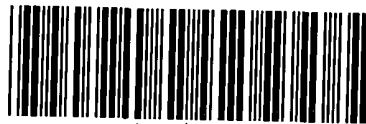


Registered number: 00282161

P&O PROPERTY HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017

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COMPANIES HOUSE

P&O PROPERTY HOLDINGS LIMITED
COMPANY INFORMATION

Directors

J M R Muhammad
K K Shah

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 2017

The directors present their report and the audited financial statements of P&O Property Holdings Limited (the 'Company'), for the year ended 24 December 2017.

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.

The Company held a long lease 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 was due to expire on 27th June 2059. The building's main tenant was the high street retail store BHS, whose lease was due to expire on 20th June 2059. 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.

On 20th December 2017 the Company surrendered its lease to the superior landlord and paid a surrender premium of £6.45m plus VAT.

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 £6,977,000 (2016: profit £2,712,000).

The directors do not recommend the payment of a dividend (2016: £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 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 (resigned 9 April 2018)
J M R Muhammad
K K Shah (appointed 9 April 2018)

P&O PROPERTY HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 24 DECEMBER 2017

Qualifying third party indemnity 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

P&O PROPERTY HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 24 DECEMBER 2017**

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.

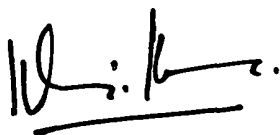
Independent auditors

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A 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 read 'K K Shah', with a horizontal line underneath it.

K K Shah
Director

Date: 30 April 2018

Independent auditors' report to the members of P&O Property Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, P&O Property Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 24 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the financial statements (the "Annual Report"), which comprise: the balance sheet as at 24 December 2017; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of P&O Property Holdings Limited

Report on the audit of the financial statements

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 24 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

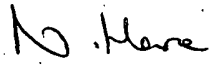
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.


Nick Hare (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2018

P&O PROPERTY HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	5	496	500
Income from fixed asset investments		1,235	-
Cost of sales		(6,108)	(1,195)
Gross loss		(4,377)	(695)
Administrative (expenses)/income		(2,600)	20
Reversal of fixed assets investments in subsidiary companies and other income	6	-	30,998
Operating (loss)/profit	7	(6,977)	30,323
Loss from other fixed asset investments	12	-	(30,998)
Interest payable and similar charges	9	-	(1)
Other finance expense	10	-	(10)
Loss on ordinary activities before taxation		(6,977)	(686)
Tax on loss on ordinary activities	11	-	3,398
(Loss)/profit for the financial year		(6,977)	2,712

There were no recognised gains and losses for 2017 or 2016 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 2017**

	Note	2017 £000	2016 £000
(Loss)/profit for the financial year		(6,977)	2,712
Other comprehensive income			
Actuarial gain on defined benefit pension scheme	19	-	120
Movement on deferred tax relating to pension gain	19	-	(21)
Other comprehensive income for the year		-	99
Total comprehensive (expense)/income for the year		(6,977)	2,811

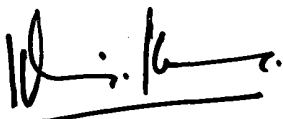
P&O PROPERTY HOLDINGS LIMITED
REGISTERED NUMBER: 00282161

BALANCE SHEET
AS AT 24 DECEMBER 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Investments	12		11,042		11,042
			<u>11,042</u>		<u>11,042</u>
Current assets					
Debtors	13	114,204		119,888	
Cash at bank and in hand	14	66		117	
		<u>114,270</u>		<u>120,005</u>	
Creditors: amounts falling due within one year	15	(3,353)		(964)	
Net current assets			<u>110,917</u>		<u>119,041</u>
Total assets less current liabilities			<u>121,959</u>		<u>130,083</u>
Provisions for liabilities					
Other provisions	17		(272)		(1,270)
Net assets excluding pension liability			<u>121,687</u>		<u>128,813</u>
Pension liability	19		-		(149)
Net assets			<u>121,687</u>		<u>128,664</u>
Capital and reserve					
Called up share capital	18		32,256		32,256
Share premium account			318		318
Other reserves			120,794		120,794
Profit and loss account			(31,681)		(24,704)
Total equity			<u>121,687</u>		<u>128,664</u>

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:



K K Shah
Director

Date: 30 April 2018

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 2017**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 25 December 2016	32,256	318	120,794	(24,704)	128,664
Comprehensive income for the year					
Loss for the financial year	-	-	-	(6,977)	(6,977)
Other comprehensive income for the year					
Actuarial gain on pension scheme	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(6,977)	(6,977)
Total transactions with owners	-	-	-	-	-
At 24 December 2017	32,256	318	120,794	(31,681)	121,687

P&O PROPERTY HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 24 DECEMBER 2016**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 25 December 2015	32,256	318	120,794	(27,515)	125,853
Comprehensive income for the year					
Profit for the financial year	-	-	-	2,712	2,712
Other comprehensive income for the year					
Actuarial gain on pension scheme	-	-	-	99	99
Total comprehensive income for the year	-	-	-	2,811	2,811
Total transactions with owners	-	-	-	-	-
At 24 December 2016	32,256	318	120,794	(24,704)	128,664

P&O PROPERTY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2017

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.

3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 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 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 2017

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.

Income from fixed asset investments

Income from fixed asset investments is recognised when the right to receive payment is established.

3.4 Valuation of investments

Investments are stated at cost less any provision for impairment. Impairment losses are recognised in the Profit and loss account in the period in which they arise. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

During the year amounts written off relating to impairment of investments or dissolution.

P&O PROPERTY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2017

3 Summary of significant accounting policies (continued)

3.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 25 December 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

3.6 Debtors

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

3.7 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.

3.8 Creditors

Short term creditors are measured at the transaction price.

3.9 Pensions

The P&O Pension Scheme is a multi-employer scheme with participating employers being Peninsular & Oriental Steam Navigation Company Limited (POSNCo) and P&O Property Holdings Limited (The Company). In December 2017 the Company agreed to withdraw from the P&O scheme. The liabilities in the P&O scheme are linked to members that historically worked for participating employers. The pension of provision of £2.6m relates to the Company's allocated share of members and orphan liabilities on withdrawal from the 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. 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 19. Independent actuarial valuations of the scheme are made every three years.

3.10 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 2017

3. Summary of significant accounting policies (continued)

3.13 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.

3.14 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.

3.15 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

There were no critical accounting judgements and estimation uncertainty during the year.

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.

	2016	2015
	£000	£000
Rent receivable	496	500
	496	500

P&O PROPERTY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2017

3 Summary of significant accounting policies (continued)

3.11 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.

3.12 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 2017

6. Impairment of fixed assets investments in subsidiary companies and other income

	2016 £000	2015 £000
Reversal of fixed assets investments in subsidiary companies struck off of fixed assets investments in subsidiary companies	-	30,998
	<u>-</u>	<u>30,998</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.

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 2016 and 2017 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.
- (e) The P&O Pension Scheme is a multi-employer scheme with participating employers being Peninsular & Oriental Steam Navigation Company Limited (POSNCo) and P&O Property Holdings Limited (The Company). In December 2017 the Company agreed to withdraw from the Scheme. The liabilities in the Scheme are linked to members that historically worked for participating employers. The pension of provision of £2.6m relates to the Company's allocated share of members and orphan liabilities on withdrawal from the Scheme.
- (f) The Company held a long lease 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 was due to expire on 27th June 2059. The building's main tenant was the high street retail store BHS, whose lease was due to expire on 20th June 2059. 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.

On 20th December 2017 the Company surrendered its lease to the superior landlord and paid a surrender premium of £6.45m plus VAT.

8. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	433	492
Social security costs	53	64
	<u>486</u>	<u>556</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.

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

9. Interest payable and similar charges

	2017	2016
	£000	£000
Other interest payable	-	(1)
	<u>-</u>	<u>(1)</u>
	<u>-</u>	<u>(1)</u>

10. Other finance expense

	2017	2016
	£000	£000
Net interest on net defined benefit liability	-	(10)
	<u>-</u>	<u>(10)</u>
	<u>-</u>	<u>(10)</u>

P&O PROPERTY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2017

11. Tax on loss on ordinary activities

	2017	2016
	£000	£000
Analysis of tax credit in the year		
UK corporation tax credit on loss for the financial year	-	-
Adjustments in respect of prior periods	-	(3,398)
Tax on loss on ordinary activities	-	(3,398)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017	2016
	£000	£000
Loss on ordinary activities before taxation	(6,977)	(686)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(1,343)	(137)

Effects of:

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,438	2
Utilisation of tax losses	-	-
Adjustments in respect of prior periods	-	(3,398)
Deferred tax not recognised	(387)	(209)
Short term timing difference leading to a decrease in taxation	-	-
Non-taxable expense	-	-
Transfer pricing adjustments	292	344
Total tax credit for the year (see note above)	-	(3,398)

Factors that may affect future tax charges

From 1 April 2017 the UK corporation tax rate was reduced from 20% to 19%. Further reductions to 17% from 1 April 2020 were substantively enacted on 6 September 2016. The rate change 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 £4.1m (2016: £4.5m) has not been recognised in respect of short-term timing differences and tax 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 2017**

12. Investments

	Investments in subsidiary companies £000
Cost	
At 25 December 2016	<u>35,791</u>
At 24 December 2017	<u>35,791</u>
Impairment	
At 25 December 2016	<u>24,749</u>
At 24 December 2017	<u>24,749</u>
Net book value	
At 24 December 2017	<u><u>11,042</u></u>
<i>At 24 December 2016</i>	<u><u>11,042</u></u>

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

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.

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

12. Investments (continued)

Principal subsidiary undertakings

The following were principal subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Cheverell Estates Limited	UK	Ordinary	100%	Development of building projects
P&O Developments Limited	UK	Ordinary	100%	Development of building projects
Millennium Park (Grimsby) Limited	UK	Ordinary	100%	Development of building projects
Isthmar P&O Estates Limited	UK	Ordinary	100%	Activities of head offices
P&O Estates Limited	UK	Ordinary	100%	Service organisation
P&O Properties Limited	UK	Ordinary	100%	Management of real estate on a fee or contract basis
Midland City Property Limited	UK	Ordinary	100%	Development of building projects
P&O Property Accounts Limited	UK	Ordinary	100%	Banks
P&O Agency Services Limited	UK	Ordinary	100%	Non-trading company
Regent Quarter Limited	UK	Ordinary	100%	Development of building projects
Ridgecross Limited	UK	Ordinary	100%	Construction of commercial buildings

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 2017**

13. Debtors

	2017	2016
	£000	£000
Trade debtors	498	568
Amounts owed by group undertakings	112,284	117,885
Other debtors	1,422	1,404
Deferred taxation asset (see note 16)	-	31
	114,204	119,888

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.

14. Cash at bank and in hand

	2017	2016
	£000	£000
Cash at bank and in hand	66	117
	66	117

15. Creditors: Amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	227	228
Other creditors	3,126	736
	3,353	964

There are no creditors falling due after one year.

16. Deferred taxation

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

	2017	2016
	£000	£000
At the beginning of the year	31	52
Charged during year	(31)	(21)
At the end of the year	-	31

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

17. Other provisions

	Dilapidation provision £000
At 25 December 2016	1,270
Amounts released to income statement	(998)
At 24 December 2017	272

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.

18. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised		
80,000,000 (2016: 80,000,000) Ordinary shares of £0.50p each	40,000	40,000
Allotted, called up and fully paid		
64,512,794 (2016: 64,512,794) Ordinary shares of £0.50p each	32,256	32,256

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

19. Pensions

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.

On the 5th December 2017, participants of the P&O scheme, P&O Steam Navigation Company, P&O Property Holdings Limited and P&O Pension Trustees Limited ("the Trustees") entered into a Flexible Apportionment Arrangement (FAA). This is an agreement between the Trustee of the pension scheme and all the participating employers. It was agreed that P&O Property Holdings Limited could withdraw from the scheme and all its existing and future orphan liabilities were transferred to P&O Steam Navigation Company.

The liabilities in the P&O scheme are linked to members that historically worked for participating employers. The pension of provision of £2.6m relates to the Company's allocated share of members and orphan liabilities on withdrawal from the P&O scheme.

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

	2017	2016
Discount rate at 24 December	0.00	2.50
Pension increases - deferment	0.00	3.00
Pension increases - payment	0.00	3.00
Inflation	0.00	3.50
Expected rates of return on scheme assets	0.00	4.17

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:

	2017	2017	2016	2016
	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	£000	%	£000
Equities	-	-	6.20	1,632
Bonds	-	-	3.55	695
Other	-	-	4.70	101
Value of insured pensioner liability	-	-	3.35	3,582

The amounts recognised in the balance sheet are as follows:

Fair value of scheme assets	-	6,010
Present value of funded obligations	-	(6,190)
Deficit in scheme	-	(180)
Related deferred tax asset	-	31
Net pension liability	-	(149)

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

19. Pensions (continued)

The pension costs for defined benefit scheme are as follows:

	P&O UK Scheme £000
2017	
Items included in operating profit	
Current service cost	-
Past service cost	-
Opening Balance Adjustment	-
Total charge to operating profit	-
Other finance income/(expense)	
Expected return on pension scheme assets	-
Interest on obligation	-
Net return	-
Statement of comprehensive income	
Actual return less expected return on pension scheme assets	-
Experience gain on pension scheme liabilities	-
Changes in assumptions underlying the present value of scheme liabilities	-
Related deferred tax asset	-
Actuarial loss recognised in Statement of comprehensive income	-
	P&O UK Scheme £000
2016	
Items included in operating profit	
Current service cost	-
Past service cost	-
Opening Balance Adjustment	-
Total charge to operating profit	-
Other finance income/(expense)	
Expected return on pension scheme assets	-
Interest on obligation	(10)
Net return	(10)
Statement of comprehensive income	
Actual return less expected return on pension scheme assets	950
Experience gain on pension scheme liabilities	200
Changes in assumptions underlying the present value of scheme liabilities	(1,030)
Related deferred tax asset	(27)
Actuarial loss recognised in Statement of comprehensive income	93

The cumulative amount of actuarial gain recognised in the Statement of comprehensive income is £NIL (2016: £830,000).

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

19. 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:

	2017	2016
	£000	£000
Opening defined benefit obligation	-	5,540
Interest cost	-	200
Actuarial losses	-	830
Benefits paid	-	(380)
Closing defined benefit obligation	-	6,190

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

	2017	2016
	£000	£000
Opening fair value of scheme assets	-	5,250
Expected return on assets	-	190
Actuarial gains	-	950
Benefits paid	-	(380)
	-	6,010

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:

	2017	2016
Retiring today		
Males	-	22.6
Females	-	24.7
Retiring in 20 years		
Males	-	25.2
Females	-	27.4

P&O PROPERTY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2017**

19. Pensions (continued)

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

Defined benefit pension schemes

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Fair value of the plan assets	-	6,770	5,250	5,080	4,470
Present value of the benefit obligation	-	(6,840)	(5,540)	(5,510)	(4,690)
Deficit	<u>-</u>	<u>(70)</u>	<u>(290)</u>	<u>(430)</u>	<u>(220)</u>
Experience adjustments on scheme assets	-	950	60	290	(260)
Experience adjustments on scheme liabilities	-	(830)	-	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 £NIL (2016: £NIL).

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 2017

20. Commitments under operating leases

At 24 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£000	£000
Not later than 1 year	-	812,618
Later than 1 year and not later than 5 years	-	3,250,472
Later than 5 years	-	30,478,767
	<hr/>	<hr/>
	-	34,541,857
	<hr/>	<hr/>

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 2017 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 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.