a pension scheme in the UK is required by law to act in the best interests of the fund participants and is responsible for setting certain policies (e.g. investment, contributions and indexation policies) and determining recovery plans, if appropriate.

These defined benefit schemes expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. In addition, by participating in certain multi-employer industry schemes, the Group can be exposed to a pro-rata share of the credit risk of other participating employers.

a) P&O UK Scheme

This principal scheme is located in the UK (the "P&O UK Scheme"). The P&O UK Scheme is a funded defined benefit scheme and was closed to routine new members on 1 January 2002 and to future accrual on 31 December 2015. The pension fund is legally separated from the Group and managed by a Trustee board. The assets of the scheme are managed on behalf of the Trustee by independent fund managers.

Formal actuarial valuations of the P&O UK scheme are normally carried out triennially by qualified independent actuaries, the most recent valuation was at 31 March 2019 using the projected unit credit method. The deficit on a statutory funding objectives basis was £98.0 million. In April 2020 the Group agreed with the Trustee to pay lump sum deficit contribution £6.5 million due to increase in monthly deficit contributions from £0.8 million to £1.3 million from 1 April 2019 to 31 March 2020, plus a new monthly deficit payment plan effective from 1 April 2020 of £1.3 million until 31 March 2025. Apart from this, the Group also agreed with the Trustee for a revised payment plan of one-off lump sum deficit contribution of £12.0 million to settle in monthly payment of £1.2 million, which will be paid from 1 June 2020 to 31 March 2021.

In December 2007, as part of a process developed with The Group to de-risk the pension scheme, the Trustee transferred £800 million of P&O UK Scheme assets to Paternoster (UK) Ltd, in exchange for a bulk annuity insurance policy to ensure that the assets (in The Group's statement of financial position and in the Scheme) will always be equal to the current value of the liability of the pensions in payment at 30 June 2007, thus removing the funding risks for these liabilities.

b) Merchant Navy Officers' Pension Fund ("MNOPF")

The Group participates in various industry multi-employer schemes, the most significant of which is the New Section of the MNOPF Scheme and is in the UK. These generally have assets held in separate trustee administered funds which are legally separated from The Group.

It is an industry wide multi-employer defined benefit scheme in which officers employed by Group have participated.

The most recent formal actuarial valuation of the New Section of MNOPF Scheme was carried out as at 31 March 2018. This resulted in a deficit of £9.0 million. The Trustee Board believe their investment strategy will address this deficit and therefore has not issued deficit contribution notices to employers in respect of the 2018 actuarial valuation. The New Section of the MNOPF Scheme closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009, 2012 and 2015 the Trustee and Employers agreed contributions to be paid to the Section by participating employers over the period to 30 September 2023. These contributions included an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or not able to pay their share. In September 2017, the Trustee offered a settlement sum of £14.7 million to The Group which would clear the outstanding contributions (due payable bi-annually to September 2023) and save The Group £2.1 million in future interest payments. The Group agreed and settled the payment on 28 September 2017. There are no outstanding contributions due by The Group in 2019.

The Group's share of the net deficit of the MNOPF Scheme at 31 December 2019 is estimated at 5.21%.

Notes to the consolidated financial statements (continued)

26. Employee benefits (continued)

c) Merchant Navy Ratings' Pension Fund ("MNRPF")

The MNRPF Scheme is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by Group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual from 2001.

Certain Group companies, which are no longer current employers in the MNRPF Scheme had settled their statutory debt obligation and were not considered to have any legal obligation with respect to the on-going deficit in the fund. However, following a legal challenge, by Stena Line Limited, the High Court decided that the Trustee could require all employers that had ever participated in the scheme to make contributions to fund the deficit. Although The Group appealed, the decision was not overturned.

The Group's deficit contributions arising from the 31 March 2014 valuation totalled £25 million. The most recent formal actuarial valuation was carried out as at 31 March 2017. The Group's deficit contributions arising from this valuation totalled £7.7 million. The contributions due to the Scheme in respect of this valuation will be paid over the period to 31 October 2023. The combined total annual deficit contributions arising from the 2014 and 2017 actuarial valuations to be paid in 2020 to 2022 of £4.5 million per annum and £0.9 million in 2023.

The Trustee set the payment terms for each participating employer in accordance with the Trustee's Contribution Collection Policy which includes credit vetting.

The Group's share of the net deficit of the New Section at 31 December 2019 is estimated at 7.38%.

d) Others

The Group also operates a number of smaller defined benefit and defined contribution schemes.

Reconciliation of assets and liabilities recognised in the consolidated statement of financial position

The amounts recognised in the balance sheet are as follows

	£ million	
	2019	2018
Non-current		
Defined benefit schemes net liabilities	110.4	121.4
Liability in respect of long service leave	0.2	0.1
Liability for other non-current deferred compensation	0.6	0.2
	111.2	121.7
Current		
Liability for current deferred compensation	5.6	5.5
Net liability	116.8	127.2
Reflected in the consolidated statement of financial position as follows:		
Employee benefit liabilities: non-current	111.2	121.7
Employee benefit liabilities: current	5.6	5.5
	116.8	127.2

Long term employee benefit expense recognised in consolidated statement of profit and loss consist of following:

	£ million	
	2019	2018
Defined benefit schemes*	7.7	27.2
Defined contribution schemes	10.7	9.4
Other employee benefits	9.5	0.7
	27.9	37.3

* This includes additional costs arising in 2018 in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment in the UK.

This includes non-cash employee benefits expenses recognized in general and administrative expense of £3.1 million (2018: £3.4 million) in regards to defined benefit schemes.

Notes to the consolidated financial statements (continued)

26. Employee benefits (continued)

The re-measurements of the net defined benefit liability recognised in the statement of other comprehensive income is as follows:

	£ million	
	2019	2018
Actuarial loss/(gain) recognised in the year	178.1	(93.3)
Return on plan assets (greater) / lesser than the discount rate	(149.0)	90.4
Change in share in multi-employer scheme	0.3	0.1
Movement in minimum funding liability	(29.5)	(20.2)
	(0.1)	(23.0)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2019 by qualified independent actuaries. The principal assumptions are included in the table below. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme		MNOF Scheme		Other Scheme	
	2019	2018	2019	2018	2019	2018
Discount rates	1.95%	2.85%	1.95%	2.85%	1.80%	3.00%
Discount rates - Bulk Annuity Asset	1.85%	2.65%	n/a	n/a	n/a	n/a
Expected rates of salary increases *	n/a*	n/a*	n/a*	n/a*	1.34%	2.40%
Pension increases:						
- Deferment	3.00%	3.00%	2.25%	2.55%	2.20%	2.80%
- Payment	3.00%	3.00%	3.15%	3.45%	2.51%	3.20%
Inflation	3.25%	3.55%	3.25%	3.55%	2.75%	3.30%

* The P&O UK Scheme and MNOF were closed to future accrual as at 31 December 2016, so future pay increases is not relevant.

The assumptions for pensioner longevity under both the P&O UK scheme and the MNOF scheme are based on an analysis of pensioner death trends under the respective schemes over many years.

For illustration, the life expectancies for the two schemes at age 65 now and in the future are detailed in the table below.

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2019				
P&O UK scheme	22.8	24.5	24.9	26.7
MNOF scheme	21.8	23.9	23.9	26
2018				
P&O UK scheme	21.6	23.2	23.5	25.3
MNOF scheme	23.2	26.1	26.6	29.4

At 31 December 2019 the weighted average duration of the defined benefit obligation was 14.9 years (2018: 14.0 years).

Reasonably possible changes to one of the actuarial assumptions, holding other assumptions constant (in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated), would have increased the net defined benefit liability as at 31 December 2019 by the amounts shown below:

	£ million	
	2019	2018
0.1% reduction in discount rate	3.9	3.5
0.1% increase in inflation assumption and related assumptions	5.4	1.4
0.25% p.a. increase in the long term rate of mortality improvement	6.9	1.6
	16.2	6.5

Notes to the consolidated financial statements (continued)

26. Employee benefits (continued)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The schemes' strategic asset allocations across the sectors of the main asset classes are:

	P&O UK Scheme £'million	MNOPF Scheme £'million	Other Scheme £'million	Total Fair value £'million
2019				
Equities	178.6	51.1	48.7	278.4
Bonds	218.8	120.0	178.8	517.6
Other	212.8	-	35.5	248.3
Value of insured pensioner liability	721.8	-	2.0	723.8
	1,332.0	171.1	265.0	1,768.1
2018				
Equities	156.2	51.0	45.4	252.6
Bonds	194.0	117.9	135.4	447.3
Other	211.4	-	28.5	239.9
Value of insured pensioner liability	704.8	-	1.9	706.7
	1,266.4	168.9	211.2	1,646.5

With the exception of the insured pensioner liability all material investments have quoted prices in active markets.

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2019:

	£ million			
	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
Present value of obligation at 1 January 2019	(1,278.8)	(157.3)	(244.7)	(1,680.8)
Current service cost	-	-	(4.6)	(4.6)
Employer's past service cost	-	-	-	-
Interest cost on Defined Benefit Obligation	(35.3)	(4.4)	(7.3)	(47.0)
Contributions by scheme participants	-	-	(0.9)	(0.9)
Effect of movement in exchange rates	-	-	(14.5)	(14.5)
Actuarial gain/(loss) - experience	18.5	(0.9)	1.3	18.9
Actuarial gain/(loss) - demographic assumptions	(15.7)	7.4	4.9	(3.4)
Actuarial gain/(loss) - financial assumptions	(143.3)	(16.2)	(34.1)	(193.6)
Gain/(Loss) due to change in share	-	4.3	-	4.3
Actual benefit paid	84.6	9.0	9.5	103.1
Present value of obligation at 31 December 2019	(1,370.0)	(158.1)	(290.4)	(1,818.5)
Fair value of scheme assets at 1 January 2019	1,266.4	168.9	211.2	1,646.5
Interest income on assets	35.0	4.7	6.5	46.2
Return on plan assets (greater)/less than the discount rate	108.9	11.4	28.7	149.0
Actual employer contributions	9.0	-	13.8	22.8
Contributions by scheme participants	-	-	0.9	0.9
Effect of movement in exchange rate	(0.8)	-	14.3	13.5
Actual benefit paid	(84.6)	(9.0)	(9.5)	(103.1)
Gain/(Loss) due to change in share	-	(4.6)	-	(4.6)
Administration costs incurred during period	(1.9)	(0.3)	(0.9)	(3.1)
Fair value of scheme assets at 31 December 2019	1,332.0	171.1	265.0	1,768.1
Defined benefit schemes net liabilities	(38.0)	13.0	(25.4)	(50.4)
Minimum funding liability	(32.2)	(13.0)	(14.8)	(60.0)
Net liability recognised in the consolidated statement of financial position as at 31 December 2019	(70.2)	(0.0)	(40.2)	(110.4)

Notes to the consolidated financial statements (continued)

26. Employee benefits (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2018:

	£ million			
	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
Present value of obligation at 1 January 2018	(1,362.2)	(167.9)	(261.6)	(1,791.7)
Current service cost	-	-	(3.0)	(3.0)
Employer's past service cost*	(17.8)	(0.8)	(2.2)	(20.8)
Interest cost on Defined Benefit Obligation	(33.2)	(4.1)	(6.4)	(43.7)
Contributions by scheme participants	-	-	(0.9)	(0.9)
Effect of movement in exchange rates	(0.1)	-	-	(0.1)
Actuarial gain/(loss) - experience	-	(1.3)	0.1	(1.2)
Actuarial gain/(loss) - demographic assumptions	7.3	-	5.6	12.9
Actuarial gain/(loss) - financial assumptions	57.1	7.3	17.2	81.6
Gain/(Loss) due to change in share	-	-	(4.4)	(4.4)
Actual benefit paid	70.1	9.5	10.9	90.5
Present value of obligation at 31 December 2018	(1,278.8)	(157.3)	(244.7)	(1,680.8)
Fair value of scheme assets at 1 January 2018	1,355.8	187.9	215.7	1,759.4
Interest income on assets	33.1	4.6	5.4	43.1
Return on plan assets (greater)/less than the discount rate	(58.9)	(13.8)	(17.7)	(90.4)
Actual employer contributions	9.0	-	14.0	23.0
Contributions by scheme participants	-	-	0.9	0.9
Effect of movement in exchange rate	(0.1)	-	0.2	0.1
Actual benefit paid	(70.1)	(9.5)	(10.9)	(90.5)
Gain/(Loss) due to change in share	-	-	4.3	4.3
Administration costs incurred during period	(2.4)	(0.3)	(0.7)	(3.4)
Fair value of scheme assets at 31 December 2018	1,266.4	168.9	211.2	1,646.5
Defined benefit schemes net liabilities	(12.4)	11.6	(33.5)	(34.3)
Minimum funding liability	(62.7)	(11.6)	(12.8)	(87.1)
Net liability recognised in the consolidated statement of financial position as at 31 December 2018	(75.1)	(0.0)	(46.3)	(121.4)

* This relates to additional costs arising in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment in the UK (refer to note 9).

A minimum funding liability arises where the statutory funding requirements are such that future contributions in respect of past service will result in a future unrecognisable surplus.

The below table shows the movement in minimum funding liability:

	£ million	
	2019	2018
Minimum funding liability as on 1 January	(87.1)	(104.7)
Interest cost on minimum funding liability	(2.4)	(2.6)
Actuarial movement during the year	29.5	20.2
Minimum funding liability as on 31 December	(60.0)	(87.1)

It is anticipated that the company will make the following contributions to the pension schemes in 2020:

	£ million			
	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
Pension scheme contributions	28.7	-	11.6	40.3

Notes to the consolidated financial statements (continued)

27. Commitments

Capital commitments

	£ million	
	2019	2018
Estimated capital expenditure contracted for as at 31 December	141.5	94.9

28. Contingent liabilities

- (a) The Group has contingent liabilities amounting to £22.3 million (2018: £22.7 million) in respect of payment guarantees and £47.7 million (2018: £50.5 million) in respect of performance guarantees. The bank guarantees are arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.
- (b) The Group has contingent liabilities in respect of guarantees issued on behalf of equity accounted investees amounting to £15.1 million (2018: £14.4 million).

29. Related parties

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over it in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence i.e. part of the same Parent Group.

Related parties represent associated companies, shareholders, directors and key management personnel of the Group, the Parent Company, Ultimate Parent Company and entities jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. The terms and conditions of the related party transactions were made on an arm's length basis.

Parent entities

The largest group of companies for which consolidated financial statements are prepared and in which the company is consolidated is DP World Plc, a company limited by shares incorporated in Dubai, whose accounts are filed with the Dubai International Financial Centre. DP World Plc has 19.55% of its shares traded on the NASDAQ Dubai.

In the opinion of the directors, the ultimate controlling parent company as at 31 December 2019 was Port & Free Zone World FZE, which owns 80.45% of DP World PLC. Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, (ultimate parent company).

Transactions with parent group

Amounts due from the parent group are disclosed in note 17. Interest earned on these loans amounted to £9.3 million (2018: £7.4 million). Amounts due to the parent group are disclosed in note 22. Interest cost on these loans amounted to £1.2 million (2018: £2.0million).

Management fees of £16.4 million (2018: £11.3 million) were paid to DP World group companies during the year.

Management fees of £7.3 million (2018: £6.3 million) were received from DP World group companies during the year.

On 30th January 2019 the Group transferred its 3.15% interest in DP World Australia (Holding) Pty Ltd held as investments in unlisted companies to a parent Group entity (DP World Australia B.V) for a sale consideration of \$1.

On 12 November 2018 P&OSNCo has transferred its investment in series B1 preferred stock of Hyperloop Technologies to DPW FZE for a stock consideration of £11.6m.

On 12 November 2018 P&OSNCo has sold all of its investment in the convertible promissory note of Hyperloop Technologies to DPW FZE for a note consideration of £68.3m for the principal balance and interest thereon.

There were no other material transactions with the parent group during the year (2018: £nil).

Transactions with key management personnel

Given the operational and organisational structure of the Group, the key management personnel as defined under IAS 24 'Related Party Disclosures' consists of the board of directors of the company together with the key management personnel of DP World PLC.

The Group's share of the remuneration of these key personnel was £1.3 million (2018: £3.1 million). The remuneration of the Directors of the Company is disclosed in note M to the Company financial statements.

The remuneration of the key management personnel of DP World PLC and any relevant transactions are set out in the financial statements of DP World PLC which are publicly available on their website at www.dpworld.com.

Notes to the consolidated financial statements *(continued)*

29. Related parties *(continued)*

Other related party transactions

During the year the Group provided services including office accommodation and IT support to Istithmar P&O Estates an affiliated company under ultimate parent company, amounting to £0.1 million (2018: £0.2 million).

There are no other related party transactions during the year, (2018: Nil)

30. Financial instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	£ million	
	Carrying amount	Carrying amount
	2019	2018
Trade receivables	93.7	103.4
Other receivables	138.6	137.3
Amounts owed by group companies	1,240.5	1,079.8
Cash and cash equivalents	317.1	291.0
Loan to equity accounted investees	44.5	46.2

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region is as follows:

	£ million	
	2019	2018
Europe and Africa	62.1	53.2
Australia and Americas	17.8	22.5
Asia Pacific and India	13.8	27.7
	93.7	103.4

(ii) Credit quality of financial assets and impairment losses

Movement in the allowance for impairment in respect of trade and other receivables during the year was:

	£ million	
	+	
	2019	2018
At 1 January	0.5	1.0
Charge/ (reversed) during the year	2.6	(0.5)
Reversed through disposal of business	-	-
At 31 December	3.1	0.5

The ageing of trade receivables at the reporting date was:

	£ million	
	2019	2018
Neither past due or impaired	52.6	52.2
Past due on the reporting date		
Past due less than 30 days	26.2	29.9
Past due 31-60 days	10.2	10.9
Past due over 60 days	4.7	10.4
	93.7	103.4

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Notes to the consolidated financial statements (continued)

30. Financial instruments (continued)

(b) Liquidity risk (continued)

						£ million
2019	Carrying amount	Contractual cash flows	Within one year	One to Two years	Two to five years	More than five years
Non-derivative financial liabilities						
Trade and other payables	(248.4)	(248.4)	(210.4)	(38.0)	-	-
Unsecured bond issues	(6.0)	(5.5)	-	-	(0.1)	(5.4)
Secured bank loans	(792.8)	(1,292.8)	(53.4)	(50.7)	(175.7)	(1,013.0)
Unsecured loans and bank loans	(402.2)	(459.3)	(31.1)	(32.2)	(347.3)	(48.7)
Lease liabilities	(448.0)	(777.7)	(30.5)	(30.2)	(88.9)	(628.1)
Mortgage debenture stock	(1.4)	(5.1)	(0.5)	(0.5)	(1.5)	(2.6)
Unsecured loan	(12.0)	(12.1)	-	(12.1)	-	-
Loan from group undertakings	(119.7)	(119.7)	(86.0)	(33.7)	-	-
Derivative financial liabilities						
Interest rate swaps (net outflow)	(51.0)	(59.2)	(0.9)	(33.3)	(17.4)	(8.5)
	(2,081.5)	(2,979.8)	(412.8)	(230.7)	(630.9)	(1,706.3)
£ million						
2018	Carrying amount	Contractual cash flows	Within one year	One to Two years	Two to five years	More than five years
Non-derivative financial liabilities						
Trade and other payables	(265.0)	(265.0)	(224.7)	(40.3)	-	-
Unsecured bond issues	(6.2)	(7.2)	-	-	(0.1)	(7.1)
Secured bank loans	(813.3)	(1,330.6)	(51.1)	(50.0)	(158.6)	(1,070.9)
Unsecured bank loans	(429.4)	(490.7)	(29.4)	(45.9)	(315.2)	(100.2)
Finance lease liabilities	(2.9)	(3.1)	(1.3)	(1.7)	(0.1)	-
Mortgage debenture stock	(1.4)	(5.7)	(0.5)	(0.5)	(1.5)	(3.2)
Unsecured loan stock	(14.2)	(14.2)	(14.2)	-	-	-
Loan from group undertakings	(124.8)	(124.8)	(60.2)	(64.6)	-	-
Derivative financial liabilities						
Interest rate swaps (net outflow)	(47.6)	(66.2)	(17.3)	(16.6)	(30.6)	(1.7)
	(1,704.8)	(2,307.5)	(398.7)	(219.6)	(506.1)	(1,183.1)

(c) Market risk

(i) Currency risk

The following significant exchange rates were applied during the year:

	Average rates:		Reporting date spot rates:	
	2019	2018	2019	2018
USD	1.276	1.334	1.322	1.279
EUR	1.140	1.130	1.176	1.117
AUD	1.836	1.786	1.881	1.814
INR	89.848	91.204	94.339	89.221
CAD	1.693	1.729	1.717	1.744

Foreign currency sensitivity analysis

A 10% strengthening of pound sterling against the following currencies at 31 December 2019 and 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Further, as each entity in the Group determines its own functional currency, the effects of translating financial assets and liabilities of the respective entity would mainly impact equity.

Notes to the consolidated financial statements (continued)

30. Financial instruments (continued)

(c) Market risk (continued)

2019	£'million	
	Consolidated statement of OCI	Consolidated Income statement
USD	7.2	1.5
EUR	2.0	(0.1)
AUD	(0.2)	(0.0)
INR	15.6	0.3
CAD	1.7	(0.0)
2018	£'million	
	Equity	Income Statement
USD	10.4	1.3
EUR	0.7	(0.1)
AUD	0.7	(0.0)
INR	15.7	0.8
CAD	(0.2)	(0.0)

A 10% weakening of pound sterling against the above currencies at 31 December 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	£ million	
	Carrying amount 2019	Carrying amount 2018
Fixed rate instruments		
Financial liabilities (Loans and lease debt)	(93.7)	(84.1)
Interest rate swaps hedging floating rate debt	(891.0)	(943.1)
	(984.7)	(1,027.2)
Variable rate instruments		
Financial assets	1,280.1	1,230.3
Financial liabilities (Loans and lease debt)	(1,568.8)	(1,183.3)
Interest rate swaps hedging floating rate debt	891.0	943.1
	602.3	990.1

The group has hedged its exposure to variable rates by entering into fixed interest rate swaps for a notional amount equivalent to £891.0 million (2018: £943.1 million)

Interest rate sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant and the hedging arrangements are effective.

	£ million			
	Income statement		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
31-Dec-19				
Variable rate instruments	6.0	(6.0)	-	-
Interest rate swaps	-	-	8.9	(8.9)
Cash flow sensitivity net	6.0	(6.0)	8.9	(8.9)
31-Dec-18				
Variable rate instruments	9.9	(9.9)	-	-
Interest rate swaps	-	-	9.4	(9.4)
Cash flow sensitivity net	9.9	(9.9)	9.4	(9.4)

Notes to the consolidated financial statements (continued)

30. Financial instruments (continued)

(d) *Fair value of financial assets and liabilities*

The table below presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2019 and 31 December 2018:

	2019		2018	
	Book value	Fair value	Book value	Fair value
Primary financial assets and liabilities held or issued to finance the Group's operations:				
Trade and other receivables	232.3	232.3	240.7	240.7
Trade and other payables	(248.4)	(248.4)	(265.0)	(265.0)
Unsecured bond issues	(6.0)	(6.0)	(6.2)	(6.2)
Secured bank loans	(792.8)	(792.8)	(813.3)	(813.3)
Unsecured bank loans	(402.2)	(402.2)	(429.4)	(429.4)
Finance lease liabilities	-	-	(2.9)	(2.9)
Mortgage debenture stock	(1.4)	(1.4)	(1.4)	(1.4)
Amounts owed by group undertakings	1,240.5	1,240.5	1,079.8	1,079.8
Amounts owed to group undertakings	(119.7)	(119.7)	(124.8)	(124.8)
Cash and cash equivalents	317.1	317.1	291.0	291.0
Financial assets held at fair value through profit and loss	-	-	24.3	24.3
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swap - liabilities	(51.0)	(51.0)	(47.6)	(47.6)
Total	168.4	168.4	(54.8)	(54.8)

The following valuation methods have been used for the year ended 31 December 2019 and 31 December 2018:

The fair value of trade and other receivables and trade and other payables approximates to the book value due to the short-term maturity of these instruments.

The fair value of bonds and dollar notes included in loans above is based on the quoted market price of comparable debt. Other loans include term loans and finance leases. These are largely at variable interest rates and therefore the book value normally equates the fair value.

The fair value of interest rate swaps is based on the bank quotes at the reporting dates.

The fair value of mortgage debenture stocks is based on the quoted market value at the reporting dates. The fair value of other investments is based on the year-end quoted price for listed investments and the estimated recoverable amount for unlisted investments. The fair value of cash and bank overdrafts approximates to the book value due to the short-term maturity of the instruments. The fair value of derivative financial instruments is based on the cash flows discounted to the net present value using prevailing market rates and foreign currency rates at the reporting date.

Notes to the consolidated financial statements (continued)

30. Financial instruments (continued)

(d) Fair value of financial assets and liabilities (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	£ million		
	Level 1	Level 2	Level 3
	2019		
Financial assets held at fair value through profit and loss	–	–	–
Financial liabilities at amortised cost			
Mortgage debenture stocks	(6.9)	–	–
Financial liabilities through profit and loss			
Derivative financial liabilities*	–	(51.0)	–
	(6.9)	(51.0)	–
	2018		
Financial assets held at fair value through profit and loss	–	–	24.3
Financial liabilities at amortised cost			
Mortgage debenture stocks	(8.8)	–	–
Financial liabilities through profit and loss			
Derivative financial liabilities*	–	(47.6)	–
	(8.8)	(47.6)	24.3

* The Group enters into derivative financial instruments such as interest rate swaps with various counterparties, principally financial institutions with investment grade credit ratings. These derivative financial instruments are valued using discounted cash flow valuation techniques, which employ the use of market observable inputs such as credit quality of counterparties and observable interest rate curves at each reporting date.

* During the year, the Group has recognised losses on effective portion of changes in fair value of cash flow hedges amounting to £13.8 million (2018: £8.6 million gain) in the consolidated statement of comprehensive income. Furthermore, the Group has recognised gains on ineffective portion on cash flow hedges amounting to £2.3 million (2018: £0.4 million loss) (refer to note 8).

Notes to the consolidated financial statements (continued)

31. Significant group entities

The extent of the Group's ownership in its various subsidiaries, equity accounted investees and their principal activities are as follows:

	Country of incorporation	Ownership interest	Business description
Subsidiaries			
Chennai Container Terminal Private Ltd	India	100%	Container terminal operations
DP World Antwerp Terminals N.V.	Belgium	100%	Container terminal and other port operations
DP World Callao S.A.	Peru	100%	Container terminal operations
DP World Australia (POSN) Pty Ltd	Australia	100%	Holding Company
DP World Overseas Pty Limited	Australia	100%	Holding Company
DP World (POSN) B.V.	Netherlands	100%	Holding Company
DP World Red B.V.	Netherlands	100%	Holding Company
DP World Blue B.V.	Netherlands	100%	Holding Company
DP World Maputo S.A.	Mozambique	60%	Container terminal operations
India Gateway Terminal Private Limited	India	85.02%	Container terminal operations
Mundra International Container Terminal Private Limited	India	100%	Container terminal operations
Nhava Sheva (India) Gateway Terminal Private Limited	India	100%	Container terminal operations
Nhava Sheva International Container Terminal Private Ltd	India	100%	Container terminal operations
Container Rail Road Services Pvt Limited India	India	100%	Container rail freight operations
P&O Maritime Services Pty Ltd	Australia	100%	Port and maritime services
P&O Maritime Services (PNG) Ltd	Papua New Guinea	100%	Port and maritime services
Qasim International Container Terminal Pakistan Ltd	Pakistan	55%	Container terminal operations
Saigon Premier Container Terminal	Vietnam	80%	Container terminal operations
Southampton Container Terminals Ltd	England	100%	Container terminal operations
Terminales Rio de la Plata SA	Argentina	55.62%	Container terminal operations
London Gateway Port Limited	England	100%	Container terminal operations
Remolcadores de Puerto y Altura, S.A.	Spain	57.01%	Port and maritime services
DP World Germersheim B.V.	Netherlands	100%	Container terminal operations
DP World Saint John, Inc	Canada	100%	Container terminal operations
Joint Ventures and Associates			
Antwerp Gateway NV	Belgium	60%*	Container terminal operations
Laem Chabang International Terminal Co Ltd	Thailand	34.5%	Container terminal operations
Eurofos S.A.R.L	France	50%	Container terminal operations
Generale de Manutention Portuaire S.A	France	50%	Container terminal operations
Qingdao Qianwan Container Terminal Co. Ltd.	China	29%	Container terminal operations
Asian Terminals Inc.	Philippines	41.72%	Container terminal operations
Portus Indico - Sociedade de Servicos Portuarios Ltd	UAE	48.5%	Holding company
Visakha Container Terminals Private Limited	India	26%	Container terminal operations

* Although the Group has more than 60% effective ownership interest in this entity, it is not treated as a subsidiary, but instead treated as an equity accounted investee. The underlying shareholder agreement does not provide control to the Group.

32. Subsequent events

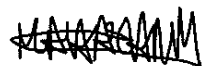
The coronavirus outbreak since early 2020 which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally has brought about additional uncertainties in the Group's operating environment. These restrictive measures, if prolonged, could slow national economic development, disrupt international trade, result in travel disruptions, decrease global shipping and reduce the use of the Group's ports and logistic facilities. The Group has been closely monitoring the impact of the developments on the Group's businesses mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have an adverse effect on the earnings of the Group. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with full range of possible effects currently unknown.

Company balance sheet

As at 31 December 2019

		£ million	£ million
	Note	2019	2018
Non-current assets			
Tangible fixed assets	F	0.4	5.2
Right-of-use-asset	G	2.8	-
Investment property		4.7	-
Investments in subsidiaries	H	1,494.7	1,494.7
Other investments	H	-	23.8
		1,502.6	1,523.7
Current assets			
Debtors	I	2,274.4	2,124.0
Cash and cash equivalents		3.7	3.4
		2,278.1	2,127.4
Total assets		3,780.7	3,651.1
Creditors: amounts falling due within one year			
Lease liabilities	J	(1.0)	-
Other creditors	L	(706.7)	(591.4)
		(707.7)	(591.4)
Net current assets		1,570.4	1,536.0
Total assets less current liabilities		3,073.0	3,059.7
Creditors: amounts falling due in more than one year			
Other creditors	L	(0.8)	(0.6)
Loans	K	(7.5)	(7.7)
Lease liabilities	J	(3.7)	-
Provisions	M	(7.1)	(6.7)
Pension liability	Q	(80.5)	(88.7)
		(99.6)	(103.6)
Net assets		2,973.4	2,956.1
Capital and reserves			
Called up share capital	N	(843.2)	(843.2)
Share premium account	O	(815.4)	(815.4)
Profit and loss account	O	(1,314.8)	(1,297.5)
Total equity		(2,973.4)	(2,956.1)

The accounts were approved by the Board of directors and signed on its behalf on 25 June 2020 by



Mohammad Alhashimy
Director



Mantraraj Budhdev
Director

Statement of changes in equity
For the year ended 31 December 2019

	£ million			
	Share capital	Share premium	Retained earnings	Total Equity
Balance as at 1 January 2018	843.2	815.4	2,380.1	4,038.7
Profit for the year	-	-	97.8	97.8
Total other comprehensive income, net of income tax	-	-	19.6	19.6
Total comprehensive income	-	-	117.4	117.4
Transactions with owners recorded directly in equity	-	-	-	-
Dividends	-	-	(1,200.0)	(1,200.0)
At 31 December 2018	843.2	815.4	1,297.5	2,956.1
Adjustment on initial application of IFRS 16	-	-	(2.1)	(2.1)
Adjusted balance as at 1 January 2019	843.2	815.4	1,295.4	2,954.0
Total comprehensive income for the year				
Profit for the year	-	-	19.1	19.1
Total other comprehensive income, net of income tax	-	-	0.3	0.3
Total comprehensive income	-	-	19.4	19.4
Transactions with owners recorded directly in equity				
Dividends	-	-	-	-
At 31 December 2019	843.2	815.4	1,314.8	2,973.4

Notes to the Company financial statement**A. Basis of Preparation****Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared on the historic cost basis.

The Company's ultimate parent undertaking, DP World PLC (formerly named DP World Limited), includes the Company in its consolidated financial statements. The consolidated financial statements of DP World PLC are prepared in accordance with IFRS and are filed with the Dubai International Financial Centre. The financial statements are available to the public and may be obtained from 16 Palace Street, London SW1E 5JQ, United Kingdom.

Adoption of new and revised standards

The Company has initially applied IFRS16 *Leases* from 01 January 2019. IFRS 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Company as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings at 01 January 2019. Accordingly, the comparative information presented has not been restated.

Transition impact on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	01-Jan-19
	£ million
Right-of -use asset	3.1
Retained earnings	2.1
Lease liabilities	(5.2)

For measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its applicable incremental borrowing rate at 1 January 2019 which were in the range of 4% per annum to 12% per annum.

	01-Jan-19
	£ million
Operating lease commitments at 31 December 2018	6.0
Discounted using the lessee's incremental borrowing rate at 1 January 2019	5.2
Total lease liability recognised as at 1 January 2019	5.2

Notes to the Company financial statement (continued)

A. Basis of Preparation (Continued)

Impacts for the year

Due to application of IFRS 16, the Company has recognised amortisation and interest costs, instead of operating lease expense. During the year, the Company has recognised £0.5 million of depreciation charge and £0.2 million of interest costs from these leases.

Also, refer note B for accounting policy on leases.

Disclosure exemptions

In these financial statements, the Company has applied exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and investments;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- Disclosures required by IFRS 7 Financial Instruments Disclosures
- The effects of new but not yet effective IFRSs

Going concern

The Directors consider that the Company's basis of preparation as a going concern is integrally linked to the Group and its position. Therefore, the Directors have considered the Company not only on a standalone basis but also in the context of the Group.

The Company has within current receivables an amount of £2,258.5 million (2018: £2,109.3 million) due from its intermediate parent companies and fellow subsidiaries and believe these to be recoverable.

The Board of Directors remain satisfied with the Company's funding and liquidity position. At 31 December 2019, the Company had net debt of £3.8 million (2018: £4.3 million) and had no committed borrowing facilities (2018: nil).

As disclosed in Note 2(c.) to the consolidated financial statements, the coronavirus outbreak since early 2020 which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally has brought about additional uncertainties in the Group's operating environment. These restrictive measures, if prolonged, could slow national economic development, disrupt international trade, results in travel disruptions, decrease global shipping and reduce the use of Group's ports and logistics facilities. The Group has been closely monitoring the impact of the developments on the Group's businesses mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have adverse impact of the earnings of the Group. As the situation is fast evolving, the effect of outbreak is subject to significant levels of uncertainty, with full range of possible effects currently unknown. We continue to support our customers in keeping their supply chains running, however as global demand continues to be significantly affected, we proactively respond to lower demands and show progress in our transformation and financial performance, we are strongly positioned to weather the storm. The Group has, for the moment, frozen all capex and are reviewing cost lines and possible revenue opportunities throughout the business as well as examining opportunities to access various Governmental support programmes available across countries. The focus is on cash conservation, no expansion Capex, close watch on receivables, strict cost control, new revenue opportunities due to disruption, and continued support to strategic initiatives.

The Group also has considerable diversity of financial resources with a number of customers across different geographic areas. In its base case scenario, management expects the impact of COVID19 will impact the 2020 performance but expects a partial rebound in financial performance in 2021 once the impacts from the lockdown and travel restrictions recede and operations revert to the new normal.

Notes to the Company financial statement (continued)

A. Basis of Preparation (Continued)

With the base case scenario, management expects to generate EBITDA of approximately 66% of the historic 2 year average and have a closing cash position in excess of that at 31 December 2019 as at both 31 December 2020 and 31 December 2021 after taking mitigation actions principally related to rescheduling of uncommitted future capital expenditure.

The appearance of COVID-19 has however introduced additional risk and uncertainty which may impact the future trading performance and liquidity of the Group. This could result in the mandatory closure of ports, a reduction in volumes and lower levels of new business being generated, as well as the likelihood of slower cash receipts. As the situation and uncertainty associated with the COVID-19 pandemic continues to evolve, there remains the potential for the creation of additional future financial risk.

In response to this and its potential impact on the company's ability to continue as a going concern, Management has prepared an additional downside scenario to model the potential impact for the Group up until 31 December 2022. Under this severe but plausible downside scenario, management projects a prolonged impact of the COVID19 on travel restrictions and international trade for the remainder of 2020 and the first 4 months in 2021. In this scenario the Group is expected to have a closing cash position of approximately 35% lower than in the base case scenario as at 31 December 2020 and 31 December 2021 after taking mitigation actions, principally related to rescheduling of uncommitted future capital expenditure. The Group would continue to operate within all relevant financial covenants.

On this basis, the board has a reasonable expectation that the Group has adequate resources to manage its business risks successfully and continue in operational existence for the foreseeable future. Thus, the board is of the view that the going concern assumption is appropriate and as such the consolidated financial statements have been prepared on this basis.

Functional currency

The functional currency of the Company is sterling. All financial information presented in Sterling is rounded to the nearest million.

B. Accounting policies

The accounting policies set out below have been applied consistently in the year presented in the financial statements and have been applied consistently by the Company.

Foreign currency transactions

Transaction in foreign currencies are initially recorded at the exchange rate ruling on the date of the transaction. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and exchange differences, if any, are recognised in the income statement.

Non-monetary items in a foreign currency that are measured at historical cost are translated to the functional currency using the exchange rate at the date of initial transaction and is not retranslated at a later date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation of monetary items are recognised in the statement of profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in statement of other comprehensive income.

Notes to the Company financial statement (continued)

B. Accounting policies (continued)

Tangible fixed assets

These assets are stated at cost less accumulated depreciation and any provision for impairment. Assets constructed by the Company are depreciated from the date that the assets are available for use.

Provision for any impairment in value of other fixed assets is made in the profit and loss account.

Depreciation is calculated to write off the cost of these assets to estimated residual value, on a straight line basis over the expected useful life of the asset concerned. The expected useful lives of property and other fixed assets (reported within plant and machinery, fixtures and fittings) vary up to 40 years.

The estimated useful lives of assets are as follows:

Assets	Useful life (years)
Buildings	5 – 40
Plant and Machinery	3 – 25
Fixtures & Fittings	3 – 25

Interest incurred in respect of assets under construction is capitalised into the cost of the asset concerned.

Investment properties

Investment property is measured initially at cost including any related transaction costs. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment, if any. Depreciation is calculated to write off the cost of the asset to estimated residual value, on a straight line basis over the expected useful life of the asset. The estimated useful life is as follows:

Asset	Useful life (years)
Buildings	5 – 40

At 31 December 2019, the fair value of investment property was £4.7million.

Investment in subsidiaries

Investment in subsidiaries are initially measured at historic cost, including transaction costs, and stated at cost less accumulated impairment losses. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Financial instruments

Financial assets

Classification, initial recognition and measurement

Under IFRS 9, on initial recognition, the Company classifies and measures its financial assets in the following categories

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI'); or
- Fair value through profit or loss ('FVTPL').

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

Notes to the Company financial statement (continued)

B. Accounting policies (continued)

Impairment of non-derivative financial assets

The Company assesses, on a forward-looking basis the expected credit losses ('ECLs') applicable to its financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

Non-derivative financial liabilities

Classification, initial recognition and measurement

The Company's financial instruments include non-derivative financial liabilities comprising of trade and other payables including amounts owed to group undertakings and interest-bearing borrowings. All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. The Company classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortised cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities is carried at the amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial guarantees

This is where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiaries, joint ventures or associates. The Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Company financial statement (continued)

B. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and where the amount of the associated costs can be reliably estimated. If the effect is material, provisions are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Company as a lessee

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option if the Company is reasonably certain to exercise that option, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Company financial statement (continued)

B. Accounting policies (continued)

Company as a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets and lease liabilities separately on statement of financial position.

Variable lease payments that depend on revenue and output are recognized in statement of profit or loss in the period in which the condition that triggers those payments occurs.

Pensions

Defined contribution plans

A defined contribution plan is a post-employment benefit plan in which the company pays the fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi-employer defined benefit schemes where it is not possible to identify the Company's share of the scheme, are charged to the profit and loss account as they fall due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations.

When the actuarial calculation results in a benefit to the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Where the present value of the deficit contributions exceeds the IAS 19 deficit an additional liability is recognised.

Re-measurements of the net defined benefit liability, which comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised directly in statement of other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the Company financial statement (continued)

C. Audit fees

The Company's audit fee paid to its principal auditors, KPMG LLP was £200,000 (2018: £200,000), and non-audit fee was £52,000 (2018: nil).

D. Dividends

No dividend was declared during the year (2018: £1,200 million).

E. Profit for the financial year

The profit for the financial year, being the profit on ordinary activities after taxation, was £19.1 million (2018: profit of £97.8 million).

F. Tangible fixed assets

	£ million	£ million	£ million	£ million
	Land and Building	Plant and machinery,	Fixture & Fittings	Total
Cost				
At 1 January 2019	5.7	0.5	2.6	8.8
Additions	-	0.2	-	0.2
Disposals	-	-	-	-
Transfer to Investment property	(5.7)	-	-	(5.7)
At 31 December 2019	-	0.7	2.6	3.3
Accumulated depreciation				
At 1 January 2019	(1.0)	(0.4)	(2.2)	(3.6)
Charge for the year	-	(0.0)	(0.3)	(0.3)
Transfer to Investment property	1.0	-	-	1.0
At 31 December 2019	-	(0.4)	(2.5)	(2.9)
Net book amount at 31 December 2019	-	0.3	0.1	0.4
Net book amount at 31 December 2018	4.7	0.1	0.4	5.2

G. Right-of-use assets

	£ million	£ million	£ million
	Land and Building	Vehicles	Total
Cost			
At 1 January 2019	3.1	0.0	3.1
Additions	0.2	0.1	0.3
Disposals	-	-	-
At 31 December 2019	3.3	0.1	3.4
Accumulated amortisation			
Charge for the year	(0.6)	(0.0)	(0.6)
At 31 December 2019	(0.6)	(0.0)	(0.6)
Carrying value at 31 December 2019	2.7	0.1	2.8

Notes to the Company financial statement (continued)

G. Right-of-use assets (continued)

The Company has lease contracts that provide the right to use office, property and vehicles. The above table represents the carrying amounts of right-of-use assets recognised and related movements during the year.

Refer to note J for underlying lease liabilities with respect to above right-of-use assets.

Following are the amounts recognized in profit or loss

	£ million	£ million
	2019	2018
Depreciation of right-of-use assets	0.6	-
Interest on lease liabilities (included in finance cost)	0.2	-

The lease payments made during the year amount to £0.9m (2018: £0.9m).

H. Investments

	£ million	£ million	£ million
	Investments In subsidiary companies	Investments in unlisted companies	Total
Cost			
At beginning of year	2,287.3	23.8	2,311.1
Additions	-	-	-
Disposals	-	(23.8)	(23.8)
At 31 December 2019	2,287.3	0.0	2,287.3
Provision for impairment			
At beginning of year	(792.6)	-	(792.6)
Charge for the year	-	-	-
At 31 December 2019	(792.6)	-	(792.6)
Net Investment at 31 December 2019	1,494.7	0.0	1,494.7
Net Investment at 31 December 2018	1,494.7	23.8	1,518.5

Notes to the Company financial statement (continued)

H. Investments (continued)

Investment in Subsidiary Companies

The following are subsidiary undertakings of the Company, the investments in which are recognised as investments in subsidiary companies.

Subsidiary undertakings	Country of incorporation	Percentage of share capital owned by the Company	Class of shares
Beaufort Insurance Company Limited	United Kingdom	100.00%	Ordinary shares and Preference shares
British India Steam Navigation Company Limited	United Kingdom	100.00%	Ordinary shares
DP World (POSN) B.V.	Netherlands	94.00%	Ordinary-B shares
DP World Australia (POSN) Pty Ltd	Australia	100.00%	Ordinary shares
DP World Investments FZE	United Arab Emirates	100.00%	Ordinary shares
DP World Limited	United Kingdom	100.00%	Ordinary shares
DP World Logistics Europe GmbH	Germany	100.00%	Ordinary shares
DP World Maritime B.V.	Netherlands	94.00%	Ordinary-B shares
DP World Red B.V.	Netherlands	100.00%	Ordinary shares
European Ferries Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Logistics Park Development Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Logistics Park Management Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Port Holdings Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Services Limited	United Kingdom	100.00%	Ordinary shares
P&O Bulk Shipping Limited	United Kingdom	100.00%	Ordinary shares
P&O Delaware Holdings LLC	United States	100.00%	Ordinary shares
P&O Dover (Holdings) Limited	United Kingdom	100.00%	Ordinary shares
P&O Overseas Holdings Limited	United Kingdom	100.00%	Ordinary shares
P&O Pension Funds Investments Limited	United Kingdom	100.00%	Ordinary shares
P&O Ports Limited	United Kingdom	100.00%	Ordinary shares
P&O Properties International Limited	United Kingdom	100.00%	Ordinary shares
P&O Scottish Ferries Limited	United Kingdom	100.00%	Ordinary shares
P&O Tankships Investments Limited	United Kingdom	100.00%	Ordinary shares
POETS Fleet Management Limited	United Kingdom	100.00%	Ordinary shares
Southampton Container Terminals Limited	United Kingdom	100.00%	Ordinary shares

Investments in unlisted companies

During the year, the company disposed its 3.15% share in DP World Australia (Holding) Pty Ltd. held as investments in unlisted companies to a member of DP World group

The following subsidiaries have elected the audit exemption (section 479A of the Companies Act 2006) where a parent company (The Peninsular and Oriental Steam Navigation Company) has provided a guarantee for all liabilities owing by the respective entities:

Company	Registered Number
British India Steam Navigation Company Limited	0000133
European Ferries Limited	00301725
P&O Bulk Shipping Limited	00258949
P&O Dover (Holdings) Limited	03492979
P&O Overseas Holdings Limited	00537728
P&O Properties International Limited	01099229
P&O Scottish Ferries Limited	00071375
London Gateway Logistics Park Development Limited	6766019
London Gateway Services Limited	6766022

Notes to the Company financial statement (continued)

H. Investments (continued)

The following subsidiaries have elected the audit exemption (section 480 of the Companies Act 2006) where the following subsidiaries have been dormant since the end of the previous financial year.

Company	Registered number
DP World Limited	6291123
P&O Scottish Ferries Ship Management Limited	SC10350
P&O Tankships Investments Limited	21695
P&O Ports Limited	00751061
Poets Fleet Management Limited	161443

I. Debtors

	£ million	£ million	£ million	£ million	£ million	£ million
	2019 Falling due			2018 Falling due		
	within one year	in more than one year	Total	within one year	in more than one year	Total
Trade Debtors	10.4	-	10.4	3.5	-	3.5
Other receivables	5.4	-	5.4	5.8	-	5.8
Prepayments and accrued income	0.1	-	0.1	5.3	-	5.3
Other taxation	-	-	-	0.1	-	0.1
Amounts owed by group undertakings	2,258.5	-	2,258.5	2,109.3	-	2,109.3
	2,274.4	-	2,274.4	2,124.0	-	2,124.0

J. Leases

Company as a lessee

	£ million	£ million	£ million
	2019	2018	Total
At 1 January upon adoption of IFRS16	5.2	-	5.2
Payments	(0.9)	-	(0.9)
Additions	0.2	-	0.2
Interest expense	0.2	-	0.2
At 31 December 2019	4.7	-	4.7
Lease liabilities classified as			
Non-current	3.7	-	3.7
Current	1.0	-	1.0
Total	4.7	-	4.7

Refer to note G for right-of-use assets

Notes to the Company financial statement (continued)

K. Loans

	£ million	£ million
	2019	2018
Creditors falling due more than one year		
US dollar bonds 2027 (unsecured)	6.1	6.3
Mortgage debentures stocks	1.4	1.4
	7.5	7.7

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	£ million Face value	£ million Carrying amount	£ million Face value	£ million Carrying amount
				2019	2019	2018	2018
US dollar bonds 2027 (unsecured)	USD	7.9%	2027	6.1	6.1	6.3	6.3
Mortgage debentures stocks	GBP	3.5%	Undated	1.4	1.4	1.4	1.4
				7.5	7.5	7.7	7.7

L. Creditors

	£ million	£ million	£ million	£ million	£ million	£ million
	2019 Falling due			2018 Falling due		
	within one year	in more than one year	Total	within one year	in more than one year	Total
Amounts owed to subsidiaries	700.9	-	700.9	583.2	-	583.2
Social security & other taxation	0.4	-	0.4	-	-	-
Other unsecured creditors	0.6	-	0.6	1.9	-	1.9
Accruals and deferred income	4.8	0.8	5.6	6.3	0.6	6.9
	706.7	0.8	707.5	591.4	0.6	592.0

M. Provisions

	£ million
	Other Provisions
At 1 January 2019	6.6
Utilized during the year	(0.1)
Reclassified during the year	0.6
At 31 December 2019	7.1

Provision £7.1million (2018: £6.6million) is in relation to exposures to claims from former employees working in environments that used to contain asbestos. Liabilities expected to be incurred are in part covered by insurance. The balance reclassified during the year was made from other unsecured creditors. Any expected recoveries are included within other receivables.

Notes to the Company financial statement (continued)

N. Share capital

The allotted, called up and fully paid share capital is as follows:

	£ million	£ million
	2019	2018
Issued share capital (843.2 million ordinary shares of £1 each)	843.2	843.2

O. Reserves

	Share premium account	Profit and loss account	£ million Total
At 1 January 2019	815.4	1,297.5	2,112.9
Adjustment on initial application of IFRS 16		(2.1)	(2.1)
Actuarial gains/(losses)	-	0.3	0.3
Profit for the financial year	-	19.1	19.1
At 31 December 2019	815.4	1,314.8	2,130.2

P. Directors' emoluments

	£ thousand	
	2019	2018
Directors' emoluments	1,232	3,088
Company contributions to money purchase pension schemes	32	42
	1,264	3,130
Retirement benefits are accruing to the following number of directors under:		
	2019	2018
Defined benefit schemes	-	-
Money purchase schemes	1	1
	1	1

The aggregate emoluments of the highest paid director were £1,050,845 (2018: The aggregate emoluments of the highest paid director were £872,249 and no pension contribution was made on his behalf).

The Directors hold a variety of roles and responsibilities with the ultimate parent Group and not all are directly employed by the Company. Therefore, where necessary, an estimation has been made of the proportion of their remuneration that relates to qualifying services for the Company.

Notes to the Company financial statement (continued)

Q. Pensions

The Company participates in a number of pension schemes throughout the world. The board of a pension scheme in the UK is required by law to act in the best interests of the fund participants and is responsible for setting certain policies (e.g. investment, contributions and indexation policies) and determining recovery plans, if appropriate.

These defined benefit schemes expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. In addition, by participating in certain multi-employer industry schemes, the Company can be exposed to a pro-rata share of the credit risk of other participating employers.

P&O Pension Scheme

This principal scheme is located in the UK (the "P&O UK Scheme"). The P&O UK Scheme is a funded defined benefit scheme and was closed to routine new members on 1 January 2002 and to future accrual on 31 December 2015. The pension fund is legally separated from the Company and managed by a Trustee board. The assets of the scheme are managed on behalf of the Trustee by independent fund managers.

Formal actuarial valuations of the P&O UK scheme are normally carried out triennially by qualified independent actuaries, the most recent valuation was at 31 March 2019 using the projected unit credit method. The deficit on a statutory funding objectives basis was £98.0 million. In April 2020 the Company agreed with the Trustee to pay lump sum deficit contribution £6.5 million due to increase in deficit contributions from £0.8 million to £1.3 million from 1 April 2019 to 31 March 2020, plus a new monthly deficit payment plan effective from 1 April 2020 of £1.3 million until 31 March 2025. Apart from this, the Company also agreed with the Trustee for a revised payment plan of one-off lump sum deficit contribution of £12.0 million to settle in monthly payment of £1.2 million, which will be paid from 1 June 2020 to 31 March 2021.

In December 2007, as part of a process developed with The Company to de-risk the pension scheme, the Trustee transferred £800 million of P&O UK Scheme assets to Paternoster (UK) Ltd, in exchange for a bulk annuity insurance policy to ensure that the assets (in The Company's statement of financial position and in the Scheme) will always be equal to the current value of the liability of the pensions in payment at 30 June 2007, thus removing the funding risks for these liabilities.

Merchant Navy Officers' Pension Fund Scheme ("MNOPF")

The Company participates in various industry multi-employer schemes, the most significant of which is the New Section of the MNOPF Scheme and is in the UK. These generally have assets held in separate trustee administered funds which are legally separated from The Company.

It is an industry wide multi-employer defined benefit scheme in which officers employed by Company have participated.

The most recent formal actuarial valuation of the New Section of MNOPF Scheme was carried out as at 31 March 2018. This resulted in a deficit of £9.0 million. The Trustee Board believe their investment strategy will address this deficit and therefore has not issued deficit contribution notices to employers in respect of the 2018 actuarial valuation. The New Section of the MNOPF Scheme closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009, 2012 and 2015 the Trustee and Employers agreed contributions to be paid to the Section by participating employers over the period to 30 September 2023. These contributions included an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or not able to pay their share. In September 2017, the Trustee offered a settlement sum of £14.7 million to The Company which would clear the outstanding contributions (due payable bi-annually to September 2023) and save The Company £2.1 million in future interest payments. The Company agreed and settled the payment on 28 September 2017. There are no outstanding contributions due by The Company in 2019.

The Company's share of the net deficit of the MNOPF Scheme at 31 December 2019 is estimated at 5.21%.

Notes to the Company financial statement (continued)

Q. Pensions (continued)

Merchant Navy Ratings' Pension Fund Scheme ("MNRPF")

The MNRPF Scheme is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by Company have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual from 2001.

Certain Company companies, which are no longer current employers in the MNRPF Scheme had settled their statutory debt obligation and were not considered to have any legal obligation with respect to the on-going deficit in the fund. However, following a legal challenge, by Stena Line Limited, the High Court decided that the Trustee could require all employers that had ever participated in the scheme to make contributions to fund the deficit. Although The Company appealed, the decision was not overturned.

The Company's deficit contributions arising from the 31 March 2014 valuation totalled £25 million. The most recent formal actuarial valuation was carried out as at 31 March 2017. The Company's deficit contributions arising from this valuation totalled £7.7 million. The contributions due to the Scheme in respect of this valuation will be paid over the period to 31 October 2023. The combined total annual deficit contributions arising from the 2014 and 2017 actuarial valuations to be paid in 2020 to 2022 of £4.5 million per annum and £0.9 million in 2023.

The Trustee set the payment terms for each participating employer in accordance with the Trustee's Contribution Collection Policy which includes credit vetting.

The Company's share of the net deficit of the New Section at 31 December 2019 is estimated at 7.38%.

The amounts recognised in the balance sheet are as follows

	2019	2018
Present value of obligations	(1,599.7)	(1,532.2)
Fair value of plan assets	1,519.2	1,443.5
Net liability deficit	(80.5)	(88.7)

The deferred pension benefit schemes of GBP 80.5 million (2018: £88.7 million) is in respect of Company's three schemes shown on page 88.

The re-measurements of the net defined benefit liability recognized in the statement of other comprehensive income is as follows:

	2019	2018
Actuarial gain/(loss) recognized in the year	(153.7)	74.5
Return on plan assets greater/(lesser) than the discount rate	123.9	(75.0)
Change in share in multi-employer scheme	(0.3)	1.4
Movement in minimum funding liability	30.4	18.7
	0.3	19.6

Notes to the Company financial statement (continued)

Q. Pensions (continued)

The pension costs for defined benefit schemes are as follows:

	2019	2018
Employer's past service cost*		(19.1)
Administration costs	(2.5)	(2.9)
Total charge to operating profit	(2.5)	(22.0)
Net Interest on net defined benefit liability/(asset)	(2.4)	(2.0)
Total expenses recognised in the income statement	(4.9)	(24.0)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2019 by the Directors who have employed qualified independent actuaries to assist them.. The principal assumptions are included in the table below. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme		MNOFP Scheme		MNRPF Scheme	
	2019	2018	2019	2018	2019	2018
Discount rates	1.95%	2.85%	1.95%	2.85%	1.95%	2.85%
Discount rates - Bulk Annuity Asset	1.85%	2.65%	n/a	n/a	n/a	n/a
Expected rates of salary increases *	n/a	n/a	n/a	n/a	n/a	n/a
Pension increases:						
- Deferment	3.00%	3.00%	2.25%	2.55%	2.25%	2.55%
- Payment	3.00%	3.00%	3.15%	3.45%	3.15%	3.45%
Inflation	3.25%	3.55%	3.25%	3.55%	3.25%	3.55%

* The P&O UK Scheme and MNOFP were closed to future accrual as at 31 December 2016, so future pay increases is not relevant.

The assumptions for pensioner longevity under both the P&O UK scheme and the MNOFP scheme are based on an analysis of pensioner death trends under the respective schemes over many years.

Notes to the Company financial statement (continued)

Q. Pensions (continued)

The schemes' strategic asset allocations across the sectors of the main asset classes are:

	P&O UK Scheme £'million	MNOPF Scheme £'million	MNRPF Schemes £'million	Total Fair value £'million
2019				
Equities	178.6	37.4	6.9	222.9
Bonds	218.8	88.1	54.8	361.7
Other	212.8	-	-	212.8
Value of insured pensioner liability	721.8	-	-	721.8
	1,332.0	125.5	61.7	1,519.2
2018				
Equities	156.2	37.8	6.6	200.6
Bonds	194.0	87.5	45.2	326.7
Other	211.4	-	-	211.4
Value of insured pensioner liability	704.8	-	-	704.8
	1,266.4	125.3	51.8	1,443.5

With the exception of the insured pensioner liability, all material investments have quoted prices in active markets.

For illustration, the life expectancies for the two schemes at age 65 now and in the future are detailed in the table below.

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2019				
P&O UK scheme	22.8	24.5	24.9	26.7
MNRPF scheme	19.2	21.2	22.4	24.5
MNOPF scheme	21.8	23.9	23.9	26.0
2018				
P&O UK scheme	21.6	23.2	23.5	25.3
MNRPF scheme	19.0	20.9	22.2	24.3
MNOPF scheme	23.2	26.1	26.6	29.4

At 31 December 2019 the weighted average duration of the defined benefit obligation was 14.9 years (2018: 14.0 years).

Notes to the Company financial statement (continued)

Q. Pensions (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2019:

	£ million			
	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
Present value of obligation at 1 January 2019	(1,278.8)	(117.1)	(56.6)	(1,452.5)
Current service cost	-	-	-	-
Employer's past service cost	-	-	-	-
Interest cost on Defined Benefit Obligation	(35.3)	(3.0)	(1.6)	(39.9)
Actuarial gain/(loss) - experience	18.5	(0.6)	(0.1)	17.8
Actuarial gain/(loss) - demographic assumptions	(15.7)	5.0	-	(10.7)
Actuarial gain/(loss) - financial assumptions	(143.3)	(11.0)	(6.5)	(160.8)
Gain/(Loss) due to change in share	-	4.3	-	4.3
Actual benefit paid	84.6	6.1	2.9	93.6
Present value of obligation at 31 December 2019	(1,370.0)	(116.3)	(61.9)	(1,548.2)
Fair value of scheme assets at 1 January 2019	1,266.4	125.3	51.8	1,443.5
Interest income on assets	35.0	3.2	1.5	39.7
Return on plan assets (greater)/less than the discount rate	108.1	7.8	8.0	123.9
Actual employer contributions	9.0	-	3.8	12.8
Actual benefit paid	(84.6)	(6.1)	(2.9)	(93.6)
Gain/(Loss) due to change in share	-	(4.6)	-	(4.6)
Administration costs incurred during period	(1.9)	(0.1)	(0.5)	(2.5)
Fair value of scheme assets at 31 December 2019	1,332.0	125.5	61.7	1,519.2
Irrecoverable surplus at 1 January 2019	(62.8)	(8.2)	(8.7)	(79.7)
Interest cost on irrecoverable surplus	(1.8)	(0.2)	(0.2)	(2.2)
Change in irrecoverable surplus	32.3	(0.8)	(1.1)	30.4
Irrecoverable surplus at 31 December 2019	(32.3)	(9.2)	(10.0)	(51.5)
Defined benefit schemes net liabilities at 31 December 2019	(70.3)	0.0	(10.2)	(80.5)

Notes to the Company financial statement (continued)

Q. Pensions (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2018:

	£ million			
	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
Present value of obligation at 1 January 2018	(1,362.2)	(124.3)	(60.6)	(1,547.1)
Employer's past service cost*	(17.8)	(0.5)	(0.8)	(19.1)
Interest cost on Defined Benefit Obligation	(33.2)	(2.8)	(1.4)	(37.4)
Actuarial gain/(loss) - experience	-	(0.9)	0.4	(0.5)
Actuarial gain/(loss) - demographic assumptions	7.3	-	3.2	10.5
Actuarial gain/(loss) - financial assumptions	57.0	4.9	2.6	64.5
Gain/(Loss) due to change in share	-	-	(3.1)	(3.1)
Actual benefit paid	70.1	6.5	3.1	79.7
Present value of obligation at 31 December 2018	(1,278.8)	(117.1)	(56.6)	(1,452.5)
Fair value of scheme assets at 1 January 2018	1,355.8	136.1	53.2	1,545.1
Interest income on assets	33.1	3.1	1.4	37.6
Return on plan assets (greater)/less than the discount rate	(59.0)	(9.3)	(6.8)	(75.1)
Actual employer contributions	9.0	-	5.1	14.1
Actual benefit paid	(70.1)	(6.5)	(3.1)	(79.7)
Gain/(Loss) due to change in share	-	2.1	2.2	4.3
Administration costs incurred during period	(2.4)	(0.2)	(0.2)	(2.8)
Fair value of scheme assets at 31 December 2018	1,266.4	125.3	51.8	1,443.5
Irrecoverable surplus at 1 January 2018	(76.8)	(13.9)	(5.4)	(96.1)
Interest cost on irrecoverable surplus	(2.0)	-	(0.2)	(2.2)
Change in irrecoverable surplus	16.0	5.7	(3.1)	18.6
Irrecoverable surplus at 31 December 2018	(62.8)	(8.2)	(8.7)	(79.7)
Defined benefit schemes net liabilities at 31 December 2018	(75.2)	0.0	(13.5)	(88.7)

* Relates to additional costs arising in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment in the UK

Notes to the Company financial statement (continued)

Q. Pensions (continued)

The below table shows the movement in minimum funding liability.

	2019	2018
Minimum funding liability as on 1 January	(79.7)	(96.1)
Interest cost on minimum funding liability	(2.2)	(2.2)
Actuarial movement during the year	30.4	18.7
Effect of movement in exchange rates	-	(0.1)
Minimum funding liability as on 31 December	(51.5)	(79.7)

It is anticipated that the company will make the following cash contributions to the pension schemes in 2020:

	£ million			
	P&O UK Scheme	MNOFF Scheme	MNRPF Scheme	Total
Pension scheme contributions	28.7	-	4.3	33.0

R. Contingent liabilities

The company has a contingent liability in respect of payment guarantees amounting to nil (2018: nil).

S. Controlling party

Ultimate holding company

In the opinion of the directors the ultimate controlling parent undertaking as at 31 December 2019 was Port & Free Zone World FZE, which owns 80.45% of DP World PLC. Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent company of the Company, but which does not exert control over the Company.

The largest Company of companies for which consolidated financial statements are prepared and in which the company is consolidated is DP World PLC. DP World PLC is the intermediate holding company.

Notes to the Company financial statement (continued)

T. Related undertakings

The Company's ownership in various related undertakings has been disclosed in note H. In accordance with section 409 of the companies Act 2006, a full list of related undertakings, the country of incorporation, percentage of share capital and registered address owned by the Company as at 31 December 2019 is disclosed below.

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Aberlour Holding Company, Inc	Philippines	16.0%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Anderson Hughes Pty Ltd	Australia	94.0%	Ordinary shares	Level 4, 70 City Road, Southbank VIC 3006, Australia
Antwerp Gateway NV	Belgium	60.0%	Category N shares and P shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
ARC Fleet Holding Corporation	Barbados	25.5%	Common shares	The Grove, 21 Pine Road, Belleville, St. Michael, BB11113, Barbados
ARC Towage Limited	Trinidad and Tobago	25.5%	Ordinary shares	90 Main Road, Point Fortin, Trinidad and Tobago
Ascot SAS	France	25.0%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Asian Terminals, Inc	Philippines	41.7%	Common shares	A. Bonifacio Drive., Port Area, Manila, 1018, Philippines
ATI Batangas, Inc	Philippines	41.3%	Common shares	Port of Batangas, Sta. Clara, Batangas City, 4200, Philippines
ATI Holdings, Inc.	Philippines	100.0%	Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
Atlantic Reyser Limited	Canada	26.8%	Common shares	300 Union Street, Saint John NB E2L 4Z2, Canada
Basswick Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Beaufort Insurance Company Limited	United Kingdom	100.0%	Ordinary shares and Cumulative Preference shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Bengal Port Private Limited	India	44.5%	Ordinary Equity shares	Sagar Estate, 4th Floor, 2., Clive Ghat Street,, Kolkata, West Bengal, 700001, India
British India Steam Navigation Company Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Candesinia, S.L.	Spain	26.8%	Ordinary shares	Calle Doctor Fleming 24, 3º B, 28036, Madrid, Spain
Carpentaria Shipping Services Pty Ltd	Australia	47.0%	Ordinary-A shares	Level 4, 70 City Road, Southbank VIC 3006, Australia
Chennai Container Terminal Pvt. Ltd.	India	100.0%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
Community Network Services Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Container Rail Road Services Pvt. Ltd.	India	100.0%	Ordinary Equity shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Daven Holdings, Inc	Philippines	16.0%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
DP World (POSN) B.V.	Netherlands	94.0%	Ordinary-B shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Antwerp Container Services NV	Belgium	100.0%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
DP World Antwerp Customs Desk NV	Belgium	50.0%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
DP World Antwerp Empty Depot Services	Belgium	100.0%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
DP World Antwerp Holding N.V.	Belgium	100.0%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
DP World Antwerp Terminals N.V.	Belgium	100.0%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
DP World ANZ Ports (Australia) Pty Limited	Australia	94.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (Investments) Pty Ltd	Australia	100.0%	Ordinary shares	MLC Centre Level 40, 19-29 Martin Place, Sydney NSW 2000, Australia
DP World Australia (POAL) Pty Ltd	Australia	100.0%	Class A, Class B and class B Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (POSN) Pty Ltd	Australia	100.0%	Ordinary shares	MLC Centre Level 40, 19-29 Martin Place, Sydney NSW 2000, Australia
DP World Blue B.V.	Netherlands	100.0%	ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Callao S.R.L.	Peru	100.0%	Participaciones shares	DP World Callao S.R.L., Terminal Portuario Muelle Sur, Avenida Manco Capac 113, Callao 1, Peru
DP World East Canada B.V.	Netherlands	100.0%	Ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Germersheim B.V.	Netherlands	94.0%	Ordinary shares	Smirnoffweg 3, PO Box 59138, 3088 HE Rotterdam, 3008 PC Netherlands, Netherlands
DP World Germersheim Beteiligungs GmbH	Germany	9.4%	Ordinary B shares	Woerthstrasse 13, 76726 Germersheim, Germany
DP World Germersheim GmbH & Co. KG	Germany	9.4%	Ordinary B shares	Woerthstrasse 13, 76726 Germersheim, Germany
DP World Investments FZE	United Arab Emirates	100.0%	Ordinary shares	P.O. Box 17000, Dubai, United Arab Emirates
DP World Liege NV	Belgium	100.0%	Class A, Class B and class B Ordinary shares	Rue de la Resistance SN, 4100 SERAING, Belgium

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
DP World Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
DP World Logistics Europe GmbH	Germany	100.0%	Ordinary shares	SchanzenstraBe 102, 40549 Dusseldorf, Germany
DP World Maputo, SA	Mozambique	60.0%	Ordinary shares	Terminal de Contentores, Porto de Maputo, Maputo, Mozambique
DP World Maritime B.V.	Netherlands	94.0%	Ordinary-B shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Overseas Pty Limited	Australia	100.0%	Class A Ordinary shares	'MLC Centre' Level 40, 19-29 Martin Place, Sydney NSW 2000, Australia
DP World Properties (Australia) Pty Limited	Australia	100.0%	Ordinary shares	MLC Centre Level 40, 19-29 Martin Place, Sydney NSW 2000, Australia
DP World Red B.V	Netherlands	100.0%	Ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Saigon Holdings Limited	Virgin Islands, British	100.0%	Ordinary shares	Belmont Chambers, PO Box 3443, Road Town, Tortola, British Virgin Islands
DP World Saint John, Inc.	Canada	100.0%	Common shares	10 King Street West, Unit 8, Saint John NB E2M 7Y5, Canada
DP World Sokhna FZE	United Arab Emirates	100.0%	Ordinary shares	P.O. Box 17000, Dubai, United Arab Emirates
DP World Sokhna SAE	Egypt	0.2%	Ordinary shares	Ain Sokhna, Sokhna Port, Suez, PO Box 133, Egypt
Eastern Gateway Terminals Private Limited	India	68.8%	Ordinary Equity shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
Egyptian Container Handling Company	Egypt	0.2%	Ordinary shares	Sokhna Port, Ain Sokhna, Administrative Bldg no. 1, Suez, 133, Egypt
Eurofos SARL	France	50.0%	Ordinary shares	Secteur Graveleau , Terminal Conteneurs , Darse 2, 13270, FOS SUR MER/PORT SAINT LOUIS, France
Europe Atlantique Terminal SA	France	32.5%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
European Ferries Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Expert Terminal Services Limited	Cyprus	50.0%	Ordinary shares	27 Gregory Afxentiou Street, Larnaca, Cyprus
Fricue Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Fritex Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Gamac GIE	France	50.0%	Ordinary shares	Quai De L'Europe, 76600, Le Havre, France

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Generale De Manutention Portuaire	France	50.0%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Harbourside Holdings Corporation	Philippines	16.0%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Havenbedrijf Antverpia NV	Belgium	98.7%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Hindustan Ports Private Limited	India	100.0%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
India Gateway Terminal Private Limited	India	85.0%	Ordinary shares	Administration Building, ICTT,, Vallarpadam SEZ,, Ernakulam, kerela, 682504, India
Internacional de Remolcadores Reyser, S.L.U.	Spain	53.6%	Ordinary shares	Calle Doctor Fleming 24, 3º B, 28036, Madrid, Spain
Jeletrans SAS	France	50.0%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Laem Chabang International Terminal Co. Ltd	Thailand	33.0%	Ordinary shares	Laem Chabang Port, Terminal B5, Sriracha, Chonburi, 20230, Thailand
Laem Chabang Success Service Co. Ltd	Thailand	33.0%	Ordinary shares	Laem Chabang Port, Terminal B5, Room No.130 1st Floor, Thungsukia, Sriracha, Chonburi, 20230, Thailand
Laing Investments Inc.	United States	50.0%	Common shares	55 Waugh Drive, Suite 1111, Houston TX 77007, United States
Laing Management Company	United States	50.0%	Common shares	55 Waugh Drive, Suite 1111, Houston TX 77007, United States
Liena Pty Limited	Australia	100.0%	Ordinary shares	MLC Centre Level 40, 19-29 Martin Place, Sydney NSW 2000, Australia
London Gateway Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Logistics Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Logistics Park Development Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Logistics Park Management Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Holdings Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Railway Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Services Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Mackinnon Mackenzie & Co. of Pakistan (Private) Limited	Pakistan	100.0%	Ordinary shares	3rd Floor Mackinnons Building, , I.I. Chundrigar Road, , Karachi, 74000, Pakistan
Manutention Générale Méditerranéenne SA	France	50.0%	Ordinary shares	Terminal Conteneurs Darse 2 Secteur Graveleau, 13230 Port Saint Louis du Rhone, France
Manutention Terminal Nord	France	50.0%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Matthews Holdings Limited	Bermuda	100.0%	Common shares	Estera Services (Bermuda) Limited, Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton, HM EX, Bermuda
Morray Holdings, Inc.	Philippines	16.0%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Mundra International Container Terminal Private Limited	India	100.0%	Ordinary Equity shares	MICT Operation Centre, Navinal, New Mundra Port , Kachchh, Mundra, Gujarat, 370421, India
Navique – Empresa Moçambicana de Navegação, SARL	Mozambique	48.5%	Ordinary shares	366 Rua de Bagamoyo, Maputo, Mozambique
Network Financing B.V.	Netherlands	9.4%	Ordinary shares	Smirnoffweg 3, PO Box 59138, 3088 HE Rotterdam, 3008 PC Netherlands, Netherlands
Nhava Sheva (India) Gateway Terminal Private Limited	India	100.0%	Ordinary shares	Darabshaw House, Level 1, Soorji Vallabhdas Marg, Ballard Estate,, Mumbai, Maharashtra, 400038, India
Nhava Sheva International Container Terminal Pvt. Ltd.	India	100.0%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
One Stop Logistics Company Limited	Thailand	33.0%	Ordinary shares	Laem Chabang International Terminal Co., Ltd., Terminal B5, Laem Chabang Port, Tungsukla, Sriracha, Chonburi, Thailand
P&O Bulk Shipping Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O CIL S.A.	Paraguay	47.0%	Ordinary shares	Avda. Guido Boggiani 5509 c/, Procer Arguello, Asuncion, Paraguay
P&O Containers Pakistan (Private) Limited	Pakistan	99.9%	Ordinary shares	Mackinnons Building , I.I.Chundrigar Road, P.O.Box 4679, Karachi, Pakistan
P&O Delaware Holdings LLC	United States	100.0%	Ordinary shares	The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, New Castle, 19801, United States
P&O Dover (Holdings) Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O France S.A.S.	France	100.0%	Ordinary shares	34, Boulevard des Italiens, 75009, Paris, France
P&O Garden City Investments B.V.	Netherlands	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Management Services Phils., Inc.	Philippines	40.0%	Common shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
P&O Maritime Holdings (Australia) Pty Limited	Australia	94.0%	Ordinary shares	Level 4, 70 City Road , Southbank VIC 3006, Australia
P&O Maritime Holdings Paraguay S.A.	Paraguay	94.0%	Ordinary shares	Avda. Guido Boggiani 5509 c/, Procer Arguello, Asuncion, Paraguay

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
P&O Maritime Mozambique SA	Mozambique	0.9%	Ordinary shares	Av. Mártires De Inhaminga, Recinto Portuário, nº 4, Maputo, Mozambique
P&O Maritime Ocean Sciences Limited	United Kingdom	47.0%	Ordinary-A shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Maritime Services (France) SARL	France	94.0%	Ordinary shares	8 Rue De L'Est, Boulogne Billancourt, France
P&O Maritime Services (Ireland) Ltd	Ireland	94.0%	Ordinary shares	Parkmore Business Park West, Galway, Ireland
P&O Maritime Services (NZ) Limited (being wound up)	New Zealand	94.0%	Ordinary shares	Level 5, 110 Symonds Street, Auckland, New Zealand
P&O Maritime Services (PNG) Limited	Papua New Guinea	94.0%	Ordinary shares	Motukea Island, Porebada Road, Port Moresby, National Capital District, Papua New Guinea
P&O Maritime Services (Singapore) Pte. Ltd.	Singapore	94.0%	Ordinary shares	30 Pandan Road, 609277, Singapore
P&O Maritime Services (South Africa) (Proprietary) Limited	South Africa	94.0%	Ordinary shares	2ND Floor Block D, The Boulevard Office Park, Searle Street, Woodstock, 7925, South Africa
P&O Maritime Services (UK) Limited	United Kingdom	94.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Maritime Services Paraguay S.A.	Paraguay	94.0%	Ordinary shares	Avda. Guido Boggiani 5509 c/, Procer Arguello, Asuncion, Paraguay
P&O Maritime Services Pty Ltd	Australia	94.0%	Ordinary shares	Level 4, 70 City Road, Southbank VIC 3006, Australia
P&O Netherlands B.V.	Netherlands	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Overseas Holdings Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Pension Funds Investments Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Ports Ltd.	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Properties International Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Scottish Ferries Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Scottish Ferries Ship Management Limited	United Kingdom	100.0%	Ordinary shares	Computershare Investor Services PLC, Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ, United Kingdom
P&O Tankships Investments Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Trans Australia Holdings Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Pacity Investments Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Parktex Development, Inc.	United States	100.0%	Ordinary shares	Delaware, United States
Parkway Investments Partners, LP	United States	100.0%	Ordinary shares	Texas, United States
Parkway Limited Investments, Inc.	United States	100.0%	Ordinary shares	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover DE 19904, United States
Pecard Group Holdings, Inc.	Philippines	16.0%	Class B Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
Philippine Seaport, Inc	Philippines	39.8%	Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
POETS Fleet Management Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Portsynergy Projects SA	France	50.0%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Portsynergy SAS	France	50.0%	Ordinary shares	25 Traverse Mardirossian, 13015, Marseille, France
Portus Indico - Sociedade de Servicos Portuarios FZCO	United Arab Emirates	48.5%	Ordinary shares	P.O. Box 17000, Dubai, United Arab Emirates
POTA Properties Pty Ltd	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
PTS Holdings Limited	Mauritius	58.4%	Ordinary shares and redeemable "A" Ordinary shares	3rd Floor - C6, 31 Cybercity, Ebene, Mauritius
Qasim International Container Terminal Pakistan Limited	Pakistan	55.0%	Ordinary shares	Berths 5,6 & 7, Marginal Wharves, Port Muhammed Bin Qasim, Karachi, Pakistan, 75020, Pakistan
Qingdao New Qianwan Container Terminal Co., Ltd	China	27.3%	Ordinary shares	No. 567 Tongjiang Road, Free Trade Zone, Qingdao, Shandong Province, China
Qingdao Qianwan Container Terminal Co., Ltd	China	28.6%	Ordinary shares	Fenjin 4th Road, Port of Qianwan, Huangdao, Qingdao, Shandong Province, 266500, China
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	China	19.1%	Ordinary shares	Qingdao Free Trade Zone, Qingdao, Shandong Province, China
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	China	9.6%	Ordinary shares	Qingdao Free Trade Zone, Qingdao, Shandong Province, China
Qingdao Qianwan United Container Terminal Co., Ltd.	China	13.6%	Ordinary shares	No. 567 Tongjiang Road, Free Trade Zone, Qingdao, Shandong Province, China
Qingdao Qingyin Financial Leasing Company Limited	China	0.0%	Ordinary shares	Qingdao Free Trade Zone, Qingdao, Shandong Province, China
Remolcadores de Puerto y Altura, S.A.	Spain	53.6%	Ordinary shares	Muelle de Reus, s/n, Edificio Fruport – 43004 Tarragona - Sp, 43004 , Tarragona, Tarragona, Spain

Notes to the Company financial statement (continued)

T. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Saigon Premier Container Terminal	Vietnam	80.0%	Ordinary shares	Plot C-17, Street No.14, Hiep Phuoc Industrial Zone, Hiep Phuoc Commune, Nha Be District, Ho Chi Minh City, Vietnam
Satellite Telemetry (Aust) P/L	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
SCT Nominees Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
SCT Pension Trustees Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
SG Holdings, Inc	Philippines	16.0%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Sociedade de Desenvolvimento do Porto de Maputo, S.A.	Mozambique	24.7%	C Class shares	Praca dos Trabalhadores, Porto de Maputo, Maputo, Mozambique
Societe D'Amenagement De L'interface Terrestre Du Port Du Havre SAS	France	17.5%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Solent Container Services Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
South Asia Logistics Pvt Ltd	Mauritius	100.0%	Ordinary shares	3rd Floor - C6, 31 Cybercity, Ebene, Mauritius
South Cotabato Integrated Port Services, Inc.	Philippines	14.9%	Common shares	SCIPSI Administration Building, Makar Wharf, Gen. Santos City, 9500, Philippines
Southampton Container Terminals Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Terminal de Cabotagem de Maputo SARL	Mozambique	24.7%	Ordinary shares	Mártires de Inhamitanga, Recinto Portuário – Portão nº 4, Caixa Postal 145, Maputo, Mozambique
Terminales Rio de la Plata S.A.	Argentina	52.3%	Ordinary shares	Av. R.S. Castillo y Comodoro Py s/Nº, Puerto Nuevo, Capital Federal, Buenos Aires, C1104BAL, Argentina
UK EDI Limited	United Kingdom	100.0%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Ventress Investments Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Vipport	Belgium	100.0%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Visakha Container Terminal Private Limited	India	26.0%	Ordinary Equity shares	Godrej Coliseum, Office No. 801, 8th Floor, C - Wing, Behind Everard Nagar,, Off Somaiya Hospital Road, Near Priyadarshini, Sion (East), Mumbai, Maharashtra, 400022, India
Waghal Pty Limited	Australia	100.0%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Welbeck Navigation Inc	Panama	94.0%	Ordinary shares	Edificio Plaza 2000, Piso 16, Calle 50, Panama, Panama

U. Post Balance Sheet Events

The coronavirus outbreak since early 2020 which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally has brought about additional uncertainties in the Company's operating environment. The Company has been closely monitoring the impact on operations as the situation is fast evolving.

Notes to the Company financial statement (continued)

Glossary

EBITDA and Adjusted EBITDA

EBITDA, a measure used by the Company's management to measure operating performance, is defined as profit after tax from continuing operations plus finance costs (net of finance income), income tax, depreciation and amortisation. EBITDA includes the Group's share of profit from associates and joint ventures.

Adjusted EBITDA is defined as EBITDA further adjusted to remove the impact of Separately disclosed items ('SDI's'). Adjusted EBITDA includes the Group's share of profit from associates and joint ventures.

The Company's management believes that EBITDA and Adjusted EBITDA are helpful in highlighting trends because they exclude certain items that are outside the normal course of business and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. The Company's management uses EBITDA and Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone.