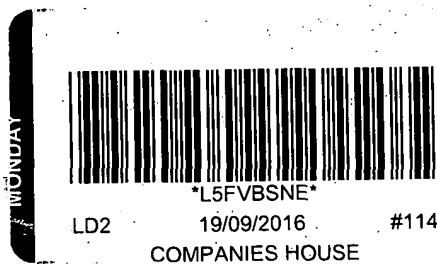


Registered number: 00282161

**P&O PROPERTY HOLDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 24 DECEMBER 2015**



**P&O PROPERTY HOLDINGS LIMITED**  
**COMPANY INFORMATION**

**Directors**

R O Keshiro  
S S Ali  
S R Karaikuruchi (appointed 30 April 2015)

**Registered number**

00282161

**Registered office**

16 Palace Street  
London  
SW1E 5JQ

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**P&O PROPERTY HOLDINGS LIMITED**

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## **P&O PROPERTY HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 24 DECEMBER 2015**

The directors present their report and the audited financial statements of P&O Property Holdings Limited (the 'Company'), for the year ended 24 December 2015.

#### **Business review**

The principal activity of the Company is investment in property and other group companies.

The Company's financial statements for the year summarises the property and other income.

The Company has been reviewing the corporate rationalisation of its subsidiaries. As a result, a number of dormant companies have been voluntarily liquidated and struck off where permissible. As such the Directors are of the opinion that it is appropriate to book an impairment of the Company's investment in its subsidiaries to reflect this. During the year this amounted to £42,521,072.

#### **Future developments**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

#### **Results**

The loss for the financial year amounted to £41,970,000 (2014: profit £2,175,000).

The directors do not recommend the payment of a dividend (2014: £NIL).

#### **Principal risks and uncertainties**

##### **Impairment of investments in subsidiaries**

The financial performance of subsidiary undertakings may affect their carrying value. The carrying value of these investments is monitored regularly for indications of impairment.

##### **Going concern**

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over the level of demand for the Company for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R O Keshiro  
S S Ali  
S R Karaikuruchi (appointed 30 April 2015)

## **P&O PROPERTY HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **Qualifying third party insurance**

All directors are entitled to contractual 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.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and applicable law. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparations of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Post balance sheet events**

The Company has a long leasehold interest in a property known as Chartist Tower, located in Newport, Wales. The lease was entered into for a term of 99 years from the 1st July 1960. The building's main tenant is the high street retail store BHS, whose lease is due to expire on 1st July 2044. In April 2016 BHS went into administration and following a failed bid to rescue the store by its administrators, went into receivership in June 2016.

BHS accounted for over 70% of the rent receivable in Chartist Tower and as a result the Company faces the prospect of significant increased void costs. The Directors are considering options in order to mitigate the impact of this event.

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and real estate markets, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, including investment property, reported at the balance sheet date of 24 December 2015.

**P&O PROPERTY HOLDINGS LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- So far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R O Keshiro', with a large, stylized loop at the end.

**R O Keshiro**  
Director

Date: 14 September 2016

## **P&O PROPERTY HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P&O PROPERTY HOLDINGS LIMITED**

#### **Report on the company financial statements**

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##### **Our opinion**

In our opinion, P&O Property Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 24 December 2015 and of its loss for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

##### **What we have audited**

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 24 December 2015;
- the Profit and loss account and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Directors' report for the financial year which the financial statements are prepared is consistent with the financial statements.

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#### **Other matters on which we are required to report by exception**

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##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

##### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

N. Hare

Nick Hare (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

Date: 14 September 2016

**P&O PROPERTY HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 24 DECEMBER 2015**

	Note	2015 £000	2014 £000
Turnover	5	512	1,222
Cost of sales		69	(1,184)
<b>Gross profit</b>		<b>581</b>	<b>38</b>
Administrative expenses		(20)	(138)
(Impairment)/reversal of fixed assets investments in subsidiary companies and other income	6	(42,521)	2,325
<b>Operating (loss)/profit</b>	7	<b>(41,960)</b>	<b>2,225</b>
Loss from other fixed asset investments		-	(1,201)
Profit on disposal of investment property		-	1,168
Interest payable and similar charges		-	-
Other finance (expense)/income	11	(10)	70
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(41,970)</b>	<b>2,262</b>
Tax on (loss)/profit on ordinary activities	12	-	(87)
<b>(Loss)/profit for the financial year</b>		<b>(41,970)</b>	<b>2,175</b>

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 11 to 27 form a part of these financial statements.

**P&O PROPERTY HOLDINGS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 24 DECEMBER 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
(Loss)/profit for the financial year		<b>(41,970)</b>	<b>2,175</b>
<b>Other comprehensive income</b>			
Actuarial gain/(loss) on defined benefit pension scheme	20	<b>110</b>	<b>(250)</b>
Movement on deferred tax relating to pension gain/(loss)	20	<b>(38)</b>	<b>39</b>
<b>Other comprehensive income/(expense) for the year</b>		<b>72</b>	<b>(211)</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(41,898)</b>	<b>1,964</b>

**P&O PROPERTY HOLDINGS LIMITED**  
**REGISTERED NUMBER: 00282161**

**BALANCE SHEET**  
**AS AT 24 DECEMBER 2015**

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Investments	13		<b>11,042</b>		53,563
			<b>11,042</b>		<b>53,563</b>
<b>Current assets</b>					
Debtors	14	<b>117,364</b>		117,403	
Cash at bank and in hand	15	<b>231</b>		112	
		<b>117,595</b>		<b>117,515</b>	
Creditors: amounts falling due within one year	16	<b>(1,276)</b>		<b>(1,529)</b>	
<b>Net current assets</b>			<b>116,319</b>		<b>115,986</b>
<b>Total assets less current liabilities</b>			<b>127,361</b>		<b>169,549</b>
<b>Provisions for liabilities</b>					
Other provisions	18		<b>(1,270)</b>		<b>(1,458)</b>
<b>Net assets excluding pension liability</b>			<b>126,091</b>		<b>168,091</b>
Pension liability	20		<b>(238)</b>		<b>(340)</b>
<b>Net assets</b>			<b>125,853</b>		<b>167,751</b>
<b>Capital and reserve</b>					
Called up share capital	19		<b>32,256</b>		<b>32,256</b>
Share premium account			<b>318</b>		<b>318</b>
Other reserves			<b>120,794</b>		<b>120,794</b>
Profit and loss account			<b>(27,515)</b>		<b>14,383</b>
<b>Total equity</b>			<b>125,853</b>		<b>167,751</b>

The Company's financial statements on pages 6 to 27 have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 6 to 27 were approved and authorised for issue by the board of directors and were signed on its behalf by:



**R O Keshiro**  
Director

Date: 14 September 2016

The notes on pages 11 to 27 form a part of these financial statements.

**P&O PROPERTY HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 24 DECEMBER 2015**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Other reserves £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 25 December 2014	<b>32,256</b>	<b>318</b>	<b>120,794</b>	<b>14,383</b>	<b>167,751</b>
<b>Comprehensive income for the year</b>					
Loss for the financial year	-	-	-	<b>(41,970)</b>	<b>(41,970)</b>
Actuarial gains on pension scheme	-	-	-	<b>72</b>	<b>72</b>
<b>Other comprehensive income for the year</b>	-	-	-	<b>72</b>	<b>72</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>(41,898)</b>	<b>(41,898)</b>
<b>Total transactions with owners</b>	-	-	-	-	-
<b>At 24 December 2015</b>	<b>32,256</b>	<b>318</b>	<b>120,794</b>	<b>(27,515)</b>	<b>125,853</b>

**P&O PROPERTY HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 24 DECEMBER 2015**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Revaluation reserve £000</b>	<b>Other reserves £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 25 December 2013 (as previously stated)	<b>32,256</b>	<b>318</b>	<b>2,729</b>	<b>118,065</b>	<b>16,502</b>	<b>169,870</b>
Prior year adjustment	-	-	-		<b>(4,083)</b>	<b>(4,083)</b>
At 25 December 2013 (as restated)	<b>32,256</b>	<b>318</b>	<b>2,729</b>	<b>118,065</b>	<b>12,419</b>	<b>165,787</b>
<b>Comprehensive income for the year</b>						
Profit for the financial year	-	-	-	-	<b>2,175</b>	<b>2,175</b>
Actuarial gains on pension scheme	-	-	-	-	<b>(211)</b>	<b>(211)</b>
<b>Other comprehensive income for the year</b>	-	-	-	-	<b>(211)</b>	<b>(211)</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>1,964</b>	<b>1,964</b>
<b>Total transactions with owners</b>	-	-	<b>(2,729)</b>	<b>2,729</b>	-	-
<b>At 24 December 2014</b>	<b>32,256</b>	<b>318</b>	-	<b>120,794</b>	<b>14,383</b>	<b>167,751</b>

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **1. General information**

P&O Property Holdings Limited (the 'Company') principal activity is investment in property and other group companies.

The Company is a wholly owned subsidiary of Istithmar P&O Estates (UK) Limited.

The Company is a private company limited by shares and is organised in the United Kingdom. The address of its registered office is 16 Palace Street, London SW1E 5JQ.

#### **2. Statement of compliance**

The individual financial statements of P&O Property Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3. Summary of significant accounting policies**

The principal accounting policies in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 24.

##### **3.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015, but may be applied early to periods ending on or after 31 December 2012. P&O Property Holdings Limited has taken the option to apply the standard early in the preparation of these financial statements.

Information on the impact of first-time adoption of FRS 102 is given in note 24.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flow, on the basis that it is a qualifying entity for the small company exemption.
- (ii) the non-disclosure of key management personnel compensation in total.
- (iii) a reconciliation of the number of shares outstanding at the beginning and end of the period.
- (iv) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

##### **3.2 Going concern**

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over the level of demand for the Company for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **3 Summary of significant accounting policies (continued)**

##### **3.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **3.4 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **3 Summary of significant accounting policies (continued)**

##### **3.5 Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **3.6 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

##### **3.7 Creditors**

Short term creditors are measured at the transaction price.

##### **3.8 Pensions**

The Company operates a defined benefit pension scheme and the pension charge is based on a full actuarial valuation dated 24 December 2015.

The Company participates in the UK P&O Pension Scheme ("the P&O scheme"), which is a funded defined benefit scheme which was closed to routine new members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by independent fund managers. The Company's net obligation in respect of the P&O scheme has been reflected as a liability on its balance sheet. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of recognised gains and losses, actuarial gains and losses. A summary of the pension arrangements for employees is included in note 20. Independent actuarial valuations of the scheme are made every three years.

##### **3.9 Interest income**

Interest income is recognised in the Profit and loss account using the effective interest method.

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **3 Summary of significant accounting policies (continued)**

##### **3.10 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

##### **3.11 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **3. Summary of significant accounting policies (continued)**

##### **3.12 Called up share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **3.13 Related party**

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

##### **3.14. Consolidated financial statements**

The Company is a wholly owned subsidiary of Istithmar P&O Estates FZE. The smallest group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is Istithmar Building FZE. The largest group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is the ultimate parent company Dubai World. The consolidated financial statements of both groups are available on request. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements.

#### **4. Critical accounting judgements and estimation uncertainty**

##### **(i) Defined benefit pension scheme**

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, asset valuations and the discount rate on corporate bonds. The management of the scheme is managed on behalf of the trustee by independent fund managers, estimates these factors in

##### **(ii) Provision**

Provision has been made for dilapidation and refurbishment costs in relation to certain property obligations. The provision represents the directors' best estimate of the costs expected to be incurred in respect of these properties. The provision also relates to the guarantee of rental income to third parties in connection with various property interests, some of which were disposed in previous years. The provision represents the directors' best estimate of the costs expected to be incurred to satisfy the Company's obligations.

#### **5. Turnover**

The whole of the turnover is attributable to rental income received from investment properties supplemented or offset by way of the recovery of dilapidations from tenants or by bearing such expenditure where it cannot be recovered.

All turnover arose within the United Kingdom.

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Rent receivable	<b>512</b>	<b>1,222</b>
	<b>512</b>	<b>1,222</b>

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**6. (Impairment)/reversal of fixed assets investments in subsidiary companies and other income**

	2015 £000	2014 £000
Other operating income	(42,521)	2,325
	<u>(42,521)</u>	<u>2,325</u>

The Company has been reviewing the corporate rationalisation of its subsidiaries. As a result, a number of dormant companies have been voluntarily liquidated and struck off where permissible. As such the Directors are of the opinion that it is appropriate to book an impairment of the Company's investment in its subsidiaries to reflect this. During the year this amounted to £42,521,072.

**7. Operating (loss)/profit**

(a) The Company's business is organised and revenue generated wholly in the United Kingdom.

(b) The basis of charging intra-group interest is agreed between the parties from time to time.

(c) Fees for audit and non-audit services provided by PricewaterhouseCoopers LLP to the Company in 2014 and 2015 have been borne by other group undertakings. It is not practicable to ascertain what proportion of such fees relates to the Company.

(d) Intra-group management charges relate to the services of an employee based in the Czech Republic on secondment.

**8. Employees**

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	535	3,077
Social security costs	68	358
	<u>603</u>	<u>3,435</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Administration	5	14
Directors	3	4
	<u>8</u>	<u>18</u>

Staff costs, as disclosed above were fully borne by P&O Estates Limited, a fellow subsidiary undertaking, which has responsibility for incurring administrative expenditure for the Istithmar P&O Estates (UK) Limited group. The employment contracts for all the employees within the Istithmar P&O Estates (UK) Limited group, however, are held by P&O Property Holdings Limited.

Directors' remuneration, as disclosed above were fully borne by P&O Estates Limited, a fellow subsidiary undertaking, which has responsibility for incurring administrative expenditure for the Istithmar P&O Estates (UK) Limited group. The employment contracts for all the employees within the Istithmar P&O Estates (UK) Limited group, however, are held by P&O Property Holdings Limited.

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**9. Directors' remuneration**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>263</b>	<b>1,710</b>
Company contributions to defined contribution pension schemes	<b>43</b>	<b>68</b>
	<hr/> <b>306</b> <hr/>	<hr/> <b>1,778</b> <hr/>

The highest paid director received remuneration of £263,388 (2014: £1,489,482). The pension element of directors' emoluments was £42,694 (2014: £67,561).

The directors are also directors/employees of, and were paid by, other group undertakings. The directors do not believe that it is practicable to apportion these emoluments between their services as directors of the Company and their services as directors/employees of other group undertakings.

Directors' remuneration, as disclosed above were fully borne by P&O Estates Limited, a fellow subsidiary undertaking, which has responsibility for incurring administrative expenditure for the Istithmar P&O Estates (UK) Limited group. The employment contracts for all the employees within the Istithmar P&O Estates (UK) Limited group, however, are held by P&O Property Holdings Limited.

**10. Income from investments**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Loss from other fixed asset investments	<b>-</b>	<b>(1,201)</b>
	<hr/> <b>-</b> <hr/>	<hr/> <b>(1,201)</b> <hr/>

**11. Other finance (expense)/income**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Net interest on net defined benefit liability	<b>(10)</b>	<b>70</b>
	<hr/> <b>(10)</b> <hr/>	<hr/> <b>70</b> <hr/>

# P&O PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015

### 12. Tax on (loss)/profit on ordinary activities

	2015 £000	2014 £000
<b>Analysis of tax credit in the year</b>		
UK corporation tax credit on profit for the financial year	-	-
Adjustments in respect of prior periods	-	87
<b>Tax on (loss)/profit on ordinary activities</b>	<b>-</b>	<b>87</b>

### Factors affecting tax credit for the year

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £000	2014 £000
(Loss)/profit on ordinary activities before taxation	(41,970)	2,262
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	(8,499)	486
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,611	-
Utilisation of tax losses	(450)	(226)
Adjustments in respect of prior periods	-	87
Short term timing difference leading to a decrease in taxation	(45)	(120)
Non-taxable expense	18	(493)
Transfer pricing adjustments	365	353
<b>Total tax credit for the year (see note above)</b>	<b>-</b>	<b>87</b>

### Factors that may affect future tax charges

From 1 April 2015 the UK corporation tax rate was reduced from 21% to 20%. A further reduction from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. Legislation will be introduced in Finance Bill 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020. The rate changes will impact the amount of future tax recognised by the Company. However it does not have any effect on the current year results.

### Unrecognised deferred tax

A deferred tax asset of £9.7m (2014: £12.1m) has not been recognised in respect of property and non-trading losses. This asset is unrecognised as there is uncertainty as to whether there will be suitable profits and gains available for offset in the future.

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**13. Investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost</b>	
At 25 December 2014	66,789
At 25 December 2015	66,789
<b>Impairment</b>	
At 24 December 2014	13,226
Impairment	42,521
At 24 December 2015	55,747
<b>Net book value</b>	
At 24 December 2015	11,042
At 24 December 2014	53,563

The directors believe that the carrying value of the investments is supported by their underlying net assets.

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**13. Investments (continued)**

**Principal subsidiary undertakings**

The following were principal subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>
Cheverell Estates Limited	Ordinary	100%
P&O Developments Limited	Ordinary	100%
Millennium Park (Grimsby) Limited	Ordinary	100%
Istithmar P&O Estates Limited	Ordinary	100%
P&O Estates Limited	Ordinary	100%
P&O Properties Limited	Ordinary	100%
Midland City Property Limited	Ordinary	100%
P&O Property Accounts Limited	Ordinary	100%
P&O Agency Services Limited	Ordinary	100%
Regent Quarter Limited	Ordinary	100%
Ridgecross Limited	Ordinary	100%
Town & City Properties Limited	Ordinary	100%

<b>Name</b>	<b>Business</b>	<b>Registered office</b>
Cheverell Estates Limited	Development of building projects	UK
P&O Developments Limited	Development of building projects	UK
Millennium Park (Grimsby) Limited	Development of building projects	UK
Istithmar P&O Estates Limited	Activities of head offices	UK
P&O Estates Limited	Management of real estate on a fee or contract basis	UK
P&O Properties Limited	Management of real estate on a fee or contract basis	UK
Midland City Property Limited	Development of building projects	UK
P&O Property Accounts Limited	Banks	UK
P&O Agency Services Limited	Non-trading company	UK
Regent Quarter Limited	Development of building projects	UK
Ridgecross Limited	Construction of commercial buildings	UK
Town & City Properties Limited	Renting and operating of housing association real estate	UK

All companies are wholly owned, have 24 December or 31 December year ends, are incorporated in Great Britain and registered in England and Wales, and operate mainly in the country of incorporation.

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**14. Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	352	101
Amounts owed by group undertakings	114,954	115,805
Other debtors	1,391	853
Prepayments and accrued income	61	-
Tax recoverable	554	554
Deferred taxation asset (see note 17)	52	90
	<b>117,364</b>	<b>117,403</b>

There are no debtors falling due after more than one year.

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

**15. Cash at bank and in hand**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	231	112
	<b>231</b>	<b>112</b>

**16. Creditors: Amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	228	228
Other creditors	1,048	1,301
	<b>1,276</b>	<b>1,529</b>

There are no creditors falling due after one year.

**17. Deferred taxation**

The deferred tax asset included in the balance sheet is in respect of the following:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
At the beginning of the year	90	51
(Charged)/released during year	(38)	39
At the end of the year	<b>52</b>	<b>90</b>

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**18. Other provisions**

	<b>Dilapidation provision £000</b>	<b>Onerous lease £000</b>	<b>Total £000</b>
At 25 December 2014	<b>1,436</b>	<b>22</b>	<b>1,458</b>
Additions	-	-	-
Amounts released	<b>(166)</b>	<b>(22)</b>	<b>(188)</b>
At 24 December 2015	<b>1,270</b>	<b>-</b>	<b>1,270</b>

**Dilapidation provision**

Provision has been made for dilapidation and refurbishment costs in relation to certain property obligations. The provision represents the directors' best estimate of the costs expected to be incurred in respect of these properties.

**Onerous lease provision**

The provision relates to the guarantee of rental income to third parties in connection with various property interests, some of which were disposed in previous years. The provision represents the directors' best estimate of the costs expected to be incurred to satisfy the Company's obligations.

**19. Called up share capital**

	<b>2015 £000</b>	<b>2014 £000</b>
<b>Authorised</b>		
80,000,000 (2014: 80,000,000) Ordinary shares of £0.50p each	<b>40,000</b>	<b>40,000</b>
<b>Allotted, called up and fully paid</b>		
64,512,794 (2014: 64,512,794) Ordinary shares of £0.50p each	<b>32,256</b>	<b>32,256</b>

# P&O PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015

### 20. Pensions

The Company operates a defined benefit pension scheme.

The Company participated in the UK P&O Pension Scheme ("the P&O scheme"), which is a funded defined benefit scheme which was closed to routine new members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by independent fund managers.

Following consultation and negotiation with the active members the Scheme was closed to future accrual on 31 December 2015. The affected employees joined the Company's defined contribution arrangement with Scottish Widows with effect from 1 January 2016.

The latest valuation of the P&O UK Scheme has been updated to 24 December 2015 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.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 24 December	3.75%	3.60%
Expected rates of salary increases	2.50%	2.50%
Pension increases - deferment	2.85%	2.80%
Pension increases - payment	2.85%	2.80%
Inflation	3.25%	3.15%
Expected rates of return on scheme assets	4.13%	4.10%

The market value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain are set out below:

	2015	2015	2014	2014
	Expected		Expected	
	long term		long term	
	rate of	Market	rate of	Market
	return	value	return	value
	%	£000	%	£000
Equities	6.20	1,366	6.20	1,274
Bonds	3.55	494	3.55	466
Other	4.70	70	4.70	78
Value of insured pensioner liability	3.35	3,319	3.35	3,262

The amounts recognised in the balance sheet are as follows:

Fair value of scheme assets	4.13	5,250	4.10	5,080
Present value of funded obligations		(5,540)		(5,510)
Deficit in scheme		(290)		(430)
Related deferred tax asset		52		90
Net pension liability		(238)		(340)

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**20. Pensions (continued)**

The pension costs for defined benefit scheme are as follows:

	<b>P&amp;O UK Scheme</b>
<b>2015</b>	<b>£000</b>
<b>Items included in operating profit</b>	
Current service cost	(80)
Past service cost	(10)
Opening Balance Adjustment	60
Total charge to operating profit	<u>(30)</u>
<b>Other finance income/(expense)</b>	
Expected return on pension scheme assets	-
Interest on obligation	(10)
Net return	<u>(10)</u>
<b>Statement of comprehensive income</b>	
Actual return less expected return on pension scheme assets	60
Experience gain on pension scheme liabilities	-
Changes in assumptions underlying the present value of scheme liabilities	50
Related deferred tax asset	(38)
Actuarial loss recognised in Statement of comprehensive income	<u>72</u>

	<b>P&amp;O UK Scheme</b>
<b>2014</b>	<b>£000</b>
<b>Items included in operating profit</b>	
Current service cost	(160)
Past service cost	-
Total charge to operating profit	<u>(160)</u>
<b>Other finance income/(expense)</b>	
Expected return on pension scheme assets	270
Interest on obligation	(200)
Net return	<u>70</u>
<b>Statement of comprehensive income</b>	
Actual return less expected return on pension scheme assets	290
Experience gain on pension scheme liabilities	40
Changes in assumptions underlying the present value of scheme liabilities	(580)
Related deferred tax asset	39
Actuarial loss recognised in Statement of comprehensive income	<u>(211)</u>

The cumulative amount of actuarial gain recognised in the Statement of comprehensive income is £720,000 (2014: £642,000).

# **P&O PROPERTY HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

### **20. Pensions (continued)**

As the P&O UK Scheme is closed to new entrants, under the Projected Unit valuation method, the current service cost as a percentage of relevant defined benefit pensionable payroll will increase as the members of the scheme approach retirement.

Movement in the present value of the defined benefit obligation were as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	<b>5,510</b>	4,690
Current service cost	<b>80</b>	160
Interest cost	<b>190</b>	200
Contributions by scheme participants	-	-
Actuarial losses	<b>(50)</b>	540
Past service costs	<b>10</b>	-
Benefits paid	<b>(80)</b>	(80)
Prior year adjustment	<b>(120)</b>	-
Closing defined benefit obligation	<b>5,540</b>	5,510

Changes in the fair value of scheme assets were as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	<b>5,080</b>	4,470
Expected return on assets	<b>180</b>	270
Actuarial gains	<b>60</b>	290
Contributions by employer	<b>70</b>	130
Contributions by scheme participants	-	-
Benefits paid	<b>(80)</b>	(80)
Prior year adjustment	<b>(60)</b>	-
	<b>5,250</b>	5,080

The expected long-term rates of return for each of the main asset classes are subjective judgements based on market indicators, economic background, historical analysis and industry forecasts. They take into account the schemes strategic asset allocations across the sectors of the main asset classes.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>2015</b>	<b>2014</b>
Retiring today		
Males	<b>23.1</b>	23.1
Females	<b>25.5</b>	25.5
Retiring in 20 years		
Males	<b>26.1</b>	26.1
Females	<b>28.6</b>	28.6

**P&O PROPERTY HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 24 DECEMBER 2015**

**20. Pensions (continued)**

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Fair value of the plan assets	5,250	5,080	4,470	4,700	3,830
Present value of the benefit obligation	(5,540)	(5,510)	(4,690)	(4,700)	(3,953)
Deficit	<u>(290)</u>	<u>(430)</u>	<u>(220)</u>	<u>-</u>	<u>(123)</u>
Experience adjustments on scheme assets	60	290	(260)	440	(120)
Experience adjustments on scheme liabilities	-	40	(30)	-	-

All accrued service liabilities of the scheme arising before 24 December 2007 amounting to £4,965,000 were transferred from P&O Property Holdings Limited to The Peninsular & Oriental Steam Navigation Company as at 24 December 2007.

Contributions made by the Company during the year amounted to £70,000 (2014: £130,000).

The Company took the decision to close the P&O Pension Scheme to future accrual and following consultation and negotiation with the active Scheme members, it closed the Scheme on 31 December 2015. The affected employees joined the Company's Defined Contribution arrangement with Scottish Widows with effect from 1 January 2016.

## **P&O PROPERTY HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2015**

#### **21. Related party transactions**

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

#### **22. Parent undertaking and controlling party**

The immediate parent undertaking at 24 December 2015 is Istithmar P&O Estates (UK) Limited, a company incorporated in the United Kingdom.

The smallest group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is Istithmar Building FZE, a company incorporated in Dubai. The consolidated financial statements of this group are available on request from the Galleries, Downtown Jebel Ali, P.O. Box 1700, Dubai, United Arab Emirates.

The largest group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is the ultimate parent company Dubai World. The consolidated financial statements of this group are available on request from P.O. Box 1700, Dubai, United Arab Emirates.

#### **23. Events after the end of the reporting period**

The Company has a long leasehold interest in a property known as Chartist Tower, located in Newport, Wales. The lease was entered into for a term of 99 years from the 1st July 1960. The building's main tenant is the high street retail store BHS. In April 2016 BHS went into administration and following a failed bid to rescue the store by its administrators, went into receivership in June 2016.

BHS accounted for over 70% of the rent receivable in Chartist Tower and as a result the Company faces the prospect of significant increased void costs. The Directors are considering options in order to mitigate the impact of this event.

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and real estate markets, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, including investment property, reported at the balance sheet date of 24 December 2015.

#### **24 First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.