

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**REPORT OF DIRECTORS AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2016**



**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**31 DECEMBER 2016**

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**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**Directors**

Timothy Amyas Hartnoll  
Tristan John Rance Howitt  
Paul Andrew Murphy  
James Edward Lucas

**Company Secretary**

Cornhill Secretaries Limited

**Registered Office**

150 Aldersgate Street, London EC1A 4AB

**Company No. 02470077**

**Auditors**

Moore Stephens LLP

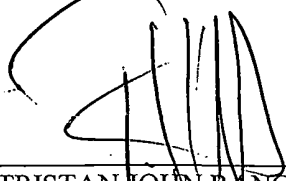
**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

During the year, the Group continued to be involved in the chartering of vessels for the purpose of providing container feeder services. The principal risks and uncertainties surrounding the Group are in relation to the general economic conditions, fluctuations of charter hire rates and bunker fuel prices as well as congestion problems in some European ports.

The Directors consider the key financial performance indicators to be gross profit margins and liquidity ratios. The Group's and Company's gross profit margin increased from 2.8% to 4.3% and 1.6% to 2.5% respectively, mainly due to an addition of subsidiary, TransAtlantic Container AB ("TAC") operated during the year and stemming from taking over Americas operations. TAC is mainly engaged in container feeder and freight forwarding businesses. The Group's and Company's liquidity ratios are: Current Ratio for the Group and Company of 0.52 and 0.52 (2015: 0.50 and 0.50) respectively, Debtors' Turnover days for the Group and Company at 53 days and 53 days (2015: 75 days and 74 days) respectively, and Creditors' Turnover days for the Group and Company at 36 days and 35 days (2015: 41 days and 39 days) respectively.

The future results of the Group are expected to be dependent on freight rates and cargo volumes, as well as charter hire rates and bunker fuel prices. The Management has been monitoring and managing these risks on an on-going basis in order to improve its profitability. Some European ports are expected to continue to be faced with long term congestion problems. The Group continues to incorporate the costs of these delays into its business model to attain higher freight rates. This remains the challenging task in the competitive environment within which the Group operates.

This report was approved by the Board of Directors on 4/7/2017 and signed on their behalf by:

  
\_\_\_\_\_  
TRISTAN JOHN RANCE HOWITT  
DIRECTOR

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES  
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

**Dividends and Transfers to Reserves**

The net loss of the Group and the Company for the financial year of US\$3,162,952 and US\$2,598,755 (2015: US\$3,701,235 and US\$3,877,304) will be credited to accumulated losses. The directors do not recommend the payment of a dividend for the year.

Further details on the financial position and development of the group are set out in the Strategic Report and annexed Financial Statements.

**Branch Operations**

The Group operates a branch in Barcelona.

**Statement as to Disclosure of Information to Auditors**

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

- (a) so far as each director is aware, there is no relevant audit information of which the Group's independent auditors are unaware; and
- (b) each director has taken all the steps that he ought to have taken as a director, including making appropriate enquiries of his fellow directors and of the Group's independent auditors for that purpose, in order to make him aware of any information needed by the Group's independent auditors in connection with preparing their report and to establish that the Group's independent auditors are aware of that information.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES  
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

**Directors' Responsibilities**

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

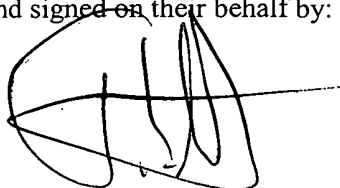
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

This report was approved by the Board of Directors on \_\_\_\_\_  
and signed on their behalf by:

4/7/2017



**TRISTAN JOHN RANCE HOWITT  
DIRECTOR**

# **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF**

## **X-PRESS CONTAINER LINE (UK) LIMITED**

We have audited the financial statements of X-Press Container Line (UK) Limited for the year ended 31 December 2016 which are set out on pages 6 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 3, 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](http://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 parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF**  
**X-PRESS CONTAINER LINE (UK) LIMITED**  
**(continued)**

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group's financial statements are prepared is consistent with the Group financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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



Cassie Forman, *Senior Statutory Auditor*  
For and on behalf of Moore Stephens LLP, *Statutory Auditor*  
150 Aldersgate Street  
London  
EC1A 4AB

4 July 2017

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> US\$	<u>Group</u> <u>2015</u> US\$
<b>Revenue</b>	3	318,062,226	223,727,790
Cost of sales		(304,332,553)	(217,427,217)
<b>Gross profit</b>		13,729,673	6,300,573
Administrative expenses		(16,833,191)	(10,119,365)
<b>Operating loss</b>	4	(3,103,518)	(3,818,792)
Other income		8,711	151,312
<b>Loss before income tax</b>		(3,094,807)	(3,667,480)
Income tax expense	6	(68,145)	(33,755)
<b>Loss for the year</b>		(3,162,952)	(3,701,235)
<b>Other comprehensive (loss) / income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(75,891)	35,828
<b>Net loss and total comprehensive expense for the year</b>		(3,238,843)	(3,665,407)

All items dealt with in arriving at operating loss for 2016 and 2015 relate to continuing activities.

The accompanying notes form an integral part of these financial statements.




**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2016**

		<b>Group</b>		<b>Company</b>	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		US\$	US\$	US\$	US\$
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property plant and equipment	8	783,548	841,847	663,598	760,521
Investment in subsidiary companies	9	-	-	1,141,674	44,225
Intangible asset	10	3,967,630	4,252,893	3,016,440	3,016,440
		<u>4,751,178</u>	<u>5,094,740</u>	<u>4,821,712</u>	<u>3,821,186</u>
<b>Current Assets</b>					
Inventories	11	5,860,076	3,798,212	5,860,076	3,798,212
Trade and other receivables	12	46,654,136	47,956,619	46,870,249	48,903,303
Cash and cash equivalents		9,840,277	2,056,016	8,584,478	1,122,707
		<u>62,354,489</u>	<u>53,810,847</u>	<u>61,314,803</u>	<u>53,824,222</u>
Total assets		<u>67,105,667</u>	<u>58,905,587</u>	<u>66,136,515</u>	<u>57,645,408</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owner of the Company</b>					
Share capital	14	742,624	742,624	742,624	742,624
Reserves		<u>(53,426,879)</u>	<u>(50,188,036)</u>	<u>(52,868,718)</u>	<u>(50,269,963)</u>
		<u>(52,684,255)</u>	<u>(49,445,412)</u>	<u>(52,126,094)</u>	<u>(49,527,339)</u>
<b>Non-Current Liabilities</b>					
Finance lease		24,192	-	-	-
<b>Current Liabilities</b>					
Trade and other payables	15	33,348,279	32,720,894	31,577,555	31,641,324
Amount due to the holding company	16	86,399,651	75,571,096	86,685,054	75,525,401
Tax payable		17,800	59,009	-	6,022
		<u>119,765,730</u>	<u>108,350,999</u>	<u>118,262,609</u>	<u>107,172,747</u>
Total liabilities		<u>119,789,922</u>	<u>108,350,999</u>	<u>118,262,609</u>	<u>107,172,747</u>
Total equity and liabilities		<u>67,105,667</u>	<u>58,905,587</u>	<u>66,136,515</u>	<u>57,645,408</u>

The financial statements were approved by the Board of Directors on 4/7/2017 and were signed on its behalf by:

  
**TRISTAN JOHN RANCE HOWITT**  
**DIRECTOR**

The accompanying notes form an integral part of these financial statements.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Share Capital</u> US\$	<u>Accumulated Losses</u> US\$	<u>Translation Reserve</u> US\$	<u>Total</u> US\$
<b>Group</b>				
<b>Balance at 1 January 2016</b>	742,624	(50,213,231)	25,195	(49,445,412)
Loss for the year	-	(3,162,952)	-	(3,162,952)
Other comprehensive income, net of tax:				
Exchange differences on translation of foreign operations	-	-	(75,891)	(75,891)
<b>Balance at 31 December 2016</b>	<u>742,624</u>	<u>(53,376,183)</u>	<u>(50,696)</u>	<u>(52,684,255)</u>
<b>Balance at 1 January 2015</b>	742,624	(46,511,996)	(10,633)	(45,780,005)
Loss for the year	-	(3,701,235)	-	(3,701,235)
Other comprehensive income, net of tax:				
Exchange differences on translation of foreign operations	-	-	35,828	35,828
<b>Balance at 31 December 2015</b>	<u>742,624</u>	<u>(50,213,231)</u>	<u>25,195</u>	<u>(49,445,412)</u>
<b>Company</b>				
<b>Balance at 1 January 2016</b>	742,624	(50,269,963)	-	(49,527,339)
Net loss and total comprehensive expense for the year	-	(2,598,755)	-	(2,598,755)
<b>Balance at 31 December 2016</b>	<u>742,624</u>	<u>(52,868,718)</u>	<u>-</u>	<u>(52,126,094)</u>
<b>Balance at 1 January 2015</b>	742,624	(46,392,659)	-	(45,650,035)
Net loss and total comprehensive expense for the year	-	(3,877,304)	-	(3,877,304)
<b>Balance at 31 December 2015</b>	<u>742,624</u>	<u>(50,269,963)</u>	<u>-</u>	<u>(49,527,339)</u>

The accompanying notes form an integral part of these financial statements.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

		<b>Group</b>		<b>Company</b>	
	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
<b>Cash Flows from Operating Activities</b>					
Loss before income tax		(3,094,807)	(3,667,480)	(2,592,495)	(3,880,791)
Adjustments for:					
Allowance for impairment of trade receivables	4	3,598,442	696,082	3,598,442	696,082
Write back of allowance for impairment of trade receivables	4	(110,410)	(170,795)	(110,410)	(171,794)
Depreciation of property, plant and equipment	8	224,306	188,731	174,490	166,455
Unrealised foreign exchange loss / (gain)		216,333	(390,614)	205,553	(368,464)
Interest income		(4,110)	(2,412)	(3,985)	(2,412)
Profit on disposal of property, plant and equipment	4	(547)	-	-	-
Amortisation of intangible asset	10	243,432	20,286	-	-
Negative goodwill	9	-	(32,927)	-	-
<b>Operating cash flows before working capital changes</b>		<b>1,072,639</b>	<b>(3,359,129)</b>	<b>1,271,595</b>	<b>(3,560,924)</b>
<b>Changes in working capital</b>					
Inventories		(2,061,864)	20,705	(2,061,864)	(137,094)
Trade and other receivables		(2,601,380)	(15,960,238)	(1,079,979)	(18,931,521)
Trade and other payables		881,244	5,595,836	(1,661,300)	11,174,499
<b>Cash used in operations</b>		<b>(2,709,361)</b>	<b>(13,702,826)</b>	<b>(3,531,548)</b>	<b>(11,455,040)</b>
Interest received		4,110	2,411	3,985	2,412
Income tax paid		(93,432)	(30,312)	(12,282)	(30,312)
<b>Net cash used in operating activities</b>		<b>(2,798,683)</b>	<b>(13,730,727)</b>	<b>(3,539,845)</b>	<b>(11,482,940)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of property, plant and equipment	8	(129,692)	(43,768)	(77,567)	(6,374)
Proceeds from disposal of property, plant and equipment		547	-	-	-
Net cash acquired from acquisition of new subsidiary	9	-	236,470	-	(10,116)
Intangible asset		-	-	-	(3,016,440)
<b>Net cash (used in)/generated from investing activities</b>		<b>(129,145)</b>	<b>192,702</b>	<b>(77,567)</b>	<b>(3,032,930)</b>
<b>Cash Flows from Financing Activity</b>					
Amount drawdown from holding company		10,828,555	11,826,711	11,159,653	12,074,530
<b>Net decrease in cash and cash equivalents</b>		<b>7,900,727</b>	<b>(1,711,314)</b>	<b>7,542,242</b>	<b>(2,441,340)</b>
<b>Effects of exchange rate changes on the balance of cash held in foreign currencies</b>		<b>(116,466)</b>	<b>68,719</b>	<b>(80,472)</b>	<b>81,806</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,056,016</b>	<b>3,698,611</b>	<b>1,122,708</b>	<b>3,482,242</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>9,840,277</b>	<b>2,056,016</b>	<b>8,548,478</b>	<b>1,122,708</b>

The accompanying notes form an integral part of these financial statements.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements are stated in US Dollars, being the functional currency of the Group. The principal accounting policies adopted are set out below.

The Group has adopted all new and revised Standards and Interpretations that have been endorsed by the EU, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the Group's operations and effective for accounting periods beginning on 1st January 2016. The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year.

**New or Revised IAS and IFRS Issued but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new or revised IFRSs that have been issued and which are relevant to the Group but will only be effective for the annual period beginning 1 January 2017 onwards.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 changes the revenue recognition model under IFRS. The core principle of IFRS 15 is to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

To achieve this, a five-step model is introduced:

- Identify the contracts with a customer
- Identify the separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations
- Recognised revenue when (or as) the entity satisfies a performance obligation

The amendment is applicable to annual period beginning on or after 1 January 2018.

The Group is of the view that the amendment will not have any impact on the financial performance and financial position of the Group on initial application.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**New or Revised IAS and IFRS Issued but not yet effective (cont'd)**

**IFRS 9 Financial Instruments – Classification and Measurement**

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and derecognition of financial assets. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit or loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard is effective for accounting periods beginning on or after 1 January 2018.

**IFRS 16 Leases**

The standard makes substantial changes to the recognition and measurement of leases by lessees. On the adoption of the standard, lessees, with certain exceptions for a short term or low value leases, will be required to recognise all leased assets on their statement of financial position as 'right-of-use assets' with a corresponding lease liability. The requirement for lessors are substantively unchanged.

On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timings and variability of lease payments and cash flows, by providing qualitative and quantitative information.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standards and plans to adopt these standards on the required effective date.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(a) Going Concern**

The Group incurred a net loss of US\$3,162,952 (2015: US\$3,701,235) and total comprehensive loss of US\$3,238,843 (2015: US\$3,665,407) for the year ended 31 December 2016, and as of that date, the Group's current liabilities exceeded its current assets by US\$57,411,241 (2015: US\$54,540,152) and the Group has a deficit in shareholder's equity of US\$52,684,255 (2015: US\$49,445,412).

These factors indicate the existence of an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ultimate holding company has undertaken to provide continuing financial support to the Group and the Company to enable it to meet its obligations as and when they fall due.

**(b) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December.

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(b) Basis of Consolidation (cont'd)**

**Subsidiaries (cont'd)**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any minority interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the minority interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Minority interest is the equity in a subsidiary not attributable, direct or indirectly, to a parent company.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any minority interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, minority interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(b) Basis of Consolidation (cont'd)**

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(c) Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into transaction involving a sale or contribution of assets with a joint operation in which it is a joint operator, the Group recognises gains and losses resulting from such a transaction only to the extent of the interests held by the other parties to the joint operation.

When the Group enters into a transaction involving purchase of assets with a joint operation in which it is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.



**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(d) Currency Translation**

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar, which is the Company's functional and presentation currency. Group has used an exchange rate of \$1.2291/£ existed at year end date.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- (2) Income or expense for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) are translated at the exchange rate at the date of the transaction; and
- (3) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(e) Property, Plant and Equipment**

All items of property, plant and equipment are initially stated at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefit associated with an item will flow to the Group and the cost can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditures are recognised as an expense during the financial year in which it is incurred.

Depreciation of property, plant and equipment is calculated on a straight line basis to write off the cost of the asset less the estimated residual value over its estimated useful life at the following rates:

Office equipment, furniture and fittings	- 20% to 25%
Renovations	- 10% or lease term whichever is shorter
Freehold building	- 15% (80 months)
Motor vehicle	- 36 months

The residual values and useful life of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the profit or loss.

**(f) Intangible Assets**

Trademark license and customer listings are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of five years.

**(g) Impairment of Non-Financial Assets**

At each reporting date, the carrying amounts of the Group's non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Whenever the carrying amount of a non-financial asset exceeds its recoverable amount, an impairment loss is recognised in the profit or loss.

The recoverable amount is the higher of an asset's fair value less costs of disposal (estimated net selling price) or value-in-use. The estimated net selling price is the amount which is considered to be obtainable from the sale of an asset in an arm's length transaction. Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(g) Impairment of Non-Financial Assets (cont'd)**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. All reversals of impairment are recognised in the profit or loss.

**(h) Inventories**

Inventories, which comprise bunker fuel, are stated at the lower of cost and net realisable value, with cost determined on a first-in, first-out basis. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. Net realisable value represents the estimated selling price in the ordinary course of business less costs to be incurred in marketing, selling and distribution.

Stores and spares are charged to operating expenses when purchased and no account is taken of stocks remaining on board at the reporting date.

**(i) Financial Assets**

**(i) Classification**

The Group classifies its financial assets based on the nature of the assets and the purposes for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

**Loans and receivables**

Loans and receivables are non-derivative assets that have fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the recognition date which are presented as non-current assets. Loans and receivables are classified as 'cash and cash equivalents' and 'trade and other receivables'.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(i) Financial Assets (cont'd)**

**(ii) *Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the profit or loss.

**(iii) *Initial measurement***

Financial assets are initially recognised at fair value plus transaction costs.

**(iv) *Subsequent measurement***

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**(v) *Impairment***

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

**Loans and receivables**

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through the profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1. Summary of Significant Accounting Policies (cont'd)**

**(j) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

**(k) Financial Liabilities**

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities of the Group are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the recognition date. Financial liabilities of the Group include trade and other payables, accrued expenses and amount due to the holding company as at the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**(l) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group is confident that a provision is to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(m) Operating Leases**

Rental costs under operating leases are charged to profit or loss in equal annual amounts over the period of the lease.

**(n) Finance Leases**

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(n) Financial Leases (cont'd)**

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

**(o) Contingencies**

The Group does not recognise contingent liabilities until such liabilities are considered to be probable. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements until they have materialised but are disclosed when an inflow of economic benefits is considered probable.

**(p) Employee Benefits**

Contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

**(q) Revenue Recognition**

The revenue of the Group represents the amount of services provided, measured at the fair value of the consideration received or receivable.

(i) Freight income is recognised over the duration of voyages. At the reporting date, revenue and costs in relation to the uncompleted portion of a voyage are deferred and recognised in the subsequent accounting period. Time charter revenue is recognised over the life of time charter agreements.

(ii) Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(r) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**(s) Income Taxes**

**(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**1 Summary of Significant Accounting Policies (cont'd)**

**(s) Income Taxes (cont'd)**

**(ii) Deferred tax**

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognised in the profit or loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other information and facts available at the time, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Critical Accounting Estimates and Assumptions**

In the preparation of these financial statements, there were no critical accounting estimates and assumptions made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements at the reporting date and that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**(b) Critical Judgements in Applying the Group's Accounting Policies**

Impairment on intangibles

The group reviews its intangible assets for impairment at each balance sheet date. If events of circumstances indicate that the carrying value of may not be recoverable, the value is adjusted to the recoverable amount, determined by value in use calculations which required estimates to be made of future cash flows. Any impairment is recognised in profit or loss.

Impairment of Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. If the estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by US\$4,665,414 (2015: US\$4,795,662).

The carrying values of trade and other receivables as at 31 December 2016 amounted to US\$46,654,136 (2015: US\$47,956,619).



**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)**

**(b) Critical Judgements in Applying the Group's Accounting Policies (cont'd)**

Contingencies

The Group is involved, from time to time in the course of its business, in disputes resulting from its operating activities which may or may not result in legal action being taken by or against the Group. Where possible, it mitigates the risks of loss arising from any such disputes by appropriate insurance coverage.

After consultation with its legal advisers, the Group considers that the outcome of the disputes in which it is currently involved will not be such as to have a material adverse impact on its financial position. Total provision for legal fees recognised by the Group amounts to US\$0.28 million as at 31 December 2016 (2015: US\$0.07 million).

**3 Revenue**

An analysis of the Group's revenue is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
By Activity:		
Freight income	307,318,469	223,085,670
Sub-charter hire income	1,836,383	554,160
Agency income	51,595	-
Forwarding income	8,855,779	87,960
	<u>318,062,226</u>	<u>223,727,790</u>

An analysis of the Group's revenue is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
By Geographical Area:		
North Europe	148,381,051	97,223,100
South Europe	101,365,557	95,472,038
Americas	65,961,732	26,354,883
East Asia	-	(25)
South Asia	-	474
Middle East	2,353,886	4,677,320
	<u>318,062,226</u>	<u>223,727,790</u>

**X-PRESS CONTAINER LINE (UK) LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**4 Operating Loss**

	<u>2016</u> US\$	<u>2015</u> US\$
Operating loss is stated after charging/(crediting):		
Operating lease expense - vessel charter hire	106,198,682	68,689,240
Bunker expenses during the year	62,008,825	58,349,685
Allowance for impairment of trade receivables	3,598,442	696,082
Write back allowance for impairment of trade receivables	(110,410)	(170,795)
Operating lease expense - rental of office premises	297,490	177,564
Depreciation of property, plant and equipment (Note 8)	224,306	188,731
Amortisation of intangible assets (Note 10)	243,432	20,286
Negative goodwill (Note 9(a))	-	(32,927)
Auditor's remuneration:		
- statutory audit	19,583	26,682
- taxation services	88,594	85,534
Foreign exchange loss	1,421,788	1,032,629
Gain on disposal of property, plant and equipment	(547)	-

**5 Staff Costs and Emoluments of Directors**

Staff costs (excluding directors' emoluments) consist of:

	<u>2016</u> US\$	<u>2015</u> US\$
Wages and salaries	4,995,118	2,866,653
Pension costs	980,198	547,212
Staff welfare and benefits	637,299	522,268
	<u>6,612,615</u>	<u>3,936,133</u>

The average monthly number of persons (including directors) employed during the year was:

	<u>2016</u>	<u>2015</u>
Operations	51	43
Directors	4	4
	<u>55</u>	<u>47</u>

Remuneration of directors of the Group is set out below:

	<u>2016</u> US\$	<u>2015</u> US\$
Short term employment and post-retirement benefits	434,719	272,520

The emoluments of the highest paid director were US\$308,230 (2015: US\$272,520). Two directors received benefits under defined contribution pension schemes or defined benefit pension schemes during the financial years.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**6 Taxation**

	<u>2016</u> US\$	<u>2015</u> US\$
Foreign taxes	68,145	33,755
Current year tax charge	<u>68,145</u>	<u>33,755</u>
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	<u>(3,094,807)</u>	<u>(3,667,480)</u>
Tax at domestic rates applicable to income in the countries where the Group operates at average of 19.2% (2015:19.6%)	(595,072)	(718,877)
Disallowable expenses	337,108	107,382
Tax losses carried forward	388,978	662,032
Other differences	(74,060)	(13,495)
Other taxes charges/(refund)	<u>11,191</u>	<u>(3,287)</u>
	<u>68,145</u>	<u>33,755</u>

The corporation income tax rate applicable to the Company is 20% (2015: 20%). The Group's subsidiary companies are subject to corporate tax rate which ranges from 12.5% to 32% in the countries where the subsidiary companies operates.

The Group has UK taxable losses carried forward of US\$50,007,959 (2015: US\$48,906,297) against which any future UK taxable profits will be offset, thereby reducing the tax charge in the financial year the losses are utilised.

**7 Ultimate Holding Company**

The Group's immediate holding company is X-Press Feeders Limited, a company incorporated in the British Virgin Islands, which is also regarded by the directors as the Company's ultimate holding company. The beneficial owner of X-Press Feeders Limited is Mr Timothy Amyas Hartnoll.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**8 Property, Plant and Equipment**

	<u>Freehold Buildings</u> US\$	<u>Furniture &amp; fittings</u> US\$	<u>Office equipment</u> US\$	<u>Renovations</u> US\$	<u>Motor Vehicle</u> US\$	<u>Total</u> US\$
<b>Group</b>						
<u>Cost</u>						
At 1 January 2015	847,076	66,977	211,211	63,020	-	1,188,284
Additions	-	11,738	32,030	-	-	43,768
Disposal	-	-	(14,213)	-	-	(14,213)
At 31 December 2015	847,076	78,715	229,028	63,020	-	1,217,839
Additions	-	7,549	61,431	60,711	38,828	168,519
Disposal	-	-	(3,750)	(7,801)	-	(11,551)
Effect of foreign currency exchange differences	-	(1,932)	(3,092)	-	(2,061)	(7,085)
At 31 December 2016	847,076	84,332	283,617	115,930	36,767	1,367,722
<u>Accumulated depreciation</u>						
At 1 January 2015	63,531	30,670	101,736	11,943	-	207,880
Charge for the year	127,061	8,380	45,008	8,282	-	188,731
Disposal	-	-	(20,619)	-	-	(20,619)
At 31 December 2015	190,592	39,050	126,125	20,225	-	375,992
Charge for the year	127,062	16,382	60,430	16,657	3,775	224,306
Disposal	-	-	(3,750)	(7,801)	-	(11,551)
Effect of foreign currency exchange differences	-	(1,967)	(2,405)	-	(201)	(4,573)
At 31 December 2016	317,654	53,465	180,400	29,081	3,574	584,174
<u>Net book value</u>						
At 31 December 2015	656,484	39,665	102,903	42,795	-	841,847
At 31 December 2016	529,422	30,867	103,217	86,849	33,193	783,548
<b>Company</b>						
<u>Cost</u>						
At 1 January 2015	847,076	22,380	186,376	63,020	-	1,118,852
Additions	-	-	6,374	-	-	6,374
Disposal	-	-	(17,844)	-	-	(17,844)
At 31 December 2015	847,076	22,380	174,906	63,020	-	1,107,382
Additions	-	-	16,856	60,711	-	77,567
Disposal	-	-	(663)	(7,801)	-	(8,464)
At 31 December 2016	847,076	22,380	191,099	115,930	-	1,176,485
<u>Accumulated depreciation</u>						
At 1 January 2015	63,531	22,380	100,397	11,942	-	198,250
Charge for the year	127,061	-	31,111	8,283	-	166,455
Disposal	-	-	(17,844)	-	-	(17,844)
At 31 December 2015	190,592	22,380	113,664	20,225	-	346,861
Charge for the year	127,062	-	30,771	16,657	-	174,490
Disposal	-	-	(663)	(7,801)	-	(8,464)
At 31 December 2016	317,654	22,380	143,772	29,081	-	512,887
<u>Net book value</u>						
At 31 December 2015	656,484	-	61,242	42,795	-	760,521
At 31 December 2016	529,422	-	47,327	86,849	-	663,598

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**8 Property, Plant and Equipment (cont'd)**

Net book value of motor vehicles acquired under finance lease by the Group amounted to US\$33,193.

**9 Investment in a Subsidiary**

	<u>2016</u> US\$	<u>2015</u> US\$
Company		
<u>Unquoted shares, at cost</u>		
At 1 January	156,504	146,388
Additions	1,097,450	10,116
At 31 December	1,253,954	156,504
<u>Accumulated impairment losses</u>		
At 31 December	(112,280)	(112,280)
	<u>1,141,674</u>	<u>44,224</u>

The details of the subsidiary companies as at 31 December are:

Name of company, country of incorporation and country of operation	Principal activities	Equity held by the Company		Cost of investment by the Company	
		2016	2015	2016	2015
		%	%	US\$	US\$
X-Press Feeders Agency GmbH Germany	Shipping agency	100	100	34,107	34,107
Sea Medlink Limited Italy #	Shipping agency	99	99	112,280	112,280
Ferody Associates Limited Cyprus	Shipping agency	100	100	106	106
Xpress Shipping Agency Panama S.A Panama	Shipping agency	100	100	10,000	10,000
Transatlantic Container AB Sweden (a)	Container Feeder	100	100	1,097,461	11

# This subsidiary commenced members' voluntary liquidation in 2009.

**(a) Acquisition of new subsidiary company**

On 1 December 2015, the Company acquired 100% equity interest in TransAtlantic Container AB ("TAC") for a total purchase consideration of EUR10 (equivalent to US\$11). TAC is mainly engaged in container feeder and freight forwarding businesses. The Group recognised an intangible asset amounting to EUR4.0 million (equivalent to US\$4.23 million) pertaining to the acquired trademark license and existing customer base of TAC.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**9 Investment in a Subsidiary (cont'd)**

**(a) Acquisition of new subsidiary company (cont'd)**

Assets acquired and liabilities assumed at the date of acquisition

The fair value of the identifiable assets and liabilities of the acquired subsidiaries as at the acquisition date were:

	Transatlantic Container AB US\$
Cash	236,481
Trade and other receivables	1,851,910
Inventories	157,799
Property and equipment	10,376
Intangible assets	4,233,600
Trade and other payables	(6,457,228)
Total identifiable net assets at fair value	<u>32,938</u>
Consideration transferred	11
Less: Fair value of identifiable net assets acquired	<u>32,938</u>
Negative goodwill arising on acquisition	<u>32,937</u>
Cash and cash equivalent acquired	236,481
Less consideration paid as cash and cash equivalent	(11)
Cash flow on acquisition	<u>236,470</u>

During the year, XCLUK converted EUR1.00 million (equivalent to US\$1.10 million) of its loan to TAC into quasi-equity.

**10 Intangible Assets**

	<b>Group</b>		<b>Company</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Intangible assets	4,252,893	4,233,600	3,016,440	3,016,440
Less: Amortisation during the year	(243,432)	(20,286)	-	-
Less: foreign exchange movements	(41,831)	39,579	-	-
	<u>3,967,630</u>	<u>4,252,893</u>	<u>3,016,440</u>	<u>3,016,440</u>

On 1 December 2015, the Company acquired 100% equity interest in TransAtlantic Container AB ("TAC") for a total purchase consideration of EUR10 (equivalent to US\$11). TAC is mainly engaged in container feeder and freight forwarding businesses. The Group recognised an intangible asset amounting to EUR4.0 million (equivalent to US\$4.23 million) pertaining to the acquired trademark license and existing customer base of TAC.

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**11 Inventories**

	<b>Group</b>		<b>Company</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Bunker fuel	5,860,076	3,798,212	5,860,076	3,798,212

**12 Trade and Other Receivables**

	<b>Group</b>		<b>Company</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Trade receivables	35,005,844	26,060,211	34,238,107	25,434,587
Amount due from agents	2,008,004	3,210,729	2,021,862	3,210,729
Amount due from joint operations (Note 13)	-	4,055,646	-	4,055,646
Unbilled revenue	6,926,928	11,153,661	6,729,146	11,114,463
Other receivables	2,336,180	2,565,574	2,260,304	2,507,202
Deferred cost	202,326	297,591	202,326	284,371
Amount due from related parties	-	-	1,374,665	2,211,842
Deposits	61,646	531,072	10,252	45,116
Prepayments	113,208	82,135	33,587	39,347
	<u>46,654,136</u>	<u>47,956,619</u>	<u>46,870,249</u>	<u>48,903,303</u>

Trade receivables are normally settled in 30 to 60 days.

Trade receivables include an allowance for impairment of trade receivables of US\$4,122,457 (2015: US\$693,009) (see Note 20 (a)(ii)).

Other receivables mainly include subcharterer account, owner account, vessel disbursement recoverable, staff loans and advances recoverable and deferred costs.

Amounts due from related parties and joint operations are unsecured, interest free and repayable on demand.

**13 Interests in Joint Operations**

The Group has entered into various non-incorporated joint operation agreements with its business partners. These agreements provide for cost and/or revenue sharing at an agreed percentage.

Summarised financial information in respect of the Group's interest in non-incorporated joint operations is set out below:

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**13 Interests in Joint Operations (cont'd)**

	<u>2016</u> US\$	<u>2015</u> US\$
Net assets	533,830	4,307,264
Revenue	1,005,787	4,643,573
Amount due from joint operations (Note 12)	-	4,055,646

During the year the joint operation agreement was terminated.

There are no commitments or contingent liabilities outstanding in these joint operations as at 31 December 2016 and 2015.

**14 Share Capital**

	<u>2016 and 2015</u> US\$
Authorised 500,000 ordinary shares of GBP1	742,624
Allotted, called and fully paid up 500,000 ordinary shares of GBP1	742,624

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The parent company has elected not to include its own individual statement of comprehensive income in the annual accounts in accordance with Section 408 of the Companies Act 2006.

**15 Trade and Other Payables**

	<b>Group</b>		<b>Company</b>	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Provision for vessel disbursements	16,729,686	14,087,864	16,390,280	14,027,225
Trade payables	10,489,276	7,700,618	9,809,448	6,997,928
Amounts due to agents	2,399,810	2,440,715	2,292,098	2,333,003
Finance lease liability – current	3,968	-	-	-
Other payables	273,990	30,473	135,766	27,919
Amount due to related parties	58,155	966,563	537,932	1,313,738
Unearned revenue	1,193,998	6,046,887	1,193,998	6,046,887
Accruals	2,199,396	1,447,774	1,218,033	894,624
	33,348,279	32,720,891	31,577,555	31,641,324

Amounts due to related parties are unsecured, interest-free and repayable on demand.



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**16 Amount Due to Holding Company**

The amount due to the holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

The holding company has agreed however to subordinate its rights to repayment of its debt in favour of third party creditors and to provide continued support to the Company for the foreseeable future. Repayment will not be demanded until the resources of the Company allow.

**17 Deferred Taxation**

A deferred tax asset of US\$ 10,032,606 (2015: US\$9,808,691) on taxable losses carried forward at the year end has not been recognised on the grounds that its realisation is considered uncertain as to the timing and amount, based on current profitability and future cashflow projections.

**18 Related Party Transactions**

The Group had related party transactions in the year as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
(a) Costs recovery by a related subsidiary company	<u>4,054,108</u>	<u>3,214,947</u>
(b) Cost recovery to fellow related companies	<u>-</u>	<u>142,738</u>
(c) Charter hire income received from related subsidiary company	<u>1,026,843</u>	<u>-</u>
(d) Charter hire expense payable to related subsidiary companies	<u>21,436,422</u>	<u>53,502,105</u>
(e) Key management remuneration - short term employment benefits	<u>1,200,347</u>	<u>711,835</u>

Key management includes the directors of the Company as well as certain other members of the senior management team.

The Company is a party to a "Set-off Agreement" under which accounts between companies in the same Group are off set against each other with the net balance being due to/from the ultimate holding company, X-Press Feeders Limited.

(Payables)/Receivables subject to offsetting arrangement

The Company is a party in Group's Offsetting agreement wherein the amounts due from/to each party at year end are transferred to the holding company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**18 Related Party Transactions (cont'd)**

The Company's (payables)/receivables that are offset are as follows:

	Gross carrying <u>amounts</u> US\$	Gross amounts offset in the statement of <u>financial position</u> US\$	Net amounts in the statement of <u>financial position</u> US\$
<u>2016</u>			
Amount due to holding company	114,193,348	(27,508,294)	(86,685,054)
Amount due from related companies	3,393,724	(3,393,724)	-
Amount due to related companies	(30,902,018)	30,902,018	-
	<u>(86,685,054)</u>	<u>-</u>	<u>(86,685,054)</u>
<u>2015</u>			
Amount due to holding company	95,542,184	(20,016,783)	(75,525,401)
Amount due from related companies	3,107,511	(3,107,511)	-
Amount due to related companies	(23,124,294)	23,124,294	-
	<u>(75,525,401)</u>	<u>-</u>	<u>(75,525,401)</u>

**19 Commitments**

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to office premises, which fall due as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Within one year	205,067	318,348
Between 2-5 years	262,455	489,005
	<u>467,522</u>	<u>807,353</u>

Additionally, the Group charters its vessels under time charter parties which are treated as operating leases. At the reporting date, the Group had contracted with third party vessel owners for the following future minimum lease payments:

	<u>2016</u> US\$	<u>2015</u> US\$
Within one year	8,660,953	12,716,621

Vessels chartered from related companies (See Note 18) are not considered to give rise to any commitments as the charters are cancellable.

**X-PRESS CONTAINER LINE (UK) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**20 Risk and Financial Instruments**

**(a) Financial Risk Management Objectives and Policies**

The Group's activities expose it to capital risk, market risk (including currency risk, interest rate risk and charter hire risk), credit risk and liquidity risk. The management reviews and monitors the policies for managing each of these risks and they are summarised below.

**(i) Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to operate as a going concern in order to provide adequate returns to the shareholder, to support the Group's stability and growth, and to provide capital for the purpose of strengthening the Group's financial management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Group consists of share capital of US\$742,624 and unsecured amounts due to the ultimate holding company of US\$86,399,651 (2015: US\$75,571,096).

The Group is not subject to any externally imposed capital requirements.

**(ii) Credit risk**

The credit risk of the Group mainly arises from trade and other receivables and deposits with banks. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit risk as at 31 December 2016 and 2015.

It is the Group's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group has procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

The Group has limited credit risk with its banks which are reputable and are assessed as having low risk. The Group has not had any loss arising from non-performance by these parties in the past and management does not expect any in the future.

There is no class of financial asset that is past due and/or impaired (classified as over 60 days) except for trade receivables.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**20 Risk and Financial Instruments (cont'd)**

**(a) Financial Risk Management Objectives and Policies (cont'd)**

**(ii) Credit risk (cont'd)**

The aged analysis of trade receivables past due but not impaired is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Past due 0 to 3 months	4,773,236	889,201
Past due more than 3 months	1,732,637	102,749
	<u>6,505,873</u>	<u>991,950</u>

The Group does not hold any collateral in respect of these amounts.

Movements on the Group's allowance for impairment of trade receivables are as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
As at 1 January	693,009	168,512
Allowance for impairment	3,598,442	696,082
Foreign currency revaluation	(44,085)	(790)
Written-back during the year	(110,410)	(170,795)
Written-off during the year	(14,499)	-
As at 31 December	<u>4,122,457</u>	<u>693,009</u>

**(iii) Interest rate risk**

The Group has cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms. The Group has no interest bearing financial liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**20 Risk and Financial Instruments (cont'd)**

**(a) Financial Risk Management Objectives and Policies (cont'd)**

*(iv) Currency risk*

The Group operates throughout Europe and South America. The Group regularly transacts in currencies other than their functional currency which is the United States dollar (USD).

Currency risk arises when transactions are denominated in foreign currencies. The Group did not use derivative financial instruments during the financial year to protect itself against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. To manage the currency risk, the Group has maintained different foreign currency denominated bank accounts utilising them in the day to day operations to reduce the Group's exposure to foreign currency risk, and the management monitors exposure closely to ensure that the risk is minimised.

The Group's currency exposure based on the information provided to key management is as follows:

	<u>Euro</u> US\$	<u>Others</u> US\$
<u>Group</u>		
<u>2016</u>		
Net assets	21,534,349	167,023
<u>2015</u>		
Net assets	10,706,058	740,742

The Company's currency exposure based on the information provided to key management is as follows:

	<u>Euro</u> US\$	<u>Others</u> US\$
<u>Company</u>		
<u>2016</u>		
Net assets	21,019,586	638,508
<u>2015</u>		
Net assets	9,799,339	740,742

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**20 Risk and Financial Instruments (cont'd)**

**(a) Financial Risk Management Objectives and Policies (cont'd)**

**(iv) Currency risk (cont'd)**

If exchange rates strengthened against the United States dollar by 10% with all other variables including tax rate being held constant, the increase/(decrease) in loss arising from the net financial asset position would be as follows:

	2016 US\$'000	2015 US\$'000
<u>Group</u>		
Euro	2,153	1,071
Others	17	74
<u>Company</u>		
Euro	2,102	980
Others	64	74

A 10% strengthening of the United States dollar against Euro and others would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**(v) Liquidity risk**

The Group manages its liquidity risk by ensuring it has sufficient cash balances to meet its payment obligations as they fall due. In addition, the holding company has agreed to provide continuing financial support to the Group for the foreseeable future.

The Group closely monitors its exposure to liquidity risk by reviewing the cash position report weekly. As at 31 December 2016, all of the Group's financial liabilities, with the exception of the amount due to the holding company, are maturing in less than a year and the Group has adequate working capital to settle these current financial liabilities.

The holding company has agreed not to seek repayment of its receivable until the resources of the Group allow.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016**

**20 Risk and Financial Instruments (cont'd)**

**(a) Financial Risk Management Objectives and Policies (cont'd)**

**(vi) *Charter hire risk***

The Group's earnings are exposed to rate fluctuations in the charter hire market. The Group's Fleet Management Department, with advice from ship brokers, monitors the charter hire market on an on-going basis. The Group fixes its charter rates and tenures that minimise the Group's exposure to charter hire market fluctuations.

**(b) Fair Value**

With the exception of the amount due to the holding company, the fair values of current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturities of these instruments. The fair value of the amount due to the holding company is considered to approximate US\$33,023,000 (2015: US\$25,358,000).

**21 General**

The Company is a limited liability company domiciled and incorporated in the United Kingdom. The Company's principal activities are the chartering of vessels for the purpose of providing container feeder and related services.

The address of its registered office is 150 Aldersgate Street, London, EC1A 4AB United Kingdom.