DP WORLD

P&O Annual Report 2016

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

Company Information

Board of directors

Sultan Bin Sulayem (appointed 26/01/2016)

Mohammed Sharaf (resigned on 26 January 2016)

Jamal Majid Bin Thaniah (resigned on 31 January 2017)

Yuvraj Narayan

Ganesh Raj Jayaraman

Anil Wats

Sarmad Qureshi

Secretary

Mohammad Al Hashimy

Registered Office

The Peninsular and Oriental Steam Navigation Company

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Incorporated by Royal Charter with limited liability, company number Z73

Auditors

KPMG LLP

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Group strategic report for the year ended 31 December 2016

The directors present their strategic report on the Group for the year ended 31 December 2016.

Principal Group activities

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

Review of operations and results

The results of the Group are set out in detail on pages 14 to 19 and in the accompanying notes. The financial position of the Parent Company is set out in detail on page 76 and in the accompanying notes.

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

	2016	2015	% Change
Ports – Gross Container throughput (TEUs '000)	**31,399.7**	29,728.0	5.6
Profit from continuing operations before taxation (£'m)	**239.0**	193.5	23.5
Profit for the year from continuing operations (£'m)	**175.3**	137.3	27.7
EBITDA (Adjusted) (£'m)*	**460.2**	340.6	34.6
Return on Capital Employed	**6.27%**	4.12%	-
Net Assets (£'m)	**2,750.2**	3,660.3	(24.9)
Net Debt to equity ratio	**45.0%**	22.9%	-
Net cash inflow from operating activities	**216.5**	215.4	0.5
Net cash (outflow) from investing activities	**(155.1)**	(544.2)	(71.5)
Net cash (outflow)/inflow from financing activities	**(19.8)**	359.7	(105.5)

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

Gross throughput of 31.4 million twenty foot equivalent units (TEU's) was 5.6% more than last year mainly due to stronger performances across the Asia Pacific and India Sub-continent regions.

Profit before taxation for the year ended 31 December 2016 was £239m up 23.5% from the prior year profit before taxation of £193.5m. Excluding the impact of any separately disclosed items, profit before taxation was £284m compared to a prior year profit before taxation of £187.7m. The increase in the profit before taxation was driven by Asia Pacific and Indian sub-continent segment primarily due to much stronger performance from China, India and Pakistan. Australia and Americas segment has reported stronger performance relative to prior period mainly due to robust results from Argentina.

Profit for the year was £175.3m up by 27.7% from the prior year profit of £137.3m mainly due to stronger performance in Asia Pacific and Indian subcontinent segment and increase in profit in Australia and Americas segment.

Net assets at 31 December 2016 of £2,750.2m were down by 24.9% when compared to £3,660.3m at 31 December 2015, the movements are detailed in the consolidated statement of changes in equity and include the payment of £1,000m dividend in the year.

Net debt to equity increased to 45% at 31 December 2016 from 22.9% at 31 December 2015, as an interim dividend of £1,000m was paid during 2016. Net debt is defined as all interest bearing external liabilities less cash and cash equivalents.

Net cash inflow from operating activities was marginally higher than the previous financial year principally due to increased EBITDA, which was partly offset by unfavourable movement in working capital.

Cash outflow from investing activities was £389.1m lower than the previous financial year mainly due to higher dividends from equity accounted investees in China and Indonesia in 2016 and acquisition of port of Prince Rupert in August 2015.

Cash outflow from financing activities was £379.5m higher as compared to last year as a dividend of £1,000m was adjusted against loans receivable from parent undertakings.

Group strategic report for the year ended 31 December 2016 *(continued)*

On 14 November 2016, the Group received 81.63% ownership of India Gateway Terminal, Cochin, India and 26% ownership in Visakha Container Terminal, Visakhapatnam, India from DPW FZE through a gift deed for nil consideration.

Principal risks and uncertainties

During 2016, the Group continued to monitor and review the principal business performance risks that could materially affect the Group's business, financial condition and reputation. While other risks exist outside those listed, we have made a conscious effort to disclose those of greatest importance to our business. The Group's risk management process aims to provide reasonable assurance that we understand, monitor and manage the principal uncertainties. A summary of the Group's principal risks, the nature and management of these risks are further described below.

Macroeconomic instability

Risk Description and Impact: - Container handling correlates with GDP growth of the global economy. This correlation was historically higher at a rate of 2 to 1, but today this rate is closer to 1 to 1. Market conditions in many of the geographies where we operate can be challenging due to macroeconomic or geopolitical issues, which can potentially impact our volume growth and profitability.

Risk Management: - Our business remains focused on origin and destination cargo which is less susceptible to economic instability. Although our focus on faster growing emerging markets may result in volume volatility in the short term, we believe that the medium to long term prospects remain solid. We aim to deliver high levels of service to meet our customers' expectations and continue to proactively manage costs.

We have a well-diversified global portfolio of investments across a number of jurisdictions, spreading our concentration risk due to an even geographical spread of our business activity.

Industry Capacity

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

Risk Management: - Barriers to entry are typically high in the container terminal industry due to the capital intensive nature of the business. Our focus on gateway locations means we are usually the terminal of choice. We bring on capacity in line with demand with a view to avoiding overcapacity. The Group's investment in deep-sea capacity allows us to handle ultra-large vessels and offers a competitive advantage.

Major Projects – Development and planning

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

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

Several levels of approval are in place for the large-scale contracts up to the level of our Board. In addition to the involvement of highly skilled project management individuals on each project, more attention is being placed to

Group strategic report for the year ended 31 December 2016 *(continued)*

the planning stage of projects, to avoid and address eventual project liabilities, following PMD procedures and best practices of project management standards. Strategic equipment procurement and implementation controls are in place throughout the duration of projects and clear lines of responsibility assigned to the Project Implementation Team.

Where multilateral or bank finance is a source of funding, the projects are required to meet internationally established project financing requirements. Where appropriate, financing packages are structured and covenants set to ensure sufficient headroom to accommodate non-material delays.

Geopolitical

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

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

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

IT Systems, Infrastructure Failure and Cyber Threat

Risk Description and Impact: - Our business and operations are increasingly dependent on information technology to drive the efficiencies of its operations, ensure integrity in information and business workflows, integration to stakeholders including customers and government authorities, ensuring that port operations and its machinery operate continuously. As a logistics company, the use of IT applications is core to our competitive advantage. With the increasing pace of technological innovation and change, the use of social media and the evolving sophistication of cyber threats, corporates are targets for malicious and unauthorised attempts to access their IT systems for information and intelligence. Our Group could be compromised by an incident that breaches our IT security. This could result in liabilities, including claims, loss of revenue, litigation and harm to the Group's reputation.

Risk Management: - We regularly review and evaluate all software, applications, systems, infrastructure and security tools to ensure that the best available software and systems are installed and used by our Group. All software and systems are upgraded or patched regularly to ensure that we minimised our vulnerabilities. Each of our business units has an IT disaster recovery plan.

Our security policies and infrastructure tools are updated regularly or replaced regularly to keep pace of changing and growing computer threats. We have online training courses for our employees for training on the proper use of our computer systems and computer security. Our security infrastructure is updated regularly and connectivity to our partners' systems is monitored and logged.

Customer Consolidation

Risk Description and Impact: - Our major and middle-tier customers are expected to continue to form alliances and may change their strategy on preferred ports and hubs which could also lead to downward pressure on tariffs.

Risk Management: - We focus on high levels of customer service and develop sustainable, high-value and trusted customer relationships throughout our portfolio. We have a customer contact engagement strategy in place. Senior executive sponsors are in constant dialogue with our customers and we maintain a watching brief

Group strategic report for the year ended 31 December 2016 *(continued)*

on all markets. We operate customer engagement projects to improve and extend supply chain relationships. We remain focused on origin and destination cargo, which is less affected by competition than transshipment cargo.

Safety Risks

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

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

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

Legal and Regulatory

Risk Description and Impact: - Our Group is subject to detailed local, regional and global laws and regulations across different jurisdictions. These laws and regulations are becoming more complex and increasingly stringent and are subject to various legal and regulatory obligations. We are expanding geographically and therefore we are exposed to more and more laws and regulations when operating our businesses. New legislation and other evolving practices could impact our operations and increase the cost of compliance. For example, the UK Bribery Act applies to all our operations worldwide. We need to constantly monitor compliance on our existing operations and business development opportunities. Another example is competition law and merger control rules which are applicable in almost all jurisdictions. We must ensure that we operate in compliance with these rules. This is even more critical in our industry that has few players, few competitors, and few customers. Regulators across the world exchange data and scrutinise companies on a global level. Failure to comply with legislation could lead to substantial financial penalties, disruption to business, personal and corporate liability and loss of reputation.

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

Business Ethics

Risk Description and Impact: - Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders, is essential to protect the reputation of Group and our corporate performance. Despite our commitment to being an ethical business and the steps we take to adhere to this commitment, a risk remains that behaviour or events will occur that fall short of our expected standards. We comply with a wide range of local and international laws, e.g. anti-corruption and bribery laws and the Modern Slavery Act. As our business spreads geographically, we are increasingly operating in countries identified as having a higher risk of exposure to these laws. We also have to ensure compliance with trade sanctions, and import and export controls. Failure by our employees or agents to comply with these regulations could result in substantial penalties, criminal prosecution and significant damage to our reputation. This could in turn impact our future revenue and cash flow. Allegations of corruption or bribery or violation of sanctions regulations could also lead to reputation and brand damage with investors, regulators and customers.

Risk Management: - Group has a Code of Ethics and Anti-Bribery Policy in place, with a zero tolerance approach to bribery and fraud and has developed online training and fraud risk awareness workshops across the

Group strategic report for the year ended 31 December 2016 *(continued)*

Group to raise awareness and promote compliance. We have an anti-fraud framework in place for preventing, detecting and responding to frauds to meet the stringent requirements of the UK Bribery Act. This is particularly focused on higher risk regions to ensure the Group's policies are understood and enforced.

We have a whistleblowing hotline for reporting any concerns. These are investigated and reported to the Audit Committee on a quarterly basis. We provide new starters and existing employees with training on anti-bribery and corruption as part of the induction process. We have a vendor code of conduct to ensure vendors comply with these laws and a gift and hospitality policy for all employees.

Employee Attraction and Retention

Risk Description and Impact: - Our people are fundamental to the long term success and growth of our Group. The attraction, retention, development and succession of senior management and individuals with key skills are critical success factors in the achievement of our strategy. Failure to attract or retain these employees could result in increased costs to the Group and affect our business continuity and productivity levels.

Risk Management: - This risk is reducing as we continue to invest in our people and their performance. Retention strategies are in place for identified scarce skills. We promote a safe working environment for our employees and operate a global "health and wellbeing" programme. We continuously monitor and benchmark our remuneration packages in order to attract and retain employees of a suitable calibre and skill set. The Group develops and delivers training programmes across all levels, focused on improving operational and managerial competencies.

We partner with some of the most reputable learning institutions, such as London Business School and Harvard, for the development of our leaders. We have entered into agreements with the leading recruitment and search firms to support us as and when needed. Effective performance management remains a high priority and is regularly monitored across the Group. We have in place a succession planning strategy for critical roles in the business, which forms part of our Talent Management process. Staff turnover rates are monitored and are currently stable.

Labour Unrest

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

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

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

Environmental – Climate Change

Risk Description and Impact: - Our operational activities are driven by the consumption of fossil fuels and *electricity which, in turn, emit pollutants including greenhouse gases. The Group's activities and operations are a* crucial link in the supply chain of goods and we recognise that our Group has a responsibility to reduce emissions. Currently, there are numerous national and regional regulations and laws governing environmental protection issues such as carbon emissions. A breach in any of these regulations can result in the Group facing regulatory action and legal liability, including penalties and remediation obligations, increased costs and damage to our reputation.

Group strategic report for the year ended 31 December 2016 *(continued)*

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

Corporate responsibility, safety and the environment

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

Financial risk management

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

- Liquidity risk
- Market risk
- Credit risk

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

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

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

Liquidity risk

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

Market risk

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

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

Currency risk

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

The proportion of the Group's net operating assets denominated in foreign currencies is approximately 80.5% *(2015: 75.7%)* with the result that the Group's consolidated statement of financial position and, in particular owner's equity, can be affected by currency movements when it is retranslated at each year end rate. The Group partially mitigates the effect of such movements by borrowing in the same currencies as those in which the

Group strategic report for the year ended 31 December 2016 *(continued)*

assets are denominated and using cross currency swaps. The impact of currency movements on operating profit is partially mitigated by interest costs being incurred in foreign currencies.

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

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

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

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

Interest rate risk

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

Approximately £324.9 million (2015: £130.7 million) of the Group's interest bearing loans and borrowings carry interest at floating rates. The Group's policy is to manage its interest cost by entering into interest rate swap agreements in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2016, after taking into account the effect of interest rate swaps, approximately 79.4% (2015: 88.2%) of the Group's borrowings are at a fixed rate of interest.

Credit risk

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

Trade and other receivables

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

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

Other financial assets

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

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

Financial guarantees

The Group's policy is to consider the provision of a financial guarantee to wholly-owned subsidiaries where there is a commercial rationale to do so. Guarantees may also be provided to joint ventures and associates in very

Group strategic report for the year ended 31 December 2016 *(continued)*

limited circumstances and always only for the Group's share of the obligation. The provision of guarantees always requires the approval of management.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital employed (ROCE), which the Group defines as earnings before interest and tax and before separately disclosed items (SDI), as a percentage of total assets less current liabilities. Return on capital employed is 6.3% for the year ended 31 December 2016 as compare to 4.1% for the year ended 31 December 2015.

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

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

By order of the Board

Mohammad Al Hashimy

Secretary
19 June 2017
Company Number Z73

Report of the directors

The directors present their report and accounts for the year ended 31 December 2016.

Directors

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

Sultan Bin Sulayem (appointed 26 January 2016)
Jamal Majid Bin Thaniah (resigned on 31 January 2017)
Mohammed Sharaf (resigned on 26 January 2016)
Yuvraj Narayan
Ganesh Raj Jayaraman
Anil Watts
Sarmad Qureshi

Dividends

The Company paid an interim dividend of £1,000m during 2016 (2015: £nil).

Employees

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

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

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

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

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 6 to the consolidated financial statement sets out the Group's objectives, policies and processes for managing the Group's financial risk, including capital management, and note 29 provides details of the Group's exposure to credit risk, liquidity risk and interest rate risk arising from financial instruments.

The Group has within current receivables an amount of £1,783.6m (2015: £2,602.8m) due from its intermediate parent companies and fellow subsidiaries and believe these to be recoverable.

The board of directors remain satisfied with the Group's funding and liquidity position. At 31 December 2016, the Group had net debt of £1,237.7m (2015: £837.9m) and had £82.6m committed borrowing facilities (2015: £244.3m). The Group generated net cash of £216.5m (2015: £215.4m) from operating activities and its interest cover for the year is 9 times (2015: 8 times) (calculated using adjusted EBITDA to net interest expense before separately disclosed items).

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

Report of the directors *(continued)*

Directors Indemnity Insurance

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

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

Disclosure of information to the auditors

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

Auditors

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

By order of the Board
Mohammad Al Hashimy

Secretary
19 June 2017
Company Number Z73

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

The directors are responsible for preparing the annual report, strategic report, the directors' report and the Group and parent company financial statements, in accordance with applicable law and regulations.

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

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transaction and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of The Peninsular and Oriental Steam Navigation Company

We have audited the financial statements of The Peninsular and Oriental Steam Navigation Company for the year ended 31 December 2016 set out on pages 14 to 106. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- We have not identified material misstatements in those reports; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Tom Eve (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London E14 5GL
19 June 2017

Consolidated income statement

For the year ended 31 December 2016

£ million

		Year ended 31 December 2016			Year ended 31 December 2015		
	Note	Before separately disclosed items	Separately disclosed items	Total	Before separately disclosed items	Separately disclosed items	Total
Group revenue	7	1029.1	50.5	1079.6	883.6	49.2	932.8
Cost of sales		(632.9)	(50.5)	(683.4)	(587.6)	(49.2)	(636.8)
Gross profit		396.2	-	396.2	296.0	-	296.0
Other operating income		7.8	1.5	9.3	3.4	-	3.4
Administrative costs		(166.4)	-	(166.4)	(148.4)	(0.4)	(148.8)
Earnings from equity accounted investees	7,9	100.1	(2.2)	97.9	80.2	-	80.2
Group operating profit		337.7	(0.7)	337.0	231.2	(0.4)	230.8
Loss on sale and termination of businesses	9	(2.2)	(1.6)	(3.8)	-	(0.2)	(0.2)
Profit before finance expense		335.5	(2.3)	333.2	231.2	(0.6)	230.6
Finance income	10	47.8	-	47.8	47.4	6.4	53.8
Finance expense	10	(99.3)	(42.7)	(142.0)	(90.9)	-	(90.9)
Net finance expense		(51.5)	(42.7)	(94.2)	(43.5)	6.4	(37.1)
Profit before taxation		284.0	(45.0)	239.0	187.7	5.8	193.5
Income tax expense	11	(63.7)	-	(63.7)	(56.2)	-	(56.2)
Profit for the year	7	220.3	(45.0)	175.3	131.5	5.8	137.3
Attributable to:							
Owners of the company				136.8			118.1
Non-controlling interests				38.5			19.2

Consolidated statement of comprehensive income

For the year ended 31 December 2016

			£ million
	Note	2016	2015
Profit for the year		**175.3**	137.3
Other comprehensive income			
Items that are or may be reclassified subsequently to consolidated income statement:			
Effective portion of changes in fair value of cash flow hedges		**(18.6)**	5.4
Foreign currency translation differences for foreign operations		**125.1**	(6.4)
Share of other comprehensive income of equity accounted investees		**6.1**	0.6
Deferred tax on other comprehensive income items		**2.3**	(3.0)
Items that will never be reclassified to consolidated income statement:			
Re-measurements of post-employment benefit obligations	24	**(151.8)**	(3.8)
Deferred tax on actuarial losses/ (gains)		**4.6**	(0.7)
Total other comprehensive income for the year		**(32.3)**	(7.9)
Total comprehensive income for the year		**143.0**	**129.4**
Attributable to:			
Owners of the company		**102.3**	**113.0**
Non-controlling interests		**40.7**	**16.4**

Consolidated statement of financial position

as at 31 December 2016

	Note	2016	2015
			£ million
Non-current assets			
Intangible assets	12	881.9	641.8
Property, plant and equipment	13	2,088.5	1,814.9
Investments in equity accounted investees	14	438.7	445.5
Other investments	17	24.3	29.3
Trade and other receivables	16	97.1	15.3
Loans to group undertakings	16	1.4	17.3
Deferred tax assets	15	-	0.1
		3,531.9	2,964.2
Current assets			
Inventories		21.3	17.1
Trade and other receivables	16	212.7	181.0
Tax recoverable		25.9	16.6
Loans to group undertakings	16	1,783.6	2,602.8
Cash and cash equivalents	18	342.0	269.4
		2,385.5	3,086.9
Total assets		5,917.4	6,051.1
Non-current liabilities			
Interest bearing loans and borrowings	19	1,539.5	1,073.1
Trade and other payables	20	104.5	73.6
Loan from group undertakings	20	238.3	291.8
Deferred tax liabilities	15	458.7	386.7
Employee benefits	24	254.9	122.1
Provisions		1.1	0.7
		2,597.0	1,948.0
Current liabilities			
Interest bearing loans and borrowings	19	40.2	34.2
Trade and other payables	20	358.4	252.4
Income tax liabilities		70.9	81.1
Loan from group undertakings	20	77.4	51.8
Employee benefits	24	6.6	6.8
Provisions		16.7	16.5
		570.2	442.8
Total liabilities		3,167.2	2,390.8

Consolidated statement of financial position (continued)

as at 31 December 2016

			£ million
	Note	2016	2015
Net assets		**2,750.2**	3,660.3
Equity			
Issued capital	22	**843.2**	843.2
Share premium	22	**815.4**	815.4
Other reserves	22	**405.7**	296.1
Retained earnings		**642.6**	1,675.5
		2,706.9	3,630.2
Non-controlling interests	21	**43.3**	30.1
Total equity		**2,750.2**	3,660.3
Total equity and liabilities		**5,917.4**	6,051.1

The accounts were approved by the board of directors and signed on its behalf on 19 June 2017 by:

Ganesh Raj
Director

Sarmad Qureshi
Director

The Peninsular and Oriental Steam Navigation Company – Company Number Z73

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital	Share premium	Translation reserve	Hedging reserve	Other reserve	Retained earnings	Total	Non-controlling Interest	Total equity
									£ million
Balance as at 1 January 2015	843.2	815.4	187.6	(62.3)	170.5	1,552.3	3,506.7	70.5	3,577.2
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	118.1	118.1	19.2	137.3
Total other comprehensive income, net of income tax	-	-	(1.1)	1.4	-	(5.4)	(5.1)	(2.8)	(7.9)
Total comprehensive income	-	-	(1.1)	1.4	-	112.7	113.0	16.4	129.4
Transactions with owners recorded directly in equity									
Acquisition of non-controlling interests without change in control	-	-	-	-	-	10.5	10.5	(49.2)	(38.7)
-Dividends	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests									
-Other transactions	-	-	-	-	-	-	-	-	-
-Dividends	-	-	-	-	-	-	-	(7.6)	(7.6)
Total Transactions with non-controlling interests	-	-	-	-	-	-	-	(7.6)	(7.6)
At 31 December 2015	843.2	815.4	186.5	(60.9)	170.5	1,675.5	3,630.2	30.1	3,660.3
At 1 January 2016	**843.2**	**815.4**	**186.5**	**(60.9)**	**170.5**	**1,675.5**	**3,630.2**	**30.1**	**3,660.3**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	136.8	136.8	38.5	175.3
Total other comprehensive income, net of income tax			129.3	(17.6)		(146.2)	(34.5)	2.2	(32.3)
Total comprehensive income	-	-	129.3	(17.6)	-	(9.4)	102.3	40.7	143.0
Transactions with owners recorded directly in equity									
-Acquisition of subsidiary and equity accounted investee	-	-	-	(2.1)	-	(21.7)	(23.8)	(5.9)	(29.7)
-Dividends						(1,000.0)	(1,000.0)	-	(1,000.0)
Transactions with non-controlling interests									
-Other transactions	-	-	-	-	-	(1.8)	(1.8)	0.6	(1.2)
-Dividends	-	-	-	-	-	-	-	(22.2)	(22.2)
Total Transactions with non-controlling interests	-	-	-	-	-	(1.8)	(1.8)	(21.6)	(23.4)
At 31 December 2016	**843.2**	**815.4**	**315.8**	**(80.6)**	**170.5**	**642.6**	**2,706.9**	**43.3**	**2,750.2**

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016	2015
Operating activities			
Profit after taxation		175.3	137.3
Adjustments to reconcile profit / (loss) after taxation to net cash provided by operating activities			
Share of profits of equity accounted investees	14	(97.9)	(80.2)
Loss on sale of intangibles and property, plant and equipment		(0.6)	0.7
Loss on sale and termination of business	9	3.8	0.2
Gain on sale of other investments		(1.5)	-
Impairment loss	9	-	0.4
Net finance expense	10	94.2	37.1
Taxation expense	11	63.7	56.2
Depreciation and amortisation charges		124.8	109.4
Gross cash flows from operations		361.8	261.1
Movement in working capital:			
Change in inventories		(1.8)	0.3
Change in trade and other receivables		34.1	53.5
Change in trade and other payables		(114.4)	(5.8)
Change in provisions		52.4	(17.7)
Income taxes paid		(115.6)	(76.0)
Net cash provided by operating activities		216.5	215.4
Investing activities			
Capital expenditure		(280.5)	(227.8)
Investment in equity accounted investees		-	(19.0)
Proceeds from (additions to) other investments		7.1	-
Proceeds from disposals of fixed assets		1.4	10.9
Dividends received from joint ventures and associates	14	109.7	23.9
Net loans given to joint ventures and associates		-	(17.1)
Interest received		14.6	11.2
Proceeds from disposal of a subsidiary		5.2	-
Acquisition of non-controlling interest without change of control		(1.2)	(38.7)
Acquisition of subsidiary, net of cash acquired	28	-	(287.6)
Cash inflow on acquisition of subsidiary		(11.4)	-
Net cash used in investing activities		(155.1)	(544.2)
Financing activities			
Drawdown from long-term financing		919.7	173.8
Repayments of long-term financing		(655.0)	(36.5)
Net decrease/ (increase) in loan with group undertakings		(201.6)	285.9
Net interest paid		(60.7)	(55.9)
Dividends paid to Non-controlling interest		(22.2)	(7.6)
Net cash (used in) / provided by financing activities		(19.8)	359.7
Increase in cash and cash equivalents		41.6	30.9
Cash and cash equivalents at beginning of year	18	269.4	249.2
Currency translation differences relating to cash and cash equivalents		31.0	(10.7)
Cash and cash equivalents at end of year		342.0	269.4

Notes to the consolidated financial statements

(forming part of the financial statements)

1 Reporting entity

The Peninsular and Oriental Steam Navigation Company (the "Company") is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and jointly controlled entities. The parent company financial statements present information about the company as a separate entity and not as a Group.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 76 to 106.

The consolidated financial statements were approved by the board of directors on 19 June 2017.

(b) Basis of measurement

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

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

(c) Funding and liquidity

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 6 to the consolidated financial statement sets out the Group's objectives, policies and processes for managing the Group's financial risk, including capital management, and note 29 provides details of the Group's exposure to credit risk, liquidity risk and interest rate risk arising from financial instruments.

The Group has within current receivables an amount of £1,783.6 million (2015: £2,602.8 million) due from its intermediate parent companies and fellow subsidiaries and believe these to be recoverable. On this basis, the Directors believe that the Group has the ability to continue trading and to meet future commitments.

The Board of Directors remain satisfied with the Group's funding and liquidity position. At 31 December 2016, the Group had net debt of £1,237.7 million (2015: £837.9 million) and £82.6 million (2015: £244.3 million) of undrawn committed borrowing facilities. The Group's credit facility covenants are currently well within the covenant limits. The Group generated net cash of £216.5 million (2015: £215.4 million) from operating activities and its interest cover for the year is 9 times (2015: 8 times) (calculated using adjusted EBITDA to net interest expense before separately disclosed items).

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

(d) Functional and presentation currency

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

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

Notes to the consolidated financial statements *(continued)*

2 Basis of preparation (continued)

(e) Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

(i) Provision for income taxes and deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax claims based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Fair value of derivatives and financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as market risk, credit risk and volatility.

(iii) Contingent liabilities

There are various factors that could result in a contingent liability being disclosed if the probability of any outflow in settlement is not remote. The assessment of the outcome and financial effect is based upon management's best knowledge and judgement of current facts as at the reporting date.

(iv) Useful life of property, plant and equipment and port concession rights with finite life

The useful life of property, plant and equipment and port concession rights with finite life is determined by the Group's management based on their estimate of the period over which an asset or port concession right is expected to be available for use by the Group. This estimate is reviewed and adjusted if appropriate at each financial year end. This may result in a change in the useful economic lives and therefore depreciation and amortisation expense in future periods.

(v) Impairment testing of goodwill and port concession rights

The Group determines whether goodwill and port concession rights with indefinite life are impaired, at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated or in which the port concession rights with indefinite life exist. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the consolidated financial statements *(continued)*

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

(vi) Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected, will be recognised in the consolidated income statement.

(vii) Pension and post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

(viii) Business combinations

In accounting for business combinations, judgement is required in identifying whether an identifiable intangible asset is to be recorded separately from goodwill. Additionally, estimating the acquisition date fair value of the identifiable assets acquired and liabilities assumed involves management judgment. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by the management. Changes in these judgements, estimates and assumptions can materially affect the results of operations.

(ix) Non-consolidation of entities in which the Group holds more than 50% shareholding

Antwerp Gateway N.V is an equity accounted investees of the Group even though the Group has majority in ownership and voting rights. The Directors of the Company assessed whether or not the Group has the ability to direct the relevant activities of this entity unilaterally. After assessment, the Directors concluded that the underlying joint venture agreement with the other shareholder does not provide significant control to the Group and therefore investment in these entities are equity accounted and not consolidated.

3 Changes in accounting policies

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date -- i.e. when control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition method of accounting is used to account for business combinations by the Group on the date of acquisition.

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

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

(iv) Disposal of subsidiaries (loss of control)

On the loss of control, the Group derecognises the subsidiary and recognises any surplus or deficit arising on the loss of control in the consolidated income statement. Any retained interest is re-measured at fair value on the date control is lost and accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so, causes the non-controlling interests to have a debit balance.

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

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Functional and presentation currency

These consolidated financial statements are presented in £, which is the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which it operates (functional currency).

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Foreign exchange gains and losses arising on transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currency are translated to the functional currency of each entity at the foreign exchange rate ruling at the date of transaction with no further remeasurement in future.

(iii) Foreign operations

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

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

Initial recognition and measurement

The Group classifies non-derivative financial assets into the following categories: held to maturity financial assets, loans and receivables and financial assets at fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition.

All non-derivative financial assets are recognised initially at fair value, plus, any directly attributable transaction costs.

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group's non-derivative financial assets comprise debt securities held to maturity, financial assets at fair value through profit and loss, trade and other receivables, due from related parties and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

Held to maturity financial assets

If the Group has a positive intent and ability to hold debt securities to maturity, then these are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the consolidated income statement. Gains and losses are also recognised in the consolidated income statement when these financial assets are de-recognised.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise bank balances and cash, due from related parties and, trade and other receivables.

Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash in hand, bank balances and deposits.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above and cash classified as held for sale, net of bank overdrafts. Bank overdrafts form an integral part of the Group's cash management and is included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Financial assets at fair value through profit and loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. These assets are measured at fair value and changes therein, including any interest or dividend income, are recognised in consolidated income statement. Financial assets at fair value through profit and loss comprise investment in an equity instrument of unlisted entity.

Investment in equity instrument that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost.

De-recognition of non-derivative financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities

Initial recognition and measurement

The Group's non-derivative financial liabilities consist of loans and borrowings, bank overdrafts, amounts due to related parties, and trade and other payables. The Group determines the classification of its financial liabilities at initial recognition. All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

The Group initially recognises debt securities issued and subordinated liabilities on the date they originated. All other financial liabilities (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent there is evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Subsequent measurement

The subsequent measurement of non-derivative financial liabilities depends on their classification as follows:

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in the consolidated income statement. If discounted present value of the cash flows (including any fees paid) under a new term arrangement is at least 10% different from the discounted present value of the remaining cash flows of the original liability, this is accounted for as an extinguishment of the old liability and the recognition of a new liability. Furthermore, qualitative assessment to assess extinguishment is also performed. Some of the factors considered in performing a qualitative assessment include change in interest basis, extension of debt tenure, change in collateral arrangements and change in currency of lending.

De-recognition of non-derivative financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(iii) Derivative financial instruments

The Group holds derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency and interest rate risk exposures. On initial designation of the derivatives as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge transaction and hedged risk together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk and whether the actual results of each hedge are within the acceptable range.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the consolidated income statement when incurred. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derivative financial instruments (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment that could affect the consolidated income statement, then such hedges are classified as cash flow hedges.

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

When the hedged item is a non-financial asset, the amount recognised in the consolidated statement of other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in consolidated statement of other comprehensive income is transferred to the consolidated income statement in the same period that the hedged item affects the consolidated income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in consolidated statement of other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, then the balance in equity is reclassified to income statement.

(iv) Offsetting of financial instruments

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Capital work-in-progress

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Dredging

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amounts of the replaced parts are derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement as incurred.

(iii) Depreciation

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

The estimated useful lives of assets are as follows:

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

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on freehold land.

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

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

4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iv) Borrowing cost

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

(a) interest expense calculated using the effective interest method as described in IAS 39;
(b) finance charges in respect of finance leases recognised in accordance with IAs 17; and

(c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(e) Goodwill

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

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

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

(f) Port concession rights

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

(i) Port concession rights arising on business combinations

The cost of port concession rights acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, port concession rights are carried at cost less accumulated amortisation and any accumulated impairment losses (refer to note 4(i)). Internally generated port concession rights, excluding capitalized development costs, are recognised in the consolidated income statement as incurred. The useful lives of port concession rights are assessed to be either finite or indefinite.Port concession rights with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the port concession rights may be impaired.

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

The amortisation period and amortisation method for port concession rights with finite useful lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on port concession rights with finite useful lives are recognised in the consolidated income statement on a straight line basis. Port concession rights with indefinite lives (arising where freehold rights are granted) are not amortised and are tested for impairment at least on an annual basis or when the impairment indicator exists, either individually or at the cash-generating unit level. The useful life of port concession rights with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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

Port concession rights also include certain property, plant and equipment which are reclassified as intangible assets in accordance with IFRIC 12 '*Service Concession Arrangements*'. These assets are amortised based on the lower of their useful lives or concession period.

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

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

(g) Inventories

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

(h) Leases

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

(i) Group as a lessee

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

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(ii) Group as a lessor

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

(iii) Leasing and sub-leasing transactions

Leasing and sub-leasing transactions are designed to achieve certain benefits for the third parties in overseas locations in return for a cash benefit to the Group. Such cash benefit is accounted in the consolidated income statement based on its economic substance.

(iv) Leases of land in port concession

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

(i) Impairment

(i) Financial assets

(a) Loans and receivables and held to maturity investments

The Group considers evidence of impairment for loans and receivables and held to maturity investment securities at both a specific asset level and collective level. All individually significant receivables and held to maturity investment securities are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

(ii) Non-financial assets

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

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

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Non-financial assets (continued)

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

(j) Assets held for sale

Assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount or fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Port concession rights and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

(k) Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Any excess payment received over par value is treated as share premium.

(l) Employee benefits

(i) Pension and post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(l) Employee benefits (continued)

(ii) Long-term service benefits

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

(iii) Short-term service benefits

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

(m) Provisions

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

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

(n) Revenue

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

Revenue mainly consists of containerized stevedoring, other containerized revenue, non- containerized revenue, service concession revenue and lease rentals. Non-containerized revenue mainly includes logistics and handling of break bulk cargo.

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

Rendering of services

Revenue from providing containerized stevedoring, other containerized services and non-containerized services is recognised on the delivery and completion of those services.

Service concession arrangements (IFRIC 12)

Revenues relating to construction contracts which are entered into with government authorities for the construction of the infrastructure necessary for the provision of services are measured at the fair value of the consideration received or receivable. Revenue from service concession arrangements is recognised based on the fair value of construction work performed at the reporting date.

4 Significant accounting policies (continued)

(o) Finance income and expense

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

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

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

(p) Income tax

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to assess performance.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets (primarily Company's head office), head office expenses and income tax assets and liabilities.

(r) Separately disclosed items

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(s) New standard and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- ***IFRS 9 Financial Instruments (effective from 1 January 2018)***

  IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new expected credit loss model. The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on financial instruments that the Group holds and economic conditions at that time as well as the elections and judgements it will make in the future.

- ***IFRS 15 Revenue from contracts with customers (effective from 1 January 2018)***

  IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers. The adoption of this standard is not expected to have any significant impact on the Group's financial statements.

- ***IFRS 16 Leases (effective from 1 January 2019)***

  IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating lease incentives and SIC -27 Evaluating the substance of transaction involving the legal form of lease.

  The new standard requires the lessee to recognise the operating lease commitment on the balance sheet. The Group, as a lessee, has substantial operating leases and commitments as disclosed in note 31. The standard would require future lease commitments to be recognised as a liability, with a corresponding right of use asset. This will impact the EBITDA and debt to equity ratios of the Group. In addition, depending on the stage of lease, there would be a different pattern of expense recognition on leases. Currently, lease expenses are recognised in cost of sales, however, in future the lease expense would be an amortisation charge and finance expense.

  The Group is in the process of collating its leases and computing the impact. The impact of this standard's application is expected to be significant.

- ***Amendment to IAS 7, Statement of cash flows (effective from 1 January 2017)***

  The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of this standard is not expected to have any significant impact on the Group's financial statements.

- ***Amendments to IAS 12, Income taxes (effective from 1 January 2017)***

  The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The adoption of this standard is not expected to have any significant impact on the Group's financial statements.

Notes to the consolidated financial statements *(continued)*

6 Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Port concession rights

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

(iii) Investments in debt securities

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

(iv) Trade and other receivables/ payables

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

(v) Derivatives

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

(vi) Non-derivative financial liabilities

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

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

Notes to the consolidated financial statements *(continued)*

6 Financial risk management

Overview

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

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

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

Risk management framework

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

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

(a) Credit risk

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

Trade and other receivables

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

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

Other financial assets

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

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

Financial guarantees

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

Notes to the consolidated financial statements *(continued)*

6 Financial risk management (continued)

Risk management framework (continued)

(b) Liquidity risk

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

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

(c) Market risk

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

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

(i) Currency risk

The proportion of the Group's net operating assets denominated in foreign currencies is approximately 80.5% (2015: 75.7%) with the result that the Group's consolidated statement of financial position, and in particular owner's equity, can be affected by currency movements when it is retranslated at each year end rate. The Group partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross currency swaps. The impact of currency movements on operating profit is partially mitigated by interest costs being incurred in foreign currencies.

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

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

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

(ii) Interest rate risk

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

Notes to the consolidated financial statements *(continued)*

6 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

At 31 December 2016, after taking into account the effect of interest rate swaps, approximately 79.4% (2015: 88.2%) of the Group's borrowings are at a fixed rate of interest.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, share premium, retained earnings, hedging and other reserves, actuarial reserve and translation reserve. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

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

			£ million
	Note	2016	2015
Total interest bearing loans and borrowings	19	1,579.7	1,107.3
Less: cash and cash equivalents	18	(342.0)	(269.4)
Total net debt		1,237.7	837.9
Total Equity		2,750.2	3,660.3
Adjusted EBITDA		460.2	340.6
Net finance costs before separately disclosed items		51.5	43.5
Net debt / Equity		0.45	0.23
Net debt / Adjusted EBITDA		2.7	2.5
Interest cover before separately disclosed items		8.9	7.8

Notes to the consolidated financial statements *(continued)*

7. Operating segments

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

- Asia Pacific and Indian subcontinent
- Australia and Americas
- Europe and Africa

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

In addition to the above reportable segments, the Group also reports unallocated head office costs, finance costs, finance income and tax expense under the head office segment.

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

£ million

2016

By region	Note	Asia Pacific and Indian subcontinent	Australia and Americas	Europe and Africa	Head Office	Total group
Revenue		324.8	472.5	282.3	-	1,079.6
Segment results from operations		158.3	154.5	33.2	(76.5)	269.5
Finance income	10	-	-	-	47.8	47.8
Finance expenses	10	-	-	-	(142.0)	(142.0)
Profit/(loss) for the year		158.3	154.5	33.2	(170.7)	175.3
Depreciation and amortisation		33.9	51.4	39.1	0.4	124.8
Impairment losses		-	-	-	-	-
Share of profit of equity accounted investees before separately disclosed items	14	86.6	0.7	12.8	-	100.1
Tax expenses	11	-	-	-	63.7	63.7
Capital expenditure		60.3	106.5	113.7	-	280.5
Segment assets						
Current and non-current assets		669.9	1,373.0	1,443.7	1,624.2	5,110.8
Equity-accounted investments	14	332.8	7.7	101.1	(2.9)	438.7
Taxation assets		-	-	-	25.9	25.9
Cash	18	-	-	-	342.0	342.0
Total assets		1,002.7	1,380.7	1,544.8	1,989.2	5,917.4
Segment liabilities						
Current and non-current liabilities		284.4	256.8	183.9	243.7	968.8
Taxation liabilities		-	-	-	529.6	529.6
Financial instruments	20	-	-	-	89.1	89.1
Loans and borrowings	19	-	-	-	1,579.7	1,579.7
Total liabilities		284.4	256.8	183.9	2,442.1	3,167.2

Earning before separately disclosed items, interest,tax, depreciation and Amortisation ("Adjusted EBITDA")

	Note	Asia Pacific and Indian subcontinent	Australia and Americas	Europe and Africa	Head Office	Total group
Revenue before separately disclosed items		274.3	472.5	282.3	-	1,029.1
EBITDA (Adjusted)		192.2	204.6	76.2	(12.8)	460.2
Finance income	10	-	-	-	47.8	47.8
Finance costs	10	-	-	-	(99.3)	(99.3)
Tax expense	11	-	-	-	(63.7)	(63.7)
Depreciation and amortisation		(33.9)	(51.4)	(39.1)	(0.4)	(124.8)
Adjusted net profit		158.3	153.2	37.1	(128.4)	220.2
Adjusted for separately disclosed items	9	-	1.2	(3.8)	(42.4)	(45.0)
Profit from continuing operations		158.3	154.4	33.3	(170.8)	175.2

Notes to the consolidated financial statements *(continued)*

7. Operating segments (continued)

By region	Note	Asia Pacific and Indian subcontinent	Australia and Americas	Europe and Africa	Head Office	Total group
						£ million 2015
Revenue		274.4	404.2	254.2	-	932.8
Segment results from operations		117.2	113.6	7.5	(63.9)	174.4
Finance income	10	-	-	-	53.8	53.8
Finance expenses	10	-	-	-	(90.9)	(90.9)
Profit/(loss) for the year		117.2	113.6	7.5	(101.0)	137.3
Depreciation and amortization		29.0	40.3	39.7	0.4	109.4
Impairment losses		-	-	0.4	-	0.4
Share of profit of equity accounted investees before separately disclosed items	14	69.5	0.6	10.1	-	80.2
Tax expenses	11	-	-	-	56.2	56.2
Capital expenditure		53.4	48.1	126.2	0.1	227.8
Segment assets						
Current and non-current assets		500.4	1,068.4	1,275.3	2,475.4	5,319.5
Equity-accounted investments	14	302.3	5.8	130.0	7.4	445.5
Taxation assets		-	-	-	16.7	16.7
Cash	18	-	-	-	269.4	269.4
Total assets		802.7	1,074.2	1,405.3	2,768.9	6,051.1
Segment liabilities						
Current and non-current liabilities		189.8	308.7	128.8	134.1	761.4
Taxation liabilities		-	-	-	467.8	467.8
Financial instruments	20	-	-	-	54.3	54.3
Loans and borrowings	19	-	-	-	1,107.3	1,107.3
Total liabilities		189.8	308.7	128.8	1,763.5	2,390.8
Revenue before separately disclosed items		225.2	404.2	254.2	-	883.6
EBITDA (Adjusted)		146.2	153.9	47.8	(7.3)	340.6
Finance income	10	-	-	-	47.4	47.4
Finance costs	10	-	-	-	(90.9)	(90.9)
Tax expense	11	-	-	-	(56.2)	(56.2)
Depreciation and amortisation		(29.0)	(40.3)	(39.7)	(0.4)	(109.4)
Adjusted net profit		117.2	113.6	8.1	(107.4)	131.5
Adjusted for separately disclosed items	9	-	-	(0.6)	6.4	5.8
Profit from continuing operations		117.2	113.6	7.5	(101.0)	137.3

Notes to the consolidated financial statements *(continued)*

8. Net operating costs

		£ million
Included within Group operating profit are the following items:	**2016**	**2015**
Depreciation and amortisation of prepaid leases, intangible assets and property plant and equipment	124.8	109.4
Audit fees	1.0	0.9
Operating lease rental	127.8	114.4
Hire of plant, machinery and ships	30.3	15.5

		£ million
Fees paid to the company's principal auditor – KPMG	**2016**	**2015**
Fees paid to the company's auditor for the audit of the company's accounts	0.2	0.1
Fees paid to the company's auditor and its associates for services pursuant to legislation		
Audit of the company's subsidiaries	0.8	0.8
Other Services	-	-
Pension Scheme	-	-
	1.0	0.9
Non-audit and other assurance services:		
Tax services	-	-
All other services	0.2	0.2
	0.2	0.2
Total of audit and non-audit services	1.2	1.1

Fees of £36,000 (2015: £36,000), in respect of the audit, and Nil (2015: Nil), in respect of tax services, were paid to KPMG LLP by the UK pension scheme.

9. Separately disclosed items

							£ million
							2016
	Revenue	Cost of Sales	Other operating income	Sale of businesses	Net financing cost	Equity earnings	Total
Construction contract revenue relating to service concessions	50.5	-	-	-	-	-	50.5
Construction contract costs relating to service concessions	-	(50.5)	-	-	-	-	(50.5)
Gain on sale of other investments	-	-	1.5	-	-	-	1.5
Loss on sale and termination of business	-	-	-	(1.6)	-	-	(1.6)
Transaction costs	-	-	-	-	(40.1)	-	(40.1)
Hedge costs	-	-	-	-	(2.6)	-	(2.6)
Share of loss of equity-accounted investees	-	-	-	-	-	(2.2)	(2.2)
	50.5	(50.5)	1.5	(1.6)	(42.7)	(2.2)	(45.0)

Notes to the consolidated financial statements (continued)

9. Separately disclosed Items (continued)

							£ million
							2015
	Revenue	Cost of Sales	Other operating income	Sale of businesses	Net financing cost	Equity earnings	Total
Construction contract revenue relating to service concessions	49.2	-	-	-	-	-	49.2
Construction contract costs relating to service concessions	-	(49.2)	-	-	-	-	(49.2)
Impairment of property, plant and equipment	-	-	(0.4)	-	-	-	(0.4)
Loss on sale and termination of business	-	-	-	(0.2)	-	-	(0.2)
Net gain on restructuring of loan	-	-	-	-	6.1	-	6.1
Ineffective interest rate swaps	-	-	-	-	0.3	-	0.3
	49.2	(49.2)	(0.4)	(0.2)	6.4	-	5.8

Construction contract revenue and costs: In accordance with IFRIC 12 'Service Concession Arrangements', the Group has recorded revenue on the construction of a port in the 'Asia Pacific and Indian subcontinent' region. The construction revenue represents the fair value of the construction services provided in developing the port. No margin has been recognised, as in management's opinion the fair value of the construction services provided approximates the construction cost.

Other income represents the gain on sale of other investments in subsidiaries in the 'Europe and Africa' region. (2015 represents impairment of property, plant and equipment related to a subsidiary in the 'Europe and Africa' region).

Loss on sale and termination of business relates to the loss on sale of a subsidiary in the 'Europe and Africa' region.

Transaction costs relates to costs on restructuring and termination of loans in a subsidiary in the 'Europe and Africa' region.

Hedge costs relates to the loss on termination of interest rate swap in a subsidiary in the 'Australia and Americas' region and an ineffective element of a cash flow hedge in a subsidiary in the 'Europe and Africa' region.

Share of loss from equity-accounted investees represents the non-recurring expenses incurred in subsidiaries in the 'Europe and Africa' region.

Net gain on restructuring of loan in 2015 mainly represents the fair value gain being the difference between the fair value of the loan based on market rate of interest as against the carrying value, reversal of excess interest accrual on the old loan partly offset by the transaction costs written off on the restructuring of a loan in a subsidiary in the 'Asia Pacific and Indian subcontinent' region.

Ineffective interest rate swaps in 2015 related to a subsidiary in the 'Europe and Africa' region.

Notes to the consolidated financial statements (continued)

10. Net financing expenses

	£ million	
	2016	2016
Finance income		
Interest income	29.0	35.4
Exchange gains	18.5	18.1
Fair value gain	0.3	0.3
	47.8	**53.8**
Finance expenses		
Interest expense	(119.2)	(62.2)
Exchange losses	(16.1)	(24.3)
Fair value loss	(2.5)	0.0
Net interest costs in respect of pension plans	(4.2)	(4.4)
	(142.0)	**(90.9)**
Net financing expense	**(94.2)**	**(37.1)**

11. Taxation

	£ million	
	2016	**2015**
UK corporation tax		
Current tax (credit) / charge for the year	(6.7)	14.7
Adjustment in respect of prior years	7.0	(0.2)
	0.3	14.5
Overseas tax		
Current tax charge for the year	(84.7)	(86.6)
Adjustment in respect of prior years	21.8	8.8
	(62.9)	(77.8)
Total current tax	(62.6)	(63.3)
Deferred tax		
Origination and reversal of temporary differences in the current year	(0.4)	6.8
Adjustment in respect of prior years	(0.7)	0.3
Tax on profit for the year	(63.7)	(56.2)

The adjustments in respect of prior periods of £28.1 million (2015: £8.9 million) arises from the finalisation and agreement of prior year tax computations for companies in the UK and overseas.

As of the last balance sheet date, the rate of UK corporation tax was enacted to reduce over time to a final rate of 18% from 1 April 2020. At the balance sheet date this rate had been enacted to be further reduced to 17% from 1 April 2020. The group remeasured its UK deferred tax assets and liabilities at the end of the reporting period in 2016 accordingly to the rate of 17%. The remeasurement did not have a material effect on the 2016 results.

Notes to the consolidated financial statements *(continued)*

11. Taxation (continued)

Factors affecting the taxation charge for the current year

The total taxation charge is higher (2015: higher) than the profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 20% per cent (2015: 20.25 per cent). The differences are explained as follows:

Reconciliation of the effective tax rate	%	£ million	%	£ million
	2016		2015	
Profit before taxation		239.0		193.5
Profit before taxation multiplied by the standard rate of corporation tax in the UK of:	20.00%	(47.8)	20.25%	(39.2)
Effects of:				
Non-taxable income less expenses not deductible for tax purposes, other than impairment of goodwill	4.1%	9.7	0.8%	1.6
Tax deduction in respect of pension schemes	1.0%	2.3	0.8%	1.5
Net of (unrelieved tax losses carried forward) / utilization of tax losses	(6.0%)	(14.3)	(1.3%)	(2.1)
Changes in the UK corporation tax rate	0.2%	0.4	0.4%	0.8
Higher rate taxes on overseas earnings	(22.6%)	(53.9)	(22.5%)	(43.7)
Withholding and other taxes suffered overseas	(12.2%)	(29.1)	(9.5%)	(18.4)
Tax on earnings from equity accounted investees	17.1%	40.9	17.8%	34.4
Adjustments to tax charge in respect of prior periods	11.8%	28.1	4.6%	8.9
Effective tax rate	26.7%	63.7	29.0%	56.2

The profit before taxation of £239.0 million (2015: £193.5 million) includes the Group's share of profits of joint ventures and associates within continuing operations of £97.9 million (2015: £80.2 million) which is net of a tax charge of £40.9 million (2015: £34.4 million).

The Group's overseas tax rates are typically a mixture of rates higher and lower than 20 per cent. They include the effect of overseas tax benefits available to infrastructure projects.

Notes to the consolidated financial statements *(continued)*

12. Intangible assets

	Port concession rights	Goodwill	Total
			£ million
Cost			
At 1 January 2016	747.0	109.9	856.9
Disposals	(0.2)	(0.1)	(0.3)
Additions	51.4	-	51.4
Acquired through business combinations	136.3	-	136.3
Exchange adjustments	151.0	24.0	175.0
At 31 December 2016	1,085.5	133.8	1,219.3
Accumulated amortization			
At 1 January 2016	(215.1)	-	(215.1)
Disposals	0.2	-	0.2
Charge for the year	(30.9)	-	(30.9)
Acquired through business combinations	(52.1)	-	(52.1)
Exchange adjustments	(39.5)	-	(39.5)
At 31 December 2016	(337.4)	-	(337.4)
Net book amount at 31 December 2016	748.1	133.8	881.9
Cost			
At 1 January 2015	424.1	37.4	461.5
Disposals	(1.1)	(0.1)	(1.2)
Additions	70.8	-	70.8
Acquired through business combinations	254.5	73.3	327.8
Exchange adjustments	(1.3)	(0.7)	(2.0)
At 31 December 2015	747.0	109.9	856.9
Accumulated amortisation			
At 1 January 2015	(194.4)	-	(194.4)
Disposals	1.1	-	1.1
Charge for the year	(21.1)	-	(21.1)
Exchange adjustments	(0.7)	-	(0.7)
At 31 December 2015	(215.1)	-	(215.1)
Net book amount at 31 December 2015	531.9	109.9	641.8

At 31 December 2016, port concession rights with a carrying amount of Nil (2015: £4.0 million) are pledged to secure bank loans (refer to note 19).

Notes to the consolidated financial statements *(continued)*

12. Intangible assets (continued)

Impairment testing of goodwill

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

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

Cash generating units aggregated by operating segment	Carrying amount of goodwill £' million	Discount rate %	Perpetuity growth rate %
2016			
Europe and Africa	**14.5**	**6.0-8.0**	**2.5-2.6**
Australia and Americas	**106.6**	**6.5-7.5**	**2.5**
Asia Pacific and Indian subcontinent	**12.7**	**9.0-13.0**	**2.6**
Total	**133.8**		
2015			
Europe and Africa	10.8	5.5-7.5	2.5-2.6
Australia and Americas	86.5	6.0-7.0	2.5
Asia Pacific and Indian subcontinent	12.6	8.5-12.0	2.5
Total	109.9		

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

In the view of the Board, the perpetual growth rate is the minimum growth rate expected to be achieved beyond the eight year period.

Key assumptions used in the value in use calculations

The following describes each key assumption on which the Board has based its cash flow projections to undertake impairment testing of goodwill and port concession rights with indefinite useful lives.

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

Discount rates – These represent the cost of capital adjusted for the respective location risk factors. The Group uses the post-tax industry average Weighted Average Cost of Capital which reflects the country specific risk adjusted discount rate.

Cost inflation – The forecast general price index is used to determine the cost inflation during the budget year for the relevant countries where the Group is operating.

Perpetuity growth rate – In the Board's view, the perpetuity growth rate is the minimum growth rate expected to be achieved beyond the eight year period. This is based on the overall regional economic growth forecasted and the Group's existing internal capacity changes for a given region. The Group also takes into account competition and regional capacity growth to provide a comprehensive growth assumption for the entire portfolio.

The values assigned to key assumptions are consistent with the past experience of the Board.

Sensitivity to changes in assumptions

The calculation of value in use for the CGU is sensitive to future earnings and therefore a sensitivity analysis was performed. The analysis demonstrated that a 10% decrease in earnings for a future period of three years from the reporting date would not result in impairment assuming that the projected growth rate from year four onwards will recover to original levels. Similarly, an increase of 0.25% in discount rate and decrease of 0.25% in perpetuity growth rate would not result in impairment.

Notes to the consolidated financial statements (continued)

13. Property Plant and Equipment

					£ million
	Property	Ships	Plant and Equipments	Capital work-in-progress	Total
Cost					
At 1 January 2016	**798.6**	**155.5**	**1,248.5**	**159.1**	**2,361.7**
Additions	**-**	**1.5**	**14.0**	**213.7**	**229.2**
Disposal through business combinations	**(14.5)**	**-**	**(8.8)**	**-**	**(23.3)**
Transfers from capital work-in-progress	**9.3**	**-**	**79.8**	**(89.1)**	**-**
Disposals	**(0.8)**	**(0.9)**	**(3.5)**	**-**	**(5.2)**
Exchange adjustments	**113.7**	**28.2**	**25.7**	**13.4**	**181.0**
At 31 December 2016	**906.3**	**184.3**	**1,355.7**	**297.1**	**2,743.4**
Accumulated depreciation					
At 1 January 2016	**(181.6)**	**(44.7)**	**(320.5)**	**-**	**(546.8)**
Charge for the year	**(27.4)**	**(10.1)**	**(56.3)**	**-**	**(93.8)**
Disposal through business combinations	**14.5**	**-**	**8.1**	**-**	**22.6**
Disposals	**0.4**	**0.9**	**3.1**	**-**	**4.4**
Exchange adjustments	**(30.3)**	**(8.4)**	**(2.6)**	**-**	**(41.3)**
At 31 December 2016	**(224.4)**	**(62.3)**	**(368.2)**	**-**	**(654.9)**
Net book amount at 31 December 2016	**681.9**	**122.0**	**987.5**	**297.1**	**2,088.5**
Cost					
At 1 January 2015	789.9	165.0	1,216.7	54.8	2,226.4
Additions	0.3	3.3	8.4	145.0	157.0
Acquisitions through business combinations	0.7	-	13.7	7.9	22.3
Transfers from capital work-in-progress	5.8	13.1	28.3	(47.2)	-
Disposals	(0.1)	(24.2)	(10.2)	-	(34.5)
Exchange adjustments	2.0	(1.7)	(8.4)	(1.4)	(9.5)
At 31 December 2015	798.6	155.5	1,248.5	159.1	2,361.7
Accumulated depreciation					
At 1 January 2015	(157.8)	(50.1)	(281.4)	-	(489.3)
Charge for the year	(23.8)	(8.9)	(55.6)	-	(88.3)
Impairment losses	-	-	(0.4)	-	(0.4)
Acquisitions through business combinations	0.1	-	0.7	-	0.8
Disposals	0.1	12.9	9.9	-	22.9
Exchange adjustments	(0.2)	1.4	6.3	-	7.5
At 31 December 2015	(181.6)	(44.7)	(320.5)	-	(546.8)
Net book amount at 31 December 2015	617.0	110.8	928.0	159.1	1,814.9

At 31 December 2016, property, plant and equipment with a carrying amount of £1,498.8 million (2015: £1,306.1 million) are pledged to secure bank loans (refer to note 19). At 31 December 2016, the net carrying value of the leased plant and equipment and other assets was £226.0 million (2015: £79.7 million).

Borrowing costs capitalised to property, plant and equipment amounted to £13.5 million (2015: £13.7 million) with a capitalisation rate in the range of 2.27% to 3.84% per annum (2015: 2.94% to 3.91% per annum).

Notes to the consolidated financial statements *(continued)*

14. Investments in equity accounted investees

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

	£ million
Cost at 1 January 2016	**445.5**
Reclassed to Loans and Receivables	**(64.3)**
Additions	**2.6**
Share of profits for the year	**97.9**
Share of actuarial losses, net of tax	**1.0**
Share of movement in effective portion of cash-flow hedges, net of tax	**(1.0)**
Share of movement in other reserves	**6.2**
Dividends	**(109.7)**
Exchange adjustments	**60.5**
Cost at 31 December 2016	**438.7**
Cost at 1 January 2015	359.8
Reclassed to Loans and Receivables	-
Additions	36.1
Share of profits for the year	80.2
Share of actuarial losses, net of tax	(0.5)
Share of movement in effective portion of cash-flow hedges, net of tax	(0.9)
Share of movement in other reserves	2.0
Dividends	(23.9)
Exchange adjustments	(7.3)
Cost at 31 December 2015	445.5

Summarised financial information for equity accounted investees:

	2016	2015
		£ million
Sales and other operating revenues	**427.0**	355.4
Profit before interest and taxation	**154.0**	126.8
Net Finance costs	**(14.4)**	(12.0)
Profit before taxation	**139.6**	114.8
Taxation	**(40.9)**	(34.4)
Profit for the year	**98.7**	80.4
Non-current assets	**719.3**	608.8
Current assets	**264.5**	214.8
Total assets	**983.8**	823.6
Current liabilities	**(121.7)**	(96.4)
Non-current liabilities	**(423.4)**	(346.0)
Total liabilities	**(545.1)**	(442.4)
Net assets	**438.7**	381.2

Notes to the consolidated financial statements *(continued)*

15. Deferred tax assets and liabilities

	Assets	Liabilities	Net 2016
			£ million
Property, plant and equipment	(1.5)	66.9	65.4
Intangible assets	(0.7)	78.7	78.0
Investment in equity accounted investees	-	15.9	15.9
Employee benefits	(9.6)	-	(9.6)
Provisions	(1.3)	-	(1.3)
Tax value of loss carried forward recognised	(17.4)	-	(17.4)
Financial instruments	(19.9)	10.1	(9.8)
Capital gain	-	319.4	319.4
Other	(13.0)	31.1	18.1
Total tax (assets)/liabilities	(63.4)	522.1	458.7
Tax offset	63.4	(63.4)	-
Total tax (assets)/liabilities after offset	-	458.7	458.7

	Assets	Liabilities	Net 2015
Property, plant and equipment	(1.8)	54.9	53.1
Intangible assets	(0.6)	65.1	64.5
Investment in equity accounted investees	-	12.9	12.9
Employee benefits	(4.8)	-	(4.8)
Provisions	(1.0)	-	(1.0)
Tax value of loss carried forward recognised	(16.2)	-	(16.2)
Financial instruments	(9.7)	0.1	(9.6)
Capital gain	-	266.0	266.0
Other	(1.8)	23.5	21.7
Total tax (assets)/liabilities	(35.9)	422.5	386.6
Tax offset	35.8	(35.8)	-
Total tax (assets)/liabilities after offset	(0.1)	386.7	386.6

Deferred tax is not recognised on losses of £422.0 million (2015: £469.0million) where utilisation is uncertain, either because they have not been agreed with tax authorities, or because the likelihood of future taxable profits is not sufficiently certain, or because of the impact of tax holidays.

Under current legislation, £271.0m (2015: £406.1m) of the tax losses shown above can be carried forward indefinitely.

Notes to the consolidated financial statements *(continued)*

16. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

£ million

	Balance at 1 January 2016	Exchange movements	Recognised in income	Acquired balances and disposals	Recognised in other comprehensive income	Balance at 31 December 2016
Property, plant and equipment	53.1	6.4	(0.2)	6.1	-	65.4
Intangible assets	64.5	15.4	(1.9)	-	-	78.0
Investment in joint ventures and associates	12.9	3.0	-	-	-	15.9
Employee benefits	(4.8)	(0.3)	0.1	-	(4.6)	(9.6)
Provisions	(1.0)	(0.1)	(0.2)	-	-	(1.3)
Tax value of loss carried forward recognised	(16.2)	2.7	2.2	(6.1)	-	(17.4)
Financial instruments	(9.6)	-	1.7	-	(1.9)	(9.8)
Capital gain	266.0	53.4	-	-	-	319.4
Other	21.7	(2.3)	(0.6)	-	(0.7)	18.1
Total tax liabilities/(assets)	386.6	78.2	1.1	0.0	(7.2)	458.7

	Balance at 1 January 2015	Exchange movements	Recognised in income	Acquired balances and disposals	Recognised in other comprehensive income	Balance at 31 December 2015
Property, plant and equipment	56.0	(0.7)	(3.6)	1.4	-	53.1
Intangible assets	(0.4)	(3.5)	(0.7)	69.1	-	64.5
Investment in joint ventures and associates	17.2	(0.1)	(4.2)	-	-	12.9
Employee benefits	(5.8)	-	0.3	-	0.7	(4.8)
Provisions	(1.9)	0.1	0.8	-	-	(1.0)
Tax value of loss carried forward recognised	(11.8)	0.1	(4.5)	-	-	(16.2)
Financial instruments	(12.8)	(0.1)	-	-	3.3	(9.6)
Capital gain	252.9	13.1	-	-	-	266.0
Other	17.2	-	4.8	-	(0.3)	21.7
Total tax liabilities/(assets)	310.6	8.9	(7.1)	70.5	3.7	386.6

Notes to the consolidated financial statements *(continued)*

16. Trade and other receivables

	2016		2015	£ million
	Current	Non-current	Current	Non-current
Trade receivables	112.9	-	86.7	-
Other receivables	76.8	96.3	63.5	14.7
Prepayments and accrued income	23.0	0.8	30.8	0.6
Employee benefit assets		-		-
	212.7	97.1	181.0	15.3
Loans to Parent Group undertakings:				
Loans to the intermediate parent company	1,618.3	-	2,472.1	-
Loans to fellow subsidiaries of the Group's ultimate controlling entity	166.3	1.4	130.7	17.3
	1,783.6	1.4	2,602.8	17.3

Trade receivables are reported net of a provision of £3.4 million (2015: £1.3 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 29.

Amounts owed by Group undertakings bear interest in reference to LIBOR and are repayable by mutual agreement of the relevant parties. The directors believe that these loans are recoverable which is supported by cash repayments of £1,140.5 million received in 2016 (2015: £141.2 million).

17. Other investments

		£ million
	2016	2015
Debt securities held-to-maturity	-	5.1
Financial assets at fair value through profit and loss	24.3	24.2
	24.3	29.3

(a) The movement in debt securities held to maturity mainly relates to redemption of £ 5.6 million (2015: £ 0.4 million) during the year.

(b) The movement schedule for financial assets at fair value through profit and loss is as given below:

		£ million
	2016	2015
Balance as of 1st January	24.2	24.2
Exchange adjustments	0.1	-
Balance as of 31st December	24.3	24.2

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 29.

Notes to the consolidated financial statements *(continued)*

18. Cash and cash equivalents

	£ million	
	2016	**2015**
Bank balances	**217.7**	100.8
Call deposits	**108.3**	155.7
Deposits under lien	**16.0**	12.9
Cash and cash equivalents as per the statement of financial position	**342.0**	269.4
Bank overdrafts	**-**	-
Cash and cash equivalents as per the consolidated statement of cash flows	**342.0**	269.4

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

The deposits under lien are placed to collateralise some of the borrowings of the Group (refer to note 19).

19. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group interest bearing loans and borrowings, which are measured at amortised costs. For information about the Group's exposure to interest rate and foreign currency risk, see note 29.

	£ million	
	2016	**2015**
Non-current		
Secured bank loans	**1,072.2**	692.4
Mortgage debenture stock	**1.4**	1.4
Unsecured loan	**9.1**	7.7
Unsecured bank loans	**439.8**	352.3
Unsecured bond issues	**6.4**	5.4
Finance lease liabilities	**10.6**	13.9
Total non-current	**1,539.5**	1,073.1
Current		
Secured bank loans	**21.8**	23.4
Unsecured bank loans	**12.9**	6.4
Finance lease liabilities	**5.5**	4.4
Total current	**40.2**	34.2
Total current and non-current	**1,579.7**	1,107.3

Notes to the consolidated financial statements (continued)

19. Interest bearing loans and borrowings (continued)

The Group classifies certain property, plant and equipment as finance leases where it retains all risks and rewards incidental to the ownership. The net carrying values of these assets are disclosed in note 13.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

			£ million
	Future Minimum Lease Payments	Future finance charges	Present value of Minimum Lease Payments
			2016
Less than one year	6.2	(0.7)	5.5
Between one and five years	7.9	(1.3)	6.6
More than five years	7.6	(3.6)	4.0
Total	21.7	(5.6)	16.1
			2015
Less than one year	6.2	(1.2)	5.0
Between one and five years	12.9	(2.1)	10.8
More than five years	5.4	(2.9)	2.5
Total	24.5	(6.2)	18.3

Certain property, plant and equipment and port concession rights are pledged against the facilities obtained from the banks (refer to note 12 and note 13). The deposits under lien amounting to £ 16.0 million (2015: £ 12.9 million) are placed to collateralise some of the borrowings of the Group (refer to note 18).

There has been no issuance or repayment of debt securities in the current year (*2015: Nil*). At 31 December 2016, the undrawn committed borrowing facilities of £ 82.6 million (2015: £ 244.3 million) were available to the Group, in respect of which all conditions precedent had been met.

Notes to the consolidated financial statements *(continued)*

20. Trade and other payables

	2016 Current	2016 Non-current	2015 Current	2015 Non-current
				£ million
Trade payables	59.3	-	49.0	-
Other unsecured payables	158.5	10.9	97.6	11.6
Accruals and deferred income	136.8	8.3	105.0	8.5
Fair value of derivative financial instruments	3.8	85.3	0.8	53.5
	358.4	**104.5**	**252.4**	**73.6**
Loan from Parent group undertakings				
Loan from fellow subsidiaries of the Group's ultimate controlling entity	77.4	238.3	51.8	291.8
	77.4	**238.3**	**51.8**	**291.8**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

Notes to the consolidated financial statements *(continued)*

21. Non-controlling interest

	2016 Middle East, Europe and Africa region	2016 Other individually immaterial subsidiaries *	2016 Gross Total	2015 Middle East, Europe and Africa region	2015 Other individually immaterial subsidiaries *	£ million 2015 Gross Total
Carrying amount of NCI as at 31 December	-	43.3	43.3	-	30.1	30.1
Income statement information						
Revenue	-	-	-	110.8	-	110.8
Profit after tax	-	-	-	12.7	-	12.7
Other comprehensive income, net of tax	-	-	-	0.4	-	0.4
Total comprehensive income (100%), net of tax	-		-	13.1		13.1
Profit allocated to NCI	-	38.5	38.5	6.2	13.0	19.2
OCI allocated to NCI	-	2.2	2.2	0.2	(3.0)	(2.8)
Total comprehensive income allocated to NCI	-	40.7	40.7	6.4	10.0	16.4

* There are no material subsidiaries with an NCI in the Group.

22. Issued capital and reserves

Share capital and share premium account
The balances classified as share capital and share premium account include the total net proceeds on issue of the Company's equity share capital. The authorised share capital is £953.2 million (2015: £953.2 million) being the allotted capital together with £110.0 million (2015: £110.0 million) of unclassified shares. The nominal value of each class of share unit is £1. The number of shares held is 843.2 million. The allotted, called up and fully paid share capital was £843.2 million as at 31 December 2016 (2015: £843.2 million)

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the effective portion of translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

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

Other reserves
Other reserves of £170.5 million (2015: £170.5 million) is made up of the Group's merger reserve of £454.2 million (2015: £454.2 million) and capital reserve £161.4 million (2015: £161.4 million), less goodwill deducted from reserves of £451.9 million (2015: £451.9 million), all arising under UK GAAP prior to transition to IFRS, plus a capital redemption reserve of £3.3 million (2015: £3.3 million) and amounts relating to share based payments of £3.5 million (2015: £3.5 million).

Notes to the consolidated financial statements *(continued)*

23. Employees

		£ million
Employee costs	2016	2015
Wages and salaries	227.1	186.6
Social security costs	10.9	10.3
Pension and other post-retirement benefit costs	23.8	24.9
	261.8	221.8
Average number of employees at 31 December		
UK full time	1,059	1,069
UK part time	14	20
Overseas full time	4,859	4,699
Oversees part time	162	148
Sea Staff	391	363
	6,484	6,299

24. Employee benefits

The Group participates in a number of pension schemes throughout the world.

a) **P&O UK Scheme**

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

Formal actuarial valuations of the P&O UK scheme are normally carried out triennially by qualified independent actuaries, the latest regular valuation report for the scheme being at 31 March 2016, using the projected unit credit method. P&O is currently negotiating with the Trustees to agree to a monthly deficit payment plan.

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

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

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

The Group participates in various industry multi-employer schemes, the most significant of which is the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme") and is in the UK. These generally have assets held in separate trustee administered funds which are legally separated from the Group.

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

The scheme was divided into two sections, the Old Section and the New Section, both of which are closed to new members.
The Old Section completed a buy-out of all its members benefit obligations in July 2014, following which the Old Section was wound up. Therefore, no further liabilities were assigned to the Group in respect of the Old Section.

The most recent formal actuarial valuation of the New Section was carried out as at 31 March 2015. This resulted in a deficit of £3.0 million. The Trustee Board believe their investment strategy will address this deficit and therefore has not issued deficit contribution notices to employers in respect of the 2015 actuarial valuation. The New Section closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009 and 2012 the Trustee and Employers have agreed contributions, which will be paid to the Section by participating employers over the period to 30 September 2023. These contributions include an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or not able to pay their share. The Group's aggregated outstanding contributions from these valuations are payable as follows: 2017 to 2020 £4.2 million per annum and 2021 to 2023 £0.8 million per annum.

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

The Group's share of the net deficit of the New Section at 31 December 2016 is estimated at 5.44%.

During the year, Group has accounted £73.0 million for an additional defined benefit obligation in regards to reapportionment of deficit contribution from a related party. Post the balance sheet date, in April 2017, this liability was transferred to the ultimate controlling parent undertaking.

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

The Merchant Navy Ratings' Pension Fund ("the MNRPF Scheme") is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by companies within the Group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual.

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

The most recent formal actuarial valuation was carried out as at 31 March 2014. The Group's deficit contributions arising from this valuation totalled £28.3 million (equating to 7.0% share of the net deficit). The contributions due to the Scheme will be paid over the period to 31 October 2022. Deficit contributions of £10.0 million were paid into the Scheme in 2016. The Group's aggregated outstanding contributions from these valuations are payable as follows: 2017 to 2022 £3.5 million per annum. The Trustee set the payment terms for each participating employer in accordance with the Trustee's Contribution Collection Policy which includes credit vetting.

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

d) Others

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

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

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

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

The amounts recognised in the balance sheet are as follows

		£ million
	2016	2015
Non-current		
Defined benefit schemes net liabilities	254.4	120.9
Liability in respect of long service leave	0.3	0.3
Liability for other non-current deferred compensation	0.2	0.9
	254.9	**122.1**
Current		
Liability for current deferred compensation	6.6	6.8
Net liability	261.5	128.9
Reflected in the consolidated statement of financial position as follows:		
Employee benefit liabilities: non-current	254.9	122.1
Employee benefit liabilities: current	6.6	6.8
	261.5	128.9

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

		£ million
	2016	**2015**
Defined benefit schemes	4.9	5.8
Defined contribution schemes	7.6	7.5
Other employee benefits	8.6	9.7
	21.1	23.0

Notes to the consolidated financial statements *(continued)*

24. Employee benefits (continued)

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

		£ million
	2016	**2015**
Actuarial loss/(gain) recognised in the year	272.6	(53.2)
Return on plan assets lesser/ (greater) than the discount rate	(111.5)	39.1
Change in share in multi-employer scheme	(0.2)	(0.9)
Movement in minimum funding liability	(9.1)	18.8
	151.8	3.8

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2016 by qualified independent actuaries. The principal assumptions are included in the table below. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme		**MNOPF Scheme**		**Other Scheme**	
	2016	2015	2016	2015	2016	2015
Discount rates	**2.60%**	3.70%	**2.60%**	3.70%	**2.70%**	3.90%
Discount rates - Bulk Annuity Asset	**2.40%**	3.50%	**n/a**	n/a	**n/a**	n/a
Expected rates of salary increases *	**n/a**	n/a	**n/a**	n/a	**3.00%**	3.20%
Pension increases:						
- Deferment	**3.00%**	2.80%	**2.50%**	2.20%	**3.20%**	3.00%
- Payment	**3.00%**	2.80%	**3.40%**	3.10%	**3.20%**	3.00%
Inflation	**3.50%**	3.20%	**3.50%**	3.20%	**3.30%**	3.20%

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

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

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

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2016				
P&O UK scheme	22.3	24.5	24.3	26.6
MNOPF scheme	23.0	25.9	26.4	29.2
2015				
P&O UK scheme	23.4	26.5	25.8	28.9
MNOPF scheme	22.7	25.6	26.3	29.3

At 31 December 2016 the weighted average duration of the defined benefit obligation was 17.3 years (2015: 15.8 years).

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

Reasonably possible changes to one of the actuarial assumptions, holding other assumptions constant (in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated), would have increased the net defined benefit liability as at 31 December 2016 by the amounts shown below:

		£ million
	2016	2015
0.1% reduction in discount rate	17.2	12.3
0.1% increase in inflation assumption and related assumptions	10.4	5.4
0.25% p.a. increase in the long term rate of mortality improvement	14.4	7.9
	42.0	25.6

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

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

	P&O UK Scheme £'million	MNOPF Scheme £'million	Other Scheme £'million	Toatal Fair value £'million
2016				
Equities	359.4	41.9	64.7	466.0
Bonds	153.1	60.7	117.0	330.8
Other	22.2	-	15.8	38.0
Value of insured pensioner liability	797.6	-	-	797.6
	1,332.3	102.6	197.5	1,632.4
2015				
Equities	306.3	54.7	64.7	425.7
Bonds	120.5	94.0	76.7	291.2
Other	20.7	-	22.8	43.5
Value of insured pensioner liability	763.3	-	-	763.3
	1,210.8	148.7	164.2	1,523.7

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

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2016:

£ million

	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
Present value of obligation at 1 January 2016	(1,263.0)	(148.9)	(205.0)	(1,616.9)
Current service cost	-	-	(2.1)	(2.1)
Interest cost on Defined Benefit Obligation	(45.5)	(5.4)	(7.6)	(58.5)
Contributions by scheme participants	-	-	(0.9)	(0.9)
Effect of movement in exchange rates	-	-	3.0	3.0
Actuarial gain/(loss) - experience	21.9	0.1	0.6	22.6
Actuarial gain/(loss) - demographic assumptions	51.9	1.4	-	53.3
Actuarial gain/(loss) - financial assumptions	(261.6)	(33.4)	(53.5)	(348.5)
Gain/(Loss) due to change in share	-	(2.5)	-	(2.5)
Actual benefit paid	67.6	7.4	8.3	83.3
Present value of obligation at 31 December 2016	(1,428.7)	(181.3)	(257.2)	(1,867.2)
Fair value of scheme assets at 1 January 2016	1,210.8	148.7	164.2	1,523.7
Interest income on assets	43.7	5.4	6.3	55.4
Return on plan assets (greater)/less than the discount rate	138.6	(50.6)	23.6	111.6
Actual employer contributions	8.4	4.2	14.7	27.3
Contributions by scheme participants	-	-	0.9	0.9
Effect of movement in exchange rate	-	-	(3.1)	(3.1)
Actual benefit paid	(67.6)	(7.4)	(8.3)	(83.3)
Gain/(Loss) due to change in share	-	2.7	-	2.7
Administration costs incurred during period	(1.6)	(0.4)	(0.8)	(2.8)
Fair value of scheme assets at 31 December 2016	1,332.3	102.6	197.5	1,632.4
Defined benefit schemes net liabilities	(96.4)	(78.7)	(59.7)	(234.8)
Minimum funding liability	-	(12.1)	(7.5)	(19.6)
Net liability recognised in the consolidated statement of financial position as at 31 December 2016	(96.4)	(90.8)	(67.2)	(254.4)

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2015:

	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
				£ million
Present value of obligation at 1 January 2015	(1,328.7)	(158.0)	(209.9)	(1,696.6)
Current service cost	(0.4)	-	(2.8)	(3.2)
Interest cost on Defined Benefit Obligation	(46.6)	(5.6)	(7.7)	(59.9)
Settlement of liabilities	8.8	-	-	8.8
Contributions by scheme participants	-	-	(0.7)	(0.7)
Effect of movement in exchange rates			0.1	0.1
Actuarial gain/(loss) - experience	23.3	5.9	3.3	32.5
Actuarial gain/(loss) - demographic assumptions	-	-	1.3	1.3
Actuarial gain/(loss) - financial assumptions	16.6	1.7	1.1	19.4
Gain/(Loss) due to change in share	-	-	3.5	3.5
Actual benefit paid	64.0	7.1	6.8	77.9
Present value of obligation at 31 December 2015	(1,263.0)	(148.9)	(205.0)	(1,616.9)
Fair value of scheme assets at 1 January 2015	1,274.9	138.5	158.2	1,571.6
Interest income on assets	44.8	5.0	5.9	55.7
Return on plan assets (greater)/less than the discount rate	(43.6)	5.6	(1.1)	(39.1)
Actual employer contributions	8.7	7.3	10.6	26.6
Contribution by scheme participants	-		0.7	0.7
Effect of movement in exchange rate	-		0.1	0.1
Actual benefit paid	(64.0)	(7.1)	(6.8)	(77.9)
Gain/(Loss) due to change in share	-	-	(2.6)	(2.6)
Settlement	(8.4)	-	-	(8.4)
Administration costs incurred during period	(1.6)	(0.6)	(0.8)	(3.0)
Fair value of scheme assets at 31 December 2015	1,210.8	148.7	164.2	1,523.7
Defined benefit schemes net liabilities	(52.2)	(0.2)	(40.8)	(93.2)
Minimum funding liability	-	(20.6)	(7.1)	(27.7)
Net liability recognised in the consolidated statement of financial position as at 31 December 2015	(52.2)	(20.8)	(47.9)	(120.9)

Notes to the consolidated financial statements (continued)

24. Employee benefits (continued)

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

The below table shows the movement in minimum funding liability:

£ million

	2016	2015
Minimum funding liability as on 1 January	(27.7)	(8.6)
Interest cost on minimum funding liability	(1.0)	(0.3)
Actuarial movement during the year	9.1	(18.8)
Minimum funding liability as on 31 December	(19.6)	(27.7)

It is anticipated that the company will make the following contributions to the pension schemes in 2017:

£ million

	P&O UK Scheme	MNOPF Scheme	Other Scheme	Total
Pension scheme contributions	8.4	4.6	9.1	22.1

Notes to the consolidated financial statements (continued)

25. Commitments

Capital commitments

		£ million
	2016	2015
Estimated capital expenditure contracted for as at 31 December	**137.7**	205.5

Operating lease commitments

		£ million
	2016	2015
Within one year	**121.7**	106.0
Between one and five years	**444.2**	409.0
Between five and ten years	**553.4**	487.4
Between ten and twenty years	**640.5**	652.5
Between twenty and thirty years	**437.5**	446.0
Between thirty and fifty years	**90.6**	123.1
	2,287.9	2,224.0

26. Contingent liabilities

(a) The Group has contingent liabilities amounting to £122.2 million (2015: £22.5 million) in respect of payment guarantees and £71.3 million (2015: £71.7 million) in respect of performance guarantees. The bank guarantees are arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

(b) The Group has contingent liabilities in respect of guarantees issued on behalf of equity accounted investees amounting to £17.6 million (2015: £11.7 million).

(c) Chennai Port Trust ("CPT") had raised a demand for an amount of £14.3 million (2015: £12.2 million) from Chennai Container Terminal Limited ("CCTL"), a Group Entity, on the basis that CCTL had failed to fulfil its obligations in respect of non-transhipment containers for a period of four consecutive years from 1 December 2003. CCTL had subsequently paid £7.6 million (2015: £6.5 million) under dispute in 2008. CCTL had initiated arbitration proceedings against CPT in this regard. The arbitral tribunal passed its award on November 26, 2012 ruling in favour of CCTL. However, CPT appealed against this order, which was upheld by Madras High Court on 8 January 2014 and accordingly a provision has been recognised against the above receivable. CCTL lodged an appeal before the Division Bench of Madras High Court along with a stay petition on 31 January 2014. The Appeal was taken up for hearing and admitted on 3 February 2014. CPT also made a statement before the Court that no further action would be taken by CPT against CCTL. The Court has admitted the matter and is pending for final hearing and disposal before the Division Bench of Madras High Court. The Group is confident that the case will be in favour of CCTL.

Notes to the consolidated financial statements *(continued)*

27. Related parties

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

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

Parent entities

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

In the opinion of the directors the ultimate controlling parent undertaking as at 31 December 2016 was Port & Free Zone World FZE, which owns 80.45% of DP World Limited. Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent company of the Company, but which does not exert control over the Company. References to "Parent group" therefore refer to the group headed by Port & Free Zone World FZE.

Transactions with parent group

Amounts due from the parent group undertakings are disclosed in note 16. Interest earned on these loans amounted to £13 million (2015: £17.2 million). Amounts due to the parent group undertakings are disclosed in note 20, these loans bear no interest.

Management fees of £16 million (2015: £12.3 million) were paid to Parent companies during the year.

Management fees of £2.6 million (2015: £1.4 million) were received from Parent companies during the year.

On 14 November 2016, the Group received 81.63% ownership of India Gateway Terminal, Cochin, and 26% ownership of Visakha Container Terminal, Visakhapatnam from DPW FZE through a gift deed, please refer note 28 "Business Combinations" for more information.

There were no other transactions with the parent group during the year (2015: Nil).

Transactions with key management personnel

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

The Group's share of the remuneration of these key personnel was £3.1 million (2015: £4.8 million). The remuneration of the Directors of the Company is disclosed in note M to the Company financial statements.

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

Other related party transactions

During the year the Group provided services including office accommodation and IT support to Istithmar P&O Estates an affiliated company, amounting to £0.2 million (2015: £0.3 million).

There are no other related party transactions during the year, (2015: Nil)

Notes to the consolidated financial statements *(continued)*

28. Business acquisitions

2016:

(i) Acquisition of subsidiary under gift deed from Intermediate Parent Company
On 14 November 2016, DP World FZE (a fellow subsidiary of the Group) had gifted its 81.63% investment in subsidiary India Gateway Terminal Ltd in Cochin, India under a gift deed at a nil consideration to an indirect subsidiary of POSNCO. The Group recognised its share of the net liabilities of India Gateway Terminal Ltd totalling £26 million. This gift has resulted in the consolidation of this subsidiary in the P&O Group for the first time and along with the recognition of non-controlling interests in respect of remaining 18.37%.

(ii) Acquisition of equity accounted investees under gift deed from Intermediate Parent Company
On 14 November 2016, DP World FZE (a fellow subsidiary of the Group) had gifted its 26% investment in equity accounted investee Visakha Container Terminal in India under a gift deed at a nil consideration to an indirect subsidiary of POSNCO. The investment in equity accounted investee was initially recognised at its carrying value in the books of Parent company i.e. GBP 2.6m and equity accounted subsequently.

2015:

(iii) Acquisitions of new subsidiaries
On 18 August 2015, the Group has acquired 100% ownership of Maher Terminal's Fairview Container Terminal (Fairview) in Prince Rupert (DP World Prince Rupert Inc.), British Columbia, Canada from Deutsche Bank for a total consideration of £ 288.9 m (cash acquired on acquisition £ 1.3 m). The carrying value and fair value of the identifiable assets and liabilities on the date of the acquisition were as follows:

	Acquiree's carrying amount £ 'm	Fair value recognised on acquisition £ 'm
Assets		
Property, plant and equipment	23.2	23.2
Port concession rights	-	254.5
Accounts receivables and prepayments	11.2	11.2
Inventories	1.2	1.2
Bank balances and cash	1.3	1.3
Liabilities		
Pension and post-employment benefits	(0.8)	(0.8)
Income tax liabilities	(1.1)	(1.1)
Deferred tax liabilities	(1.4)	(67.5)
Accounts payable and accruals	(6.4)	(6.4)
Net assets	27.2	215.6
Goodwill arising on acquisition		73.3
Total cost of acquisition		288.9
Net cash outflow on acquisition (net of cash acquired)		287.4

From the date of acquisition, Fairview has contributed a loss of £ 1.4m to the Group. If the acquisition had taken place at the beginning of the year, the profit of the Group would have increased by £ 8.4m and revenue would have increased by £ 41.5 m.

Notes to the consolidated financial statements *(continued)*

29. Financial Instruments

(a) Credit risk

(i) Exposure to credit risk

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

£ million

	Carrying amount 2016	Carrying amount 2015
Trade receivables	112.9	86.7
Other receivables	196.9	109.6
Amounts owed by group companies	1,785.0	2,620.1
Cash and cash equivalents	342.0	269.4
Debt securities held-to-maturity	-	5.1
Loan to joint ventures and associates	64.3	64.3

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

£ million

	2016	2015
Europe and Africa	49.0	42.0
Australia and Americas	49.0	33.9
Asia Pacific and Indian subcontinent	14.9	10.8
	112.9	86.7

(ii) Credit quality of financial assets and impairment losses

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

£ million

	2016	2015
At 1 January	1.3	1.3
Charge/ (reversed) during the year	2.1	-
At 31 December	3.4	1.3

The ageing of trade receivables at the reporting date was:

£ million

	2016	2015
Neither past due or impaired	61.1	51.5
Past due on the reporting date		
Past due less than 30 days	32.5	23.2
Past due 31-60 days	10.1	7.7
Past due over 60 days	9.2	4.3
	112.9	86.7

(b) Liquidity risk

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

Notes to the consolidated financial statements *(continued)*

29. Financial instruments (continued)

(b) *Liquidity risk (continued)*

£ million

2016	Carrying amount	Contractual Cash Flows	Within one year	One to Two years	Two to five years	More than five years
Non-derivative financial liabilities						
Trade and other payables	(373.8)	(373.8)	(354.6)	(19.2)	-	-
Unsecured bond issues	(6.4)	(7.6)	-	-	(0.1)	(7.5)
Secured bank loans	(1,094.0)	(1,780.2)	(77.5)	(80.3)	(68.2)	(1,554.2)
Unsecured loans and bank loans	(452.7)	(499.4)	(11.7)	(230.3)	(252.3)	(5.1)
Finance lease liabilities	(16.1)	(27.0)	(7.7)	(4.9)	(4.8)	(9.6)
Mortgage debenture stock	(1.4)	(6.9)	(0.5)	(0.5)	(1.6)	(4.3)
Unsecured loan and loan stock	(9.1)	(9.1)	(9.1)	-	-	-
Financial Gurantees and Letter of Credit	-	(212.9)	-	-	-	-
Bank overdrafts	-	-	-	-	-	-
Derivative financial liabilities						
Interest rate swaps (net outflow)	(89.1)	(122.4)	(21.2)	(22.2)	(56.2)	(22.8)
	(2,042.6)	(3,039.3)	(482.3)	(357.4)	(383.2)	(1,603.5)

£ million

2015	Carrying amount	Contractual Cash Flows	Within one year	One to Two years	Two to five years	More than five years
Non-derivative financial liabilities						
Trade and other payables	(271.7)	(271.7)	(251.6)	(20.1)	-	-
Unsecured bond issues	(5.4)	(10.3)	(0.4)	(0.4)	(1.3)	(8.2)
Secured bank loans	(715.8)	(993.8)	(66.9)	(63.1)	(285.4)	(578.4)
Unsecured bank loans	(358.7)	(404.0)	(39.8)	(38.0)	(312.3)	(13.9)
Finance lease liabilities	(18.3)	(24.5)	(6.2)	(5.3)	(7.6)	(5.4)
Mortgage debenture stock	(1.4)	(2.7)	(0.1)	(0.1)	(0.1)	(2.4)
Unsecured loan stock	(7.7)	(7.7)	(7.7)	-	-	-
Financial Gurantees and Letter of Credit	-	(106.4)	-	-	-	-
Bank overdrafts	-	-	-	-	-	-
Derivative financial liabilities						
Interest rate swaps (net outflow)	(54.3)	(105.3)	(18.9)	(17.4)	(43.2)	(25.8)
	(1,433.3)	(1,926.4)	(391.6)	(144.4)	(649.9)	(634.1)

Notes to the consolidated financial statements *(continued)*

29. Financial Instruments (continued)

(c) Market risk

(i) Currency risk

The following significant exchange rates were applied during the year:

	Average rates:		Reporting date spot rates:	
	2016	2015	2016	2015
USD	1.351	1.528	1.234	1.482
EUR	1.221	1.377	1.171	1.361
AUD	1.817	2.035	1.709	2.026
INR	90.721	97.996	83.790	98.092
CAD	1.790	1.954	1.661	2.057

Foreign currency sensitivity analysis

A 10 per cent strengthening of pound sterling against the following currencies at 31 December 2016 and 31 December 2015 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Further, as each entity in the Group determines its own functional currency, the effects of translating financial assets and liabilities of the respective entity would mainly impact equity.

2016		£'million
	Consolidated statement of OCI	Consolidated statement of income
USD	11.1	1.07
EUR	0.6	(0.17)
AUD	(3.8)	-
INR	18.8	0.28
CAD	19.9	0.33

2015		£'million
	Equity	Income Statement
USD	13.0	1.1
EUR	1.1	(0.2)
AUD	(1.9)	-
INR	8.1	0.2
CAD	1.9	0.2

A 10% per cent weakening of pound sterling against the above currencies at 31 December 2016 and 31 December 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the consolidated financial statements *(continued)*

29. Financial instruments (continued)

(c) Market risk (continued)

(ii) Interest rate risk

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

	Carrying amount 2016	Carrying amount 2015
	£ million	
Fixed Rate Instruments		
Financial assets	-	-
Financial liabilities	(73.1)	(61.9)
Interest rate swaps hedging floating rate debt	(1,181.7)	(914.7)
	(1,254.8)	**(976.6)**
Variable rate instruments		
Financial assets	1,909.3	2,788.7
Financial liabilities	(1,506.6)	(1,045.4)
Interest rate swaps hedging floating rate debt	1,181.7	914.7
	1,584.4	**2,658.0**

The group has hedged its exposure to variable rates by entering into fixed interest rate swaps for a notional amount equivalent to £1,181.70 million (2015: £914.70 million)

Interest rate sensitivity analysis

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

	Income statement		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
				£ million
31-Dec-16				
Variable rate instruments	15.8	(15.8)	-	-
Interest rate swaps	-	-	11.8	(11.8)
Cash flow sensitivity net	**15.8**	**(15.8)**	**11.8**	**(11.8)**
31-Dec-15				
Variable rate instruments	26.6	(26.6)	-	-
Interest rate swaps	0.1	(0.1)	9.1	(9.1)
Cash flow sensitivity net	**26.7**	**(26.7)**	**9.1**	**(9.1)**

Notes to the consolidated financial statements *(continued)*

29. Financial instruments (continued)

(d) Fair value of financial assets and liabilities

The table below presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2016 and 31 December 2015:

				£ million
	2016		2015	
	Book value	Fair value	Book value	Fair value
Primary financial assets and liabilities held or issued to finance the Group's operations:				
Trade and other receivables	309.8	309.8	196.3	196.3
Trade and other payables	(373.8)	(373.8)	(271.7)	(271.7)
Unsecured bond issues	(6.4)	(6.4)	(5.4)	(5.4)
Secured bank loans	(1,094.0)	(1,094.0)	(715.8)	(715.8)
Unsecured bank loans	(452.7)	(452.7)	(358.7)	(358.7)
Finance lease liabilities	(16.1)	(16.1)	(18.3)	(18.3)
Mortgage debenture stock	(1.4)	(1.4)	(1.4)	(1.4)
Unsecured loan stock	-	-	-	-
Amounts owed by group undertakings	1,785.0	1,785.0	2,620.1	2,620.1
Amounts owed to group undertakings	(315.7)	(315.7)	(343.6)	(343.6)
Amounts owed by equity accounted investees	64.3	64.3	64.3	64.3
Cash and cash equivalents	342.0	342.0	269.4	269.4
Bank overdrafts	-	-	-	-
Financial assets held at fair value through profit and loss	24.3	24.3	24.2	24.2
Debt securities held-to-maturity	-	-	5.1	5.1
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swap - liabilities	(89.1)	(89.1)	(54.3)	(54.3)
Cash flow sensitivity net	**176.2**	**176.2**	**1,410.2**	**1,410.2**

The following valuation methods have been used for the year ended 31 December 2016 and 31 December 2015:

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

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

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

Notes to the consolidated financial statements *(continued)*

29. Financial instruments (continued)

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

Fair value hierarchy

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

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

			£ million
	Level 1	Level 2	Level 3
			2016
Financial assets held at fair value through profit and loss	–	–	24.3
Debt securities held-to-maturity	–	-	–
Mortgage debenture stocks	–	(0.8)	–
Derivative financial liabilities	–	(89.1)	–
	–	(89.9)	24.3
			2015
Financial assets held at fair value through profit and loss	–	–	24.2
Debt securities held-to-maturity	–	5.1	–
Mortgage debenture stocks	–	(0.8)	–
Derivative financial liabilities	–	(54.3)	–
	–	(50.0)	24.2

Notes to the consolidated financial statements *(continued)*

30. Significant group entities

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

	Country of incorporation	Percentage of equity share capital owned	Business description
Subsidiaries			
Chennai Container Terminal Private Ltd	India	100%	Container terminal operations
DP World Antwerp NV	Belgium	100%	Container terminal and other port operations
DP World Callao S.A.	Peru	100%	Container terminal operations
DP World (Canada) Inc	Canada	100%	Container terminals and stevedoring
DP World Australia (POSN) Pty Ltd	Australia	100%	Holding Company
DP World Overseas Pty Limited	Australia	100%	Holding Company
DP World Maputo S.A.	Mozambique	60%	Container terminal operations
India Gateway Terminal Private Limited	India	81.63%	Container terminal operations
Mundra International Container Terminal Private Limited	India	100%	Container terminal operations
Nhava Sheva International Container Terminal Private Ltd	India	100%	Container terminal operations
P&O Maritime Services Pty Ltd	Australia	100%	Port and maritime services
P&O Maritime Services (PNG) Ltd	Papua New Guinea	100%	Port and maritime services
Qasim International Container Terminal Pakistan Ltd	Pakistan	55%	Container terminal operations
Saigon Premier Container Terminal	Vietnam	80%	Container terminal operations
Southampton Container Terminals Ltd	England	100%	Container terminal operations
Terminales Rio de la Plata SA	Argentina	55.62%	Container terminal operations
London Gateway Port Limited	England	100%	Container terminal operations
DP World Prince Rupert Inc.	Canada	100%	Container terminal operations
Associates			
Antwerp Gateway NV	Belgium	60%*	Container terminal operations
Laem Chabang International Terminal Co Ltd	Thailand	34.5%	Container terminal operations
Eurofos S.A.R.L	France	50% #	Container terminal operations
Generale de Manutention Portuaire S.A	France	50% #	Container terminal operations
Qingdao Qianwan Container Terminal Co. Ltd.	China	29% #	Container terminal operations
Asian Terminals Inc.	Philippines	41.72%	Container terminal operations
Portus Indico - Sociedade de Servicos Portuarios Ltd	UAE	48.5%	Holding company
Visakha Container Terminals Private Limited	India	26%	Container terminal operations
Joint Ventures			
PT Terminal Petikemas Surabaya	Indonesia	49%	Container terminal operations

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

Reflects economic interest

31. Subsequent event

On 18 January 2017, the Group has sold its 100% stake in the operating ports of DP World (Canada) Inc and DP World Prince Rupert Inc.for a consideration of GBP 262 million to DPW Investments B.V which is ultimately held by DPW FZE.

In April 2017 a liability was transferred to the ultimate controlling parent undertaking. See Note 24 (b)

Company balance sheet
At 31 December 2016

			£ million
	Note	2016	2015
Non-current assets			
Tangible fixed assets	E	6.5	7.0
Investments in subsidiaries	F	1,675.8	1,601.9
Other investments	F	23.8	23.8
Debtors	G	16.2	-
		1,722.3	1,632.7
Current assets			
Debtors	G	2,649.1	3,508.5
Cash and cash equivalents		11.2	2.2
		2,660.3	3,510.7
Creditors: amounts falling due within one year			
Other creditors	I	(680.2)	(546.6)
		(680.2)	(546.6)
Net current assets		**1,980.1**	2,964.1
Total assets less current liabilities		**3,702.4**	4,598.8
Creditors: amounts falling due in more than one year			
Creditors: amounts falling due in more than one year	I	(0.4)	(1)
Loans	H	(7.8)	(6.8)
		(8.2)	(7.4)
Provisions for liabilities	J	(10.5)	(11.0)
Net assets before pension liabilities		**3,683.7**	4,578.4
Pensions and post-retirement benefits	N	(175.0)	(88.1)
Net assets after pension liabilities		**3,508.7**	4,490.3
Capital and reserves			
Called up share capital	K	(843.2)	(843.2)
Share premium account	L	(815.4)	(815.4)
Profit and loss account	L	(1,850.1)	(2,831.7)
Total equity		**(3,508.7)**	(4,490.3)

The accounts were approved by a duly authorised committee of the Board of directors and signed on its behalf on 19 June 2017 by

Ganesh Raj Jayaraman
Director

Sarmad Qureshi
Director

The Peninsular and Oriental Steam Navigation Company – Company Number Z73

Statement of changes in equity

				£ million
	Share capital	**Share premium**	**Retained earnings**	**Total Equity**
Balance as at 1 January 2015	**843.2**	**815.4**	**2,246.2**	**3,904.8**
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	-	592.0	592.0
Total other comprehensive income, net of income tax	-	-	(6.5)	(6.5)
Total comprehensive income	-	-	585.5	585.5
Transactions with owners recorded directly in equity	-	-	-	-
-Dividends	-	-	-	-
At 31 December 2015	843.2	815.4	2,831.7	4,490.3
At 1 January 2016	**843.2**	**815.4**	**2,831.7**	**4,490.3**
Total comprehensive income for the year				
Profit for the year	-	-	**119.5**	**119.5**
Total other comprehensive income, net of income tax	-	-	**(101.1)**	**(101.1)**
Total comprehensive income	**-**	**-**	**18.4**	**18.4**
Transactions with owners recorded directly in equity				
-Dividends	-	-	(1,000.0)	**(1,000.0)**
At 31 December 2016	**843.2**	**815.4**	**1,850.1**	**3,508.7**

Notes to the Company financial statement

A. Accounting Policies

The Peninsular and Oriental Steam Navigation Company (the 'Company) is a company incorporated and domiciled in the UK. The Company number is Z73 and the registered address is 16 Palace Street, London SW1E 5JQ, United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts of the Company except as noted below.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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

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

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

- A cash flow statement and related notes;

- Comparative period reconciliations for share capital, tangible fixed assets, and investments;

- Disclosures in respect of transactions with wholly owned subsidiaries;

- Disclosures in respect of capital management; and

- The effects of new but not yet effective IFRSs.

Going concern

The directors, having made enquiries, consider that the company has adequate resources to continue in operational existence from 12 months of the date of approval of financial statement and therefore they consider it appropriate to adopt the going concern basis in preparing the accounts.

Functional currency and foreign currency transactions

The functional currency of the Company is sterling. All financial information presented in Sterling is rounded to the nearest million. Transaction in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and exchange differences, if any, are recognised in the income statement.

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

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

Notes to the Company financial statement (continued)

A. Accounting policies (continued)

Tangible fixed assets

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

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

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

The estimated useful lives of assets are as follows:

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

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

Investment in subsidiaries

Investment in subsidiaries are shown at cost less provision for impairment.

Other investments

Other investments in debt and equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised,
the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid-price at the balance sheet date. Available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the Company. The Company does not hold investments in debt or equity securities for trading purposes.

Trade debtors and other receivables

Short term debtors are measured at transaction price, less any impairment. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits.

Loans

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Creditors

Notes to the Company financial statement (continued)

A. Accounting policies (continued)

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

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

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

Leases

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as finance leases. These leases include Land and buildings which are financed by leasing agreements, giving rights approximating to ownership are capitalised as tangible fixed assets at cost less accumulated depreciation. On initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payment. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases where the Company does not retains substantially all the risks and benefits of ownership of the asset are classified as operating leases In operating lease, rentals payable are charged to the profit and loss account on a systematic basis over the term of the lease.

Pensions and post-retirement benefits

Defined contribution plans

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

Defined benefit plans

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

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

Notes to the Company financial statement (continued)

A. Accounting policies (continued)

Pensions and post-retirement benefits

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

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

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

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

Impairment

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount of assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

For assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial guarantees

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

Notes to the Company financial statement (continued)

A. Accounting policies (continued)

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

B. Audit fees

The Company's audit fee paid to its principal auditors, KPMG LLP was £30,000 (2015: £30,000), and non-audit fee £179,796 (2015: £131,792).

C. Dividends

On 31 March 2016, the Company declared a dividend of £1,000 million (2015: £nil).

D. Profit for the financial year

The profit for the financial year, being the profit on ordinary activities after taxation, was £119.5million (2015: profit of £592 million).

Notes to the Company financial statement (continued)

E. Tangible fixed assets

	£ million	£ million	£ million	£ million	£ million
	Land and Building	Plant and machinery,	Fixture & Fittings	Under construction	Total
Cost					
At 1 January 2016	5.7	0.5	2.6	0.3	9.1
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2016	**5.7**	**0.5**	**2.6**	**0.3**	**9.1**
Accumulated depreciation					
At 1 January 2016	(0.4)	(0.3)	(1.4)	-	(2.1)
Charge for the year	(0.2)	-	(0.3)	-	(0.5)
At 31 December 2016	**(0.6)**	**(0.3)**	**(1.7)**	-	**(2.5)**
Net book amount at 31 December 2016	**5.1**	**0.2**	**0.9**	**0.3**	**6.6**
Net book amount at 31 December 2015	**5.4**	**0.2**	**1.2**	**0.3**	**7.0**

F. Investments

	£ million	£ million	£ million
	Investments in subsidiary companies	Investments in unlisted companies	Total
At beginning of year	2,368.2	23.8	2,392.0
Additions	121.3	-	121.3
Disposals	(21.5)	-	(21.5)
At 31 December 2016	2,468.0	23.8	2,491.8
Provisions			
At beginning of year	(766.3)	-	(766.3)
Charge for the year	(25.9)	-	(25.9)
At 31 December 2016	(792.2)	-	(792.2)
Net Investment at 31 December 2016	**1,675.8**	**23.8**	**1,699.6**
Net Investment at 31 December 2015	**1,601.9**	**23.8**	**1,625.7**

Additions to investment in subsidiary companies during the year relate to equity injection in St. John Canada through P&O Dover (Holdings) of £10.3 million and acquisition of European Ferries of £107.6 million and P&O Overseas Holdings Limited of £3.4 million.

Provisions recognised during the year represent an additional impairment of investment in P&O Property International Limited of £46million and an impairment of the investment in European Ferries Limited of £1.4 million on account of reduction in the carrying value of the companies as at 31 December 2016.

Disposal during the year relates to Linfire Limited which was liquidated in August 2016. Consequently a provision of £21.5million was released.

Notes to the Company financial statement (continued)

F. Investments (continued)

Investment in Subsidiary Companies

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

Subsidiary undertakings	Country of Incorporation	Percentage of share capital owned by the Company	Class of shares
Beaufort Insurance Company Limited	United Kingdom	100.00%	Ordinary shares and Preference shares
British India Steam Navigation Company Limited	United Kingdom	100.00%	Ordinary shares
DP World (POSN) B.V.	Netherlands	94.00%	Ordinary-B shares
DP World Australia (POSN) Pty Ltd	Australia	100.00%	Ordinary shares
DP World Investments FZE	United Arab Emirates	100.00%	Ordinary shares
DP World Limited	United Kingdom	100.00%	Ordinary shares
DP World Logistics Europe GmbH	Germany	100.00%	Ordinary shares
DP World Maritime B.V.	Netherlands	94.00%	Ordinary-B shares
DP World Red B.V	Netherlands	100.00%	Ordinary shares
European Ferries Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Park Development Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Park Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Park Management Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Port Holdings Limited	United Kingdom	100.00%	Ordinary shares
London Gateway Services Limited	United Kingdom	100.00%	Ordinary shares
P&O Bulk Shipping Limited	United Kingdom	100.00%	Ordinary shares
P&O Delaware Holdings LLC	United States	100.00%	Ordinary shares
P&O Dover (Holdings) Limited	United Kingdom	100.00%	Ordinary shares
P&O Overseas Holdings Limited	United Kingdom	100.00%	Ordinary shares
P&O Pension Funds Investments Limited	United Kingdom	100.00%	Ordinary shares
P&O Ports Limited	United Kingdom	100.00%	Ordinary shares
P&O Properties International Limited	United Kingdom	100.00%	Ordinary shares
P&O Scottish Ferries Limited	United Kingdom	100.00%	Ordinary shares
P&O Tankships Investments Limited	United Kingdom	100.00%	Ordinary shares
Partkestrel Limited (being wound up)	United Kingdom	100.00%	Ordinary shares
POETS Fleet Management Limited	United Kingdom	100.00%	Ordinary shares
Southampton Container Terminals Limited	United Kingdom	49.00%	A shares

Investments in unlisted companies

The investment in unlisted companies principally represents a 3.15% ownership holding of DP World Australia (Holding) Pty Ltd. Investment in unlisted companies are classified as being available-for-sale. The unlisted investment is measured at cost instead of fair value as the investment do not have a quoted market price in an active market and for which a fair value cannot be reliably measured.

Notes to the Company financial statement (continued)

F. Investments (continued)

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

Company	Registered number
Abbott & Goldman	0094899
British India Steam Navigation Company Limited	0000133
DP World Limited	6291123
European Ferries Limited	00301725
P&O Bulk Shipping Limited	00258949
P&O Dover (Holdings) Limited	03492979
P&O Overseas Holdings Limited	00537728
P&O Ports Limited	00751061
P&O Properties International Limited	01099229
P&O Scottish Ferries Limited	00071375
P&O Scottish Ferries Ship Management Limited	SC10350
P&O Tankships Investments Limited	21695
Partkestrel Limited (being wound up)	01824258
Poets Fleet Management Limited	161443

Notes to the Company financial statement (continued)

G. Debtors

	£ million	£ million	£ million	£ million
	2016 Falling due			2015 Falling due
	within one year	In more than one year	Total	within one year
Trade Debtors	5.2	-	5.2	2.8
Other receivables	5.9	16.2	22.1	6.1
Prepayments and accrued income	2.7	-	2.7	4.8
Amounts owed by group undertakings	2,635.3	-	2,635.3	3,494.8
	2,649.1	16.2	2,665.3	3,508.5

H. Loans

	£ million	£ million
	2016	2015
Creditors falling due more than one year		
US dollar bonds 2027 (unsecured)	6.4	5.4
Mortgage debentures stocks	1.4	1.4
	7.8	6.8

Terms and debt repayment schedule

				£ million	£ million	£ million	£ million
	Currency	Nominal interest rate	Year of maturity	Face value 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
US dollar bonds 2027 (unsecured)	USD	7.9%	2027	6.4	6.4	5.4	5.4
Mortgage debentures stocks	GBP	3.5%	Undated	1.4	1.4	1.4	1.4
				7.8	7.8	6.8	6.8

I. Creditors

	£ million	£ million	£ million	£ million	£ million	£ million
	2016 Falling due			2015 Falling due		
	within one year	In more than one year	Total	within one year	In more than one year	Total
Amounts owed to subsidiaries	659.9	-	659.9	534.8	-	534.8
Social security and other taxation	11.5	-	11.5	3.9	-	3.9
Other unsecured creditors	3.6	-	3.6	3.8	-	3.8
Accruals and deferred income	5.2	0.4	5.6	4.1	0.6	4.7
	680.2	0.4	680.6	546.6	0.6	547.2
	680.2	0.4	680.6	546.6	0.6	547.2

Notes to the Company financial statement (continued)

J. Provisions for liabilities

	£ million
	Other Provisions
At 1 January 2016	11.0
Amounts provided in the income statement	-
Utilized during the year	(0.5)
At 31 December 2016	**10.5**

Provisions include £7.8 million (2015: £8.3 million) in respect of exposures arising from former employees working in environments that used to contain asbestos. Liabilities expected to be incurred are in part covered by insurance. Any expected recoveries are included within other receivables

Utilized during the year relates to payment that were made in relation to asbestos claim.

K. Share capital

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

		£ million
	2016	2015
Issued share capital (843.2 million ordinary shares of £1 each)	**843.2**	843.2

L. Reserves

			£ million
	Share premium account	Profit and loss account	**Total**
At 1 January 2016	815.4	2,831.7	**3,647.1**
Dividends paid in 2016		(1,000.0)	**(1,000.0)**
Actuarial gains/losses	-	(101.1)	**(101.1)**
Profit for the financial year	-	119.5	**119.5**
At 31 December 2016	**815.4**	**1,850.1**	**2,665.5**

Share capital and share premium account

The balances classified as share capital and share premium account include the total net proceeds on issue of the Company's equity share capital (see note K).

Notes to the Company financial statement (continued)

Profit and loss account
Exchange movements in the profit and loss account include a gain of £7.8 million (2015: £23.8 million gain) in respect of foreign currency net lendings.

M. Directors' emoluments

		£ thousand
	2016	**2015**
Directors' emoluments	3,085	1,510
Company contributions to money purchase pension schemes	58	86
	3,143	**1,596**

Retirement benefits are accruing to the following number of directors under:

	2016	**2015**
Defined benefit schemes	-	-
Money purchase schemes	1	1
	1	**1**

The aggregate emoluments of the highest paid director were £1,114,089 and no pension contribution was made on his behalf. (2015: The aggregate emoluments of the highest paid director were £1,140,147 and no pension contribution was made on his behalf)

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

Notes to the Company financial statement (continued)

N. Pensions

The Company participates in a number of pension schemes throughout the world.

P&O UK Scheme

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

Formal actuarial valuations of the P&O UK scheme are normally carried out triennially by qualified independent actuaries, the latest regular valuation report for the scheme being at 31 March 2016, using the projected unit credit method. P&O is currently negotiating with the Trustees to agree to a monthly deficit payment plan.

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

Merchant Navy Officers' Pension Fund ("MNOPF")

The Company participates in various industry multi-employer schemes, the most significant of which is the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme") and is in the UK. These generally have assets held in separate trustee administered funds which are legally separated from the Company.

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

The scheme was divided into two sections, the Old Section and the New Section, both of which are closed to new members.
The Old Section completed a buy-out of all its members benefit obligations in July 2014, following which the Old Section was wound up. Therefore, no further liabilities were assigned to the Company in respect of the Old Section.

The most recent formal actuarial valuation of the New Section was carried out as at 31 March 2015. This resulted in a deficit of £2.1 million. The Trustee Board believe their investment strategy will address this deficit and therefore has not issued deficit contribution notices to employers in respect of the 2015 actuarial valuation. The New Section closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009 and 2012 the Trustee and Employers have agreed contributions, which will be paid to the Section by participating employers over the period to 30 September 2023. These contributions include an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or not able to pay their share. The Company's aggregated outstanding contributions from these valuations are payable as follows: 2017 to 2020 £4.2 million per annum and 2021 to 2023 £0.8 million per annum.

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

The Company's share of the net deficit of the New Section at 31 December 2016 is estimated at 5.44%.

Notes to the Company financial statement (continued)

N. Pensions (continued)

Merchant Navy Ratings' Pension Fund ("MNRPF")

The Merchant Navy Ratings' Pension Fund ("the MNRPF Scheme") is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by the company have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual.

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

The most recent formal actuarial valuation was carried out as at 31 March 2014. The Company's deficit contributions arising from this valuation totalled £25 million (equating to 7.0% share of the net deficit). The contributions due to the Scheme will be paid over the period to 31 October 2022. Deficit contributions of £8.2 million were paid into the Scheme in 2016. The Company's aggregated outstanding contributions from these valuations are payable as follows: 2017 to 2022 £3.5 million per annum

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

The amounts recognised in the balance sheet are as follows

	2016	2015
Present value of obligations	(1,637.7)	(1,444.5)
Fair value of plan assets	1,462.7	1,356.4
Net liability deficit	(175.0)	(88.1)
Related deferred tax asset	-	-
Net liability	(175.0)	(88.1)
Amounts in the balance sheet		
Non-current Liabilities	(175.0)	(88.1)
Net liability	(175.0)	(88.1)

The deferred pension benefit schemes of GBP £175 million (2015: £88 million) is in respect of the total Company schemes shown on page 93.

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

	2016	2015
Actuarial (gain)/loss recognised in the year	(220.1)	(45.1)
Return on plan assets lesser/ (greater) than the discount rate	113.7	39.4
Change in share in multi-employer scheme	(0.9)	(0.6)
Movement in minimum funding liability	6.2	12.8
	(101.1)	6.5

Notes to the Company financial statement (continued)

N. Pensions (continued)

The pension costs for defined benefit schemes are as follows:

	2016	2015
Current service cost	-	(0.3)
Gain due to settlements/curtailments	-	0.6
Administration costs	(2.3)	(2.5)
Total charge to operating profit	(2.3)	(2.2)
Net Interest on net defined benefit liability/(asset)	(2.9)	(3.0)
Total expenses recognised in the income statement	(5.2)	(5.2)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2016 by qualified independent actuaries. The principal assumptions are included in the table below. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme		MNOPF Scheme		MNRPF Scheme	
	2016	2015	2016	2015	2016	2015
Discount rates	**2.60%**	3.70%	**2.60%**	3.70%	**2.60%**	3.70%
Discount rates - Bulk Annuity Asset	**2.40%**	3.50%	**n/a**	n/a	**n/a**	n/a
Expected rates of salary increases *	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
Pension increases:						
- Deferment	**3.00%**	2.80%	**2.50%**	2.20%	**2.50%**	2.20%
- Payment	**3.00%**	2.80%	**3.40%**	3.10%	**3.40%**	3.10%
Inflation	**3.50%**	3.20%	**3.50%**	3.20%	**3.50%**	3.20%

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

Notes to the Company financial statement (continued)

N. Pensions (continued)

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

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

	P&O UK Scheme £'million	MNOPF Scheme £'million	MNRPF Schemes £'million	Total Fair value £'million
2016				
Equities	359.4	32.3	8.9	400.6
Bonds	153.1	46.8	42.4	242.3
Other	22.2	-	-	22.2
Value of insured pensioner liability	797.6	-	-	797.6
	1,332.3	**79.1**	**51.3**	**1,462.7**
2015				
Equities	302.6	40.4	5.5	348.5
Bonds	119.1	69.4	20.4	208.9
Other	20.5	-	10.2	30.7
Value of insured pensioner liability	768..3	-	-	768.3
	1,210.5	**109.8**	**36.1**	**1,356.4**

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

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

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2016				
P&O UK scheme	**22.3**	**24.5**	**24.3**	**26.6**
MNRPF scheme	**20.9**	**23.6**	**26.4**	**29.1**
MNOPF scheme	**23.0**	**25.9**	**26.4**	**29.2**
2015				
P&O UK scheme	23.4	26.5	25.8	28.9
MNRPF scheme	20.7	23.3	26.1	28.8
MNOPF scheme	22.7	25.6	26.3	29.3

At 31 December 2016 the weighted average duration of the defined benefit obligation was 17.3 years (2014: 15.8 years).

Notes to the Company financial statement (continued)

N. Pensions (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2016:

£ million	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
Present value of obligation at 1 January 2016	**(1,262.8)**	**(111.3)**	**(51.1)**	**(1,425.2)**
Current service cost	-	-	-	-
Interest cost on Defined Benefit Obligation	(45.5)	(3.7)	(1.9)	(51.1)
Actuarial gain/(loss) - experience	21.9	0.1	0.3	22.3
Actuarial gain/(loss) - demographic assumptions	51.9	1.0	-	52.9
Actuarial gain/(loss) - financial assumptions	(261.8)	(22.9)	(10.6)	(295.3)
Gain/(Loss) due to change in share	-	(2.5)	-	(2.5)
Actual benefit paid	67.6	5.0	2.3	74.9
Present value of obligation at 31 December 2016	**(1,428.7)**	**(134.3)**	**(61.0)**	**(1,624.0)**
Fair value of scheme assets at 1 January 2016	**1,210.6**	**109.8**	**36.1**	**1,356.4**
Interest income on assets	43.7	3.7	1.4	48.8
Return on plan assets (greater)/less than the discount rate	138.9	(34.7)	9.5	113.7
Actual employer contributions	8.4	2.7	8.2	19.3
Actual benefit paid	(67.6)	(5.0)	(2.3)	(74.9)
Gain/(Loss) due to change in share	-	2.9	(1.2)	1.7
Administration costs incurred during period	(1.6)	(0.3)	(0.4)	(2.3)
Fair value of scheme assets at 31 December 2016	**1,332.3**	**79.1**	**51.3**	**1,462.7**
Irrecoverable surplus at 1 January 2016	-	**(14.5)**	**(4.8)**	**(19.3)**
Interest cost on irrecoverable surplus	-	(0.5)	(0.1)	(0.6)
Change in irrecoverable surplus	-	6.4	(0.2)	6.2
Irrecoverable surplus at 31 December 2016	-	**(8.6)**	**(5.1)**	**(13.7)**
Defined benefit schemes net liabilities at 31 December 2016	**(96.4)**	**(63.8)**	**(14.8)**	**(175.0)**

Notes to the Company financial statement (continued)

N. Pensions (continued)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2015:

£ million

	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
Present value of obligation at 1 January 2015	(1,328.6)	(117.6)	(53.5)	(1,499.7)
Current service cost	(0.3)	-	-	(0.3)
Interest cost on Defined Benefit Obligation	(46.6)	(3.8)	(1.9)	(52.3)
Past service cost - amendments/curtailments	(0.2)	-	-	(0.2)
Settlement of liabilities	9.0	-	-	9.0
Actuarial gain/(loss) - experience	23.3	4.0	(1.5)	25.8
Actuarial gain/(loss) - demographic assumptions	-	-	0.8	0.8
Actuarial gain/(loss) - financial assumptions	16.6	1.2	0.7	18.5
Gain/(Loss) due to change in share	-	-	2.4	2.4
Actual benefit paid	64.0	4.9	1.9	70.8
Present value of obligation at 31 December 2015	(1,262.8)	(111.3)	(51.1)	(1,425.2)
Fair value of scheme assets at 1 January 2015	1,274.9	102.6	33.2	1,410.7
Interest income on assets	44.8	3.4	1.3	49.5
Return on plan assets (greater)/less than the discount rate	(43.7)	3.1	1.1	(39.5)
Actual employer contributions	8.6	5.7	4.5	18.8
Actual benefit paid	(64.0)	(4.7)	(1.9)	(70.6)
Gain/(Loss) due to change in share	-	-	(1.8)	(1.8)
Settlement	(8.4)	-	-	(8.4)
Administration costs incurred during period	(1.7)	(0.3)	(0.3)	(2.3)
Fair value of scheme assets at 31 December 2015	1,210.5	109.8	36.1	1,356.4
Irrecoverable surplus at 1 January 2015	-	(6.3)	-	(6.3)
Interest cost on irrecoverable surplus	-	(0.2)	-	(0.2)
Change in irrecoverable surplus	-	(8.0)	(4.8)	(12.8)
Irrecoverable surplus at 31 December 2015	-	(14.5)	(4.8)	(19.3)
Defined benefit schemes net liabilities at 31 December 2015	(52.3)	(16.0)	(19.8)	(88.1)

Notes to the Company financial statement (continued)

N. Pensions (continued)

The below table shows the movement in minimum funding liability:-

	2016	2015
	£ million	
Minimum funding liability as on 1 January	(19.3)	(6.3)
Interest cost on minimum funding liability	(0.6)	(0.2)
Actuarial movement during the year	6.2	(12.8)
Effect of movement in exchange rates	-	-
Minimum funding liability as on 31 December	**(13.7)**	**(19.3)**

It is anticipated that the company will make the following cash contributions to the pension schemes in 2017:

	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
				£ million
Pension scheme contributions	7.1	3.9	3.0	14.0

Notes to the Company financial statement (continued)

O. Commitments

The commitment during the following year in respect of non-cancellable operating leases is as follows:

	£ million	
	Land and buildings	
Lease expiring:	**2016**	**2015**
Within one year	**0.8**	1.1
Between one and five years	**3.7**	4.3
Over five years	**4.6**	5.4
	9.1	10.8

P. Contingent liabilities

The company has a contingent liability in respect of payment guarantees amounting to nil (2015: £9.6 million).

Q. Controlling party

Ultimate holding company

In the opinion of the directors the ultimate controlling parent undertaking as at 31 December 2015 was Port & Free Zone World FZE, which owns 80.45% of DP World Limited. Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent company of the Company, but which does not exert control over the Company.

The largest Company of companies for which consolidated financial statements are prepared and in which the company is consolidated is DP World Limited. DP World Limited is the intermediate holding company. DP World Limited has 19.55% of its shares traded on the NASDAQ Dubai. DP World Limited was further admitted to trade on the London Stock Exchange with effect from 1 June 2011 and voluntarily delisted from the London Stock Exchange on 21 January 2015.

Notes to the Company financial statement (continued)

R. Related undertakings

The Company's ownership in various related undertakings has been disclosed in note F. In accordance with section 409 of the companies Act 2006, a full list of related undertakings, the country of incorporation, percentage of share capital and registered address owned by the Group as at 31 December 2016 is disclosed below.

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Abbott & Goldman	United Kingdom	99%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Aberlour Holding Company, Inc.	Philippines	16%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Anderson Hughes Pty Ltd	Australia	94%	Ordinary shares	Level 3, 99 Queensbridge Street, Southbank VIC 3006, Australia
Antwerp East N.V.	Belgium	100.00%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Antwerp Gateway NV	Belgium	60%	Category N shares and P shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Ascot SAS	France	25%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Asian Terminals, Inc	Philippines	41.72%	Common shares	A. Bonifacio Drive., Port Area, Manila, 1018, Philippines
ATI Batangas, Inc	Philippines	41.72%	Common shares	Port of Batangas, Sta. Clara, Batangas City, 4200, Philippines
ATI Holdings, Inc.	Philippines	100%	Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
AWH Pty Ltd	Australia	1.57%	Ordinary shares	Lara Wool Complex, Forest Road, Lara VIC 3212, Australia
Basswick Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Beaufort Insurance Company Limited	United Kingdom	100%	Ordinary shares and Cumulative Preference shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Bengal Port Private Limited	India	44.50%	Ordinary Equity shares	Sagar Estate, 4th Floor, 2,, Clive Ghat Street,, Kolkata, West Bengal, 700001, India
British India Steam Navigation Company Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Carpentaria Shipping Services Pty Ltd	Australia	47.00%	Ordinary-A shares	Level 3, 99 Queensbridge Street, Southbank VIC 3006, Australia
Chennai Container Terminal Pvt. Ltd.	India	100%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
Community Network Services Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Container Rail Road Services Pvt. Ltd.	India	100%	Ordinary Equity shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	*Country of incorporation*	*Percentage of share capital owned by the Group*	*Class of shares*	Registered Address
Daven Holdings, Inc	Philippines	16%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
DP World (Canada) Inc.	Canada	100%	Ordinary shares	2900 - 550 Burrard Street, Vancouver BC V6C 0A3, Canada
DP World (Fremantle) Limited	Australia	3.15%	Class A and class B Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World (POSN) B.V.	Netherlands	100%	Ordinary-B shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World (SA) Pty Ltd	Australia	3.15%	Ordinary shares	As per physical address
DP World Antwerp Container Services NV	Belgium	100%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
DP World Antwerp Customs Desk NV	Belgium	50%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
DP World Antwerp Holding N.V.	Belgium	100%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
DP World Antwerp Terminals N.V.	Belgium	100%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
DP World ANZ Ports (Australia) Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (Finance) Pty Ltd	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (Holding) Pty Ltd	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (Investments) Pty Ltd	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (POAL) Pty Ltd	Australia	100%	Class A, Class B and class B Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia (POSN) Pty Ltd	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Australia Limited	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Blue B.V	Netherlands	100%	ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Brisbane Pty Limited	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
DP World Callao S.R.L.	Peru	100%	Participaciones shares	DP World Callao S.R.L., Terminal Portuario Muelle Sur, Avenida Manco Capac 113, Callao 1, Peru
DP World Canada B.V.	Netherlands	100%	Ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Germersheim B.V.	Netherlands	100%	Ordinary shares	Smirnoffweg 3, PO Box 59138, 3088 HE Rotterdam, 3008 PC Netherlands, Netherlands
DP World Investments FZE	United Arab Emirates	100%	Ordinary shares	P.O. Box 17000, Dubai, United Arab Emirates
DP World Liege NV	Belgium	100%	Class A, Class B and class B Ordinary shares	Rue de la Resistance SN, 4100 SERAING, Belgium
DP World Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
DP World Logistics Europe GmbH	Germany	100%	Ordinary shares	SchanzenstraBe 102, 40549 Dusseldorf, Germany
DP World Maputo, SA	Mozambique	60%	Ordinary shares	Terminal de Contentores, Porto de Maputo, Maputo, Mozambique
DP World Maritime B.V.	Netherlands	100%	Ordinary-B shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Melbourne Limited	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Overseas Pty Limited	Australia	100%	Class A Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Prince Rupert Inc.	Canada	100%	Common shares	2900 - 550 Burrard Street, Vancouver BC V6C 0A3, Canada
DP World Properties (Australia) Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
DP World Pvt. Ltd.	India	100%	Ordinary Equity shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
DP World Red B.V	Netherlands	100%	Ordinary shares	Albert Plesmanweg 43G, 3088GB, Rotterdam, Netherlands
DP World Saigon Holdings Limited	Virgin Islands, British	100%	Ordinary shares	Belmont Chambers, PO Box 3443, Road Town, Tortola, British Virgin Islands
DP World Sokhna FZE	United Arab Emirates	100%	Ordinary shares	P.O. Box 17000, Dubai, United Arab Emirates
DP World Saint John, Inc.	Canada	100%	Common shares	570 Queen Street Suite 600, Fredericton NB E3B 6Z6, Canada

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
DP World Sydney Limited	Australia	3.15%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Eastern Gateway Terminals Private Limited	India	68.80%	Ordinary Equity shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
Eurofos SARL	France	50%	Ordinary shares	Secteur Graveleau , Terminal Conteneurs , Darse 2, 13270, FOS SUR MER/PORT SAINT LOUIS, France
Europe Atlantique Terminal SA	France	32.49%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
European Ferries Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Expert Terminal Services Limited	Cyprus	50%	Ordinary shares	27 Gregory Afxentiou Street, Larnaca, Cyprus
Fricue Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Fritex Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Gamac GIE	France	50%	Ordinary shares	Quai De L'Europe, 76600, Le Havre, France
Generale De Manutention Portuaire	France	50%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Global Container Services NV	Belgium	100%	Ordinary shares	Nieuwe Westweg Kaai 742, 2040 Antwerp, Belgium
Harbourside Holdings Corporation	Philippines	16%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Havenbedrijf Antverpia NV	Belgium	98.73%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Hindustan Ports Private Limited	India	100%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
India Gateway Terminal Private Limited	India	81.63%	Ordinary shares	Administration Building, ICTT,, Vallarpadam SEZ,, Ernakulam, kerela, 682504, India
Jeletrans SAS	France	50%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Laem Chabang International Terminal Co. Ltd	Thailand	34.50%	Ordinary shares	Laem Chabang Port, Terminal B5, Sriracha, Chonburi, 20230, Thailand
Laem Chabang Security Service Co. Ltd.	Thailand	34.50%	Ordinary shares	Laem Chabang Port, Terminal B5, Room No.130 1st Floor, Thungsukia, Sriracha, Chonburi, 20230, Thailand

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Laing Investments Inc.	United States	50%	Common shares	55 Waugh Drive, Suite 1111, Houston TX 77007, United States
Laing Management Company	United States	50%	Common shares	55 Waugh Drive, Suite 1111, Houston TX 77007, United States
Liena Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
London Gateway Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Logistics Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Park Development Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Park Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Park Management Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Holdings Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Port Railway Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
London Gateway Services Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Louis Wolfe and Sons (Vancouver) Ltd.	Canada	100%	Class A Common shares	2900 - 550 Burrard Street, Vancouver BC V6C 0A3, Canada
Mackinnon Mackenzie & Co. of Pakistan (Private) Limited	Pakistan	100%	Ordinary shares	3rd Floor Mackinnons Building, , I.I. Chundrigar Road, , Karachi, 74000, Pakistan
Manutention Générale Méditerranéenne SA	France	50%	Ordinary shares	Terminal Conteneurs Darse 2 Secteur Graveleau, 13230 Port Saint Louis du Rhone, France
Manutention Terminal Nord	France	50%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Matthews Holdings Limited	Bermuda	100%	Common shares	Estera Services (Bermuda) Limited, Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton, HM EX, Bermuda
Morray Holdings, Inc.	Philippines	16%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Mundra International Container Terminal Private Limited	India	100%	Ordinary Equity shares	MICT Operation Centre, Navinal, New Mundra Port, P.O.Box-8, Mundra, Gujarat, 370421, India
Navique – Empresa Moçambicana de Navegação, SARL	Mozambique	33.95%	Ordinary shares	366 Rua de Bagamoyo, Maputo, Mozambique
Network Financing B.V.	Netherlands	10%	Ordinary shares shares	Smirnoffweg 3, PO Box 59138, 3088 HE Rotterdam, 3008 PC Netherlands, Netherlands
Nhava Sheva (India) Gateway Terminal Private Limited	India	100%	Ordinary shares	Darabshaw House, Level 1, Soorji Vallabhdas Marg, Ballard Estate,, Mumbai, Maharashtra, 400038, India
Nhava Sheva International Container Terminal Pvt. Ltd.	India	100%	Ordinary shares	Darabshaw House, Level 1, Narottam Morarji Road, Ballard Estate, Mumbai, Maharashtra, 400001, India
P & O Maritime Services (South Africa) (Proprietary) Limited	South Africa	100%	Ordinary shares	2ND FLOOR BLOCK D, THE BOULEVARD OFFICE PARK, SEARLE STREET, WOODSTOCK, 7925, South Africa
P&O Bulk Shipping Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Containers Pakistan (Private) Limited	Pakistan	100%	Ordinary shares	Mackinnons Building , I.I.Chundrigar Road, P.O.Box 4679, Karachi, Pakistan
P&O Delaware Holdings LLC	United States	100%	Ordinary shares	The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, New Castle, 19801, United States
P&O Dover (Holdings) Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O France S.A.S.	France	100%	Ordinary shares	34, Boulevard des Italiens, 75009, Paris, France
P&O Garden City Investments B.V.	Netherlands	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Management Services Phils., Inc.	Philippines	40%	Common shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
P&O Maritime Holdings (Australia) Pty Limited	Australia	100%	Ordinary shares	Level 3, 99 Queensbridge Street, Southbank VIC 3006, Australia
P&O Maritime Holdings Paraguay S.A.	Paraguay	100%	Ordinary shares	Avda. Guido Boggiani 5509 c/, Procer Arguello, Asuncion, Paraguay
P&O Maritime Mozambique SA	Mozambique	0.94%	Ordinary shares	Praça dos Trabalhadores, Porto de Maputo, Porta no 6, Armazem B2 (E), Maputo, Mozambique
P&O Maritime Ocean Sciences Limited	United Kingdom	50%	Ordinary-A shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Maritime Services (France) SARL	France	100%	Ordinary shares	8 Rue De L'Est, Boulogne Billancourt, France

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
P&O Maritime Services (Ireland) Ltd	Ireland	100%	Ordinary shares	Parkmore Business Park West, Galway, Ireland
P&O Maritime Services (NZ) Limited (being wound up)	New Zealand	100%	Ordinary shares	Level 5, 110 Symonds Street, Auckland, New Zealand
P&O Maritime Services (PNG) Limited	Papua New Guinea	100%	Ordinary shares	Level 3, Pacific MMI Haus, Champion Parade, Port Moresby , Papua New Guinea
P&O Maritime Services (Singapore) Pte. Ltd.	Singapore	100%	Ordinary shares	78 Shenton Way 12-01 , Singapore, 079120, Singapore
P&O Maritime Services (UK) Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Maritime Services Paraguay S.A.	Paraguay	90%	Ordinary shares	Avda. Guido Boggiani 5509 c/, Procer Arguello, Asuncion, Paraguay
P&O Maritime Services Pty Ltd	Australia	100%	Ordinary shares	Level 3, 99 Queensbridge Street, Southbank VIC 3006, Australia
P&O Netherlands B.V.	Netherlands	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Overseas Holdings Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Pension Funds Investments Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Ports (Chennai) Ltd	Mauritius	100%	Ordinary shares	3rd Floor, C-6,, 31 Cybercity Ebene,, Mauritius
P&O Ports (Kulpi) Pvt Ltd	Mauritius	100%	Ordinary shares	3rd Floor, C-6,, 31 Cybercity Ebene,, Mauritius
P&O Ports (Mundra) Pvt Ltd	Mauritius	100%	Ordinary shares	3rd Floor - C6, 31 Cybercity, Ebene, Mauritius
P&O Ports Ltd.	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Properties International Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Scottish Ferries Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
P&O Scottish Ferries Ship Management Limited	United Kingdom	100%	Ordinary shares	Karen Beeson, Computershare Investor Services Plc, Lochside House, 7 Lochside Avenue, Edinburgh P, Edinburgh, EH12 9DJ, United Kingdom
P&O Tankships Investments Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Pacity Investments Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Parklex Development, Inc.	United States	100%	Ordinary shares	Delaware, United States
Parkway Investments Partners, LP	United States	100%	Ordinary shares	Texas, United states
Parkway Limited Investments, Inc.	United States	100%	Ordinary shares	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover DE 19904, United States
Partkestrel Limited (being wound up)	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Pecard Group Holdings, Inc.	Philippines	16%	Class B Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
Philippine Seaport, Inc	Philippines	39.80%	Common shares	3rd Floor, SSHG Law Centre, 105 Paseo de Roxas, Makati City, Philippines
POETS Fleet Management Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Portsynergy Projects SA	France	50%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Portsynergy SAS	France	50%	Ordinary shares	25 Traverse Mardirossian, 13015, Marseille, France
Portus Indico - Sociedade de Servicos Portuarios Limited	United Arab Emirates	48.50%	Ordinary shares	Clyde & Co, P O Box 112987, Office 102, City Tower 2, Sheikh Zayed Road, , Dubai, Dubai, United Arab Emirates
PT Terminal Petikemas Surabaya	Indonesia	49%	Ordinary (Series B) shares	Jl. Tanjung Mutiara No. 1, Surabaya, East Java, 60177, Indonesia
PTS Holdings Limited	Mauritius	59.22%	Ordinary shares and redeemable "A" Ordinary shares	3rd Floor - C6, 31 Cybercity, Ebene, Mauritius
Qasim International Container Terminal Pakistan Limited	Pakistan	55%	Ordinary shares	Berths 5,6 & 7, Marginal Wharves, Port Muhammed Bin Qasim, Karachi, Pakistan, 75020, Pakistan
Qingdao New Qianwan Container Terminal Co., Ltd	China	23%	Ordinary shares	Fenjin 4th Road, Port of Qianwan, Huangdao, Qingdao, Shangdong Province, 266500, China
Qingdao Qianwan Container Terminal Co., Ltd	China	29%	Ordinary shares	Fenjin 4th Road, Port of Qianwan, Huangdao, Qingdao, Shangdong Province, 266500, China
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	China	16%	Ordinary shares	Qingdao Free Trade Zone, Qingdao, Shandong Province, China
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	China	8%	Ordinary shares	Qingdao Free Trade Zone, Qingdao, Shandong Province, China

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Qingdao Qianwan United Container Terminal Co., Ltd	China	12%	Ordinary shares	567 TongJiang Road, Qingdao Economic and Technological Development Zone, Qingdao, China
Remolcadores de Puerto y Altura, S.A.	Spain	57%	Ordinary shares	Muelle de Reus, s/n, Edificio Fruport -- 43004 Tarragona - Sp, 43004 , Tarragona, Tarragona, Spain
Saigon Premier Container Terminal	Vietnam	80%	Ordinary shares	Plot C-17 Hiep Phuoc Industrial Zone, Hiep Phuoc Commune, Nha Be District, Ho Chi Minh City, Vietnam
SCT Nominees Limited	*United* Kingdom	*100%*	*Ordinary* shares	*16 Palace Street, London*, SW1E 5JQ, United Kingdom
SCT Pension Trustees Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
SG Holdings, Inc	Philippines	16%	Preferred shares	7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, Metro Manila, Philippines
Sociedade de Desenvolvimento do Porto de Maputo, S.A.	Mozambique	24.74%	C Class shares	Praca dos Trabalhadores, Porto de Maputo, Maputo, Mozambique
Societe D'Amenagement De L'interface Terrestre Du Port Du Havre SAS	France	17.5%	Ordinary shares	Av Du 16eme Port, 76600, Le Havre, France
Solent Container Services Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
South Asia Logistics Pvt Ltd	Mauritius	100%	Ordinary shares	3rd Floor - C6, 31 Cybercity, Ebene, Mauritius
South Asia Ports Limited	Mauritius	100%	Ordinary shares	3rd Floor, C-6,, 31 Cybercity Ebene,, Mauritius
South Cotabato Integrated Port Services, Inc.	Philippines	14.89%	Common shares	Makar Wharf, Gen. Santos City, 9500, Philippines
Southampton Container Terminals Limited	United Kingdom	100%	A shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Technologicky Park Brnp a.s.	Czech Republic	50%	Ordinary shares	Purkyňova 646/107 (budova A), 612 00 Brno, Czech Republic
Terminal de Cabotagem de Maputo SARL	Mozambique	17.31%	Ordinary shares	Mártires de Inhaminga, Recinto Portuário – Portão nº 4, Caixa Postal 145, Maputo, Mozambique
Terminales Rio de la Plata S.A.	Argentina	55.62%	Ordinary shares	Av. R.S. Castillo y Comodoro Py s/N°, Puerto Nuevo, Capital Federal, Buenos Aires, C1104BAL, Argentina
UK EDI Limited	United Kingdom	100%	Ordinary shares	16 Palace Street, London, SW1E 5JQ, United Kingdom
Ventress Investments Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia

Notes to the Company financial statement (continued)

R. Related undertakings (continued)

Name	Country of Incorporation	Percentage of share capital owned by the Group	Class of shares	Registered Address
Vipport	Belgium	100%	Ordinary shares	Nieuwe Westweg haven 742, 2040 Antwerpen, Belgium
Visakha Container Terminal Pvt. Ltd.	India	26%	Ordinary shares	Godrej Coliseum, Office No. 801, 8th Floor, C - Wing, Behind Everard Nagar,, Off Somaiya Hospital Road, Near Priyadarshini, Sion (East), Mumbai, Maharashtra, 400022, India
Waughcal Pty Limited	Australia	100%	Ordinary shares	Level 21, 400 George Street, Sydney NSW 2000, Australia
Welbeck Navigation Inc	Panama	100%	Ordinary shares	Edificio Plaza 2000, Piso 16, Calle 50, Panama, Panama
1-Stop Connections Pty Ltd	Australia	1.57%	Ordinary shares	Suite 7005, 376 Bay Street, Brighton Le Sands NSW 2216, Australia

S. Post-Balance Sheet Event

In April 2017 a liability was transferred to the ultimate controlling parent undertaking. See Note 24 (b).