DP WORLD

P&O Annual Report 2015

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

Company Information

Board of directors

Sultan Bin Sulayem (appointed 26/01/2016)

Jamal Majid Bin Thaniah

Yuvraj Narayan

Ganesh Raj Jayaraman

Anil Wats

Sarmad Qureshi

Secretary

Mohammad Al Hashimy

Registered Office

The Peninsular and Oriental Steam Navigation Company

16 Palace Street

London

SW1E 5JQ

Telephone +44 (0)20 7901 4000

Incorporated by Royal Charter with limited liability, company number Z73

Auditors

KPMG LLP

15 Canada Square

London, UK

E14 5GL

DP World Limited

PO Box 17000

Jebel Ali Port

Dubai

United Arab Emirates

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Contents

Group strategic report for the year ended 31 December 2015

The directors present their strategic report on the Group for the year ended 31 December 2015

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 11 to 16 and in the accompanying notes The financial position of the Company is set out in detail on page 78 and in the accompanying notes

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

Included within net operating costs are the following items	2015	2014	% Change
Ports – Gross container throughput (TEU'000)	**29,728**	28,979	2 6
Profit from continuing operations before taxation (£'m)	**193 5**	160 5	20 6
Profit for the year from continuing operations (£'m)	**137 3**	98 9	38 8
EBITDA (Adjusted) (£'m)*	**340 6**	288 0	18 3
Net Assets (£'m)	**3,660 3**	3,577 2	2 3
Net debt to equity	**22 9%**	19 9%	-
Net cash inflow from operating activities	**215 4**	232 8	(7 5)
Net cash outflow from investing activities	**(544 2)**	(64 3)	746 3

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

Gross throughput (twenty foot equivalent units ("TEU")) of 29 7 million TEUs was 2 6% more than last year mainly due to stronger performances across Europe and Americas

Profit before taxation for the year ended 31 December 2015 was £193 5m up 20 6% from the prior year profit before taxation of £160 5m Excluding the impact of any separately disclosed items, profit before taxation was £187 7m compared to a prior year profit before taxation of £162 0m The increase in the profit before taxation was driven by increase in Asia Pacific and Indian sub-continent segment primarily due to much stronger performance of equity accounted investees The Australia and Americas segment has reported stronger performance relative to prior period due to acquisition of port of Prince Rupert Net finance costs have increased by £9 2m primarily due to interest paid on additional drawdown during the year, which is partially offset by one off gain on restructuring of loan in Asia Pacific and Indian subcontinent segment

Profit for the year was £137 3m up by 38 8% from the prior year profit of £98 9m mainly due to increase in earnings from equity accounted investees in Asia Pacific and Indian subcontinent segment and increase in profit in Europe and Africa segment

Net assets at 31 December 2015 of £3,660 3 million were up 2 3% when compared to £3,577 2 million at 31 December 2014, the movements are detailed in the consolidated statement of changes in equity

Net debt to equity increased to 22 9% at 31 December 2015 from 19 9% at 31 December 2014 Net debt is defined as all interest bearing external liabilities less cash and cash equivalents

Net cash inflow from operating activities was 7 5% lower than the previous financial year principally due to unfavourable movement in working capital, which was partly offset by increased EBITDA

Cash outflow from investing activities was 746 3% higher than the previous financial year mainly due to acquisition of port of Prince Rupert in August 2015 and additional capital expenditure in London Gateway port and Nhava Sheva India Gateway Port

On 18 August 2015, the Group 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

Group strategic report for the year ended 31 December 2015 *(continued)*

total consideration of £288 9 million (cash acquired on acquisition £1 3 million) This acquisition has resulted in recognition of goodwill of £73 3m

On 23 September 2015, the Group acquired the remaining 17 5% additional interest in Antwerp Gateway NV for a consideration of £19 0 million, resulting in an increase in the Group's total holding from 42 5% to 60% This has not resulted in any change in control and it is continued to be accounted as equity accounted investee

On 30 October 2015, the Group acquired the remaining 49% of non-controlling interest in Southampton Container Terminals Limited for a consideration of £38 8 million, resulting in a gain of £10 5 million which has been recorded in equity, as there has not been any change in control

Principal risks and uncertainties

During 2015, 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

Container handling correlates to GDP growth of the global economy Market conditions in many of the geographies where the Group operates can be challenging due to macroeconomic issues, which can potentially impact volume growth and profitability Measures have been taken to minimise exposures and mitigate the impact of any downturn in the macroeconomic environment The Group has a well-diversified global portfolio of investments across a number of jurisdictions, spreading concentration risk due to an even geographical spread of business activity

Geopolitical

The Group seeks new opportunities and operates across a large number of jurisdictions, resulting in exposure to a broad spectrum of economic, political and social frameworks Ongoing security assessments and continuous monitoring of geopolitical developments along with engagement with local authorities and joint venture partners, ensures that the Group is well positioned to respond to changes in political environments Comprehensive policies, procedures and trainings are in place to promote legal and regulatory compliance

Competition

The Group faces significant competition in the container terminal industry for concessions and throughput which could adversely affect its ability to maintain or increase its market share and profitability The Group's major and middle-tier customers are expected to continue to form alliances and change their strategy on preferred ports and hubs which could lead to downward pressure on tariffs and profit margins The Group focuses on high levels of customer service and develop sustainable, high-value and trusted customer relationships throughout its portfolio The Group's investment in deep-sea capacity allows it to handle ultra-large vessels and offers a competitive advantage

The utilisation of the Group's operations is influenced by any available capacity to handle container volumes If port authorities tender many projects simultaneously and create capacity beyond medium-term demand, this 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 In many jurisdictions where there are ramp-up risks associated with new capacity, the Group is able to seek terms with the port authorities to restrict the granting of additional capacity until a reasonable level of ramp-up has been achieved

Legal and regulatory

Our Group is subject to detailed local, regional and global laws and regulations across different jurisdictions which could impact our operations and increase the cost of compliance Failure to comply with legislation could lead to substantial financial penalties, disruption to business, personal and corporate liability and loss of reputation The Group monitors changes to regulations across its portfolio to ensure that the effect of any

Group strategic report for the year ended 31 December 2015 *(continued)*

changes are minimised and compliance is continually managed Comprehensive policies, procedures and training are in place to promote legal and regulatory compliance

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, 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 75 7% (2014 64 8%) 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

Group strategic report for the year ended 31 December 2015 *(continued)*

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 £130 7 million (2014 £161 2 million) of the Group's interest bearing loans and borrowings carry interest at floating rates The Group's policy is to manage its interest cost by entering into interest rate swap agreements in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount These swaps are designated to hedge underlying debt obligations

At 31 December 2015, after taking into account the effect of interest rate swaps, approximately 88 2% (2014 82%) 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 2015 *(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 4 1% for the year ended 31 December 2015 as compare to 3.8% for the year ended 31 December 2014

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
27 June 2016
Company Number Z73

Report of the directors

The directors present their report and accounts for the year ended 31 December 2015

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
Mohammed Sharaf (resigned on 26 January 2016)
Yuvraj Narayan
Ganesh Raj Jayaraman
Anil Watts
Sarmad Qureshi

Dividends

The directors approved the payment of an interim dividend of £1,000m on 31st March 2016, the Directors did not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014 £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 this 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 £2,602 8 million (2014 £2,601 1 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 2015, the Group had net debt of £837 9 million (2014 £712 0 million) and £244 3 million (2014 £389 6 million) of undrawn committed borrowing facilities The Group generated net cash of £215 4 million (2014 £232 8 million) from operating activities and its interest cover for the year is 8 times (2014 11 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 or she ought to have taken as a director to make himself or herself 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
27June 2016
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 2015 set out on pages 11 to 103 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 8, 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 2015 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

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

S. Arshad

Sameena Arshad (Senior Statutory Auditor)

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

15 Canada Square
Canary Wharf
London E14 5GL
27 June 2016

Consolidated income statement

For the year ended 31 December 2015

£ million

	Note	Year ended 31 December 2015			Year ended 31 December 2014		
		Before separately disclosed items	Separately disclosed items	Total	Before separately disclosed items	Separately disclosed items	Total
Group revenue	7	883 6	49 2	932 8	805 8	31 8	837 6
Cost of sales		(587 6)	(49 2)	(636 8)	(546 2)	(31 8)	(578 0)
Gross profit		296 0	-	296 0	259 6	-	259 6
Other operating income		3 4	-	3 4	6 0	-	6 0
Administrative costs		(148 4)	(0 4)	(148 8)	(144 9)	-	(144 9)
Earnings from equity accounted investees	7	80 2	-	80 2	67 7	-	67 7
Group operating profit		231 2	(0 4)	230 8	188 4	-	188 4
Loss on sale and termination of business	9	-	(0 2)	(0 2)	-	-	-
Profit before finance expense		231 2	(0 6)	230 6	188 4	-	188 4
Finance income	10	47 4	6 4	53 8	43 1	1 0	44 1
Finance expense	10	(90 9)	-	(90 9)	(69 5)	(2 5)	(72 0)
Net finance expense		(43 5)	6 4	(37 1)	(26 4)	(1 5)	(27 9)
Profit before taxation		187 7	5 8	193 5	162 0	(1 5)	160 5
Income tax expense	11	(56 2)	-	(56 2)	(61 6)	-	(61 6)
Profit for the year	7	131 5	5 8	137 3	100 4	(1 5)	98 9
Attributable to							
Owners of the company				118 1			76 7
Non-controlling interests				19 2			22 2

Consolidated statement of comprehensive income

For the year ended 31 December 2015

			£ million
	Note	2015	2014
Profit for the year		**137 3**	98 9
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		**5 4**	(46 9)
Foreign currency translation differences for foreign operations		**(6 4)**	27 9
Share of other comprehensive income of equity accounted investees		**0 6**	(1 4)
Deferred tax on other comprehensive income		**(3 0)**	9 7
Items that will never be reclassified to consolidated income statement			
Re-measurements of post-employment benefit obligations	24	**(3 8)**	(42 4)
Related tax		**(0 7)**	1 9
Total other comprehensive income for the year		**(7 9)**	(51 2)
Total comprehensive income for the year		**129 4**	47 7
Attributable to			
Owners of the company		**113 0**	28 1
Non-controlling interests		**16 4**	19 6

Consolidated statement of financial position

as at 31 December 2015

	Note	2015	2014
			£ million
Non-current assets			
Intangible assets	12	641 8	267 1
Property, plant and equipment	13	1,814 9	1,737 1
Investments in equity accounted investees	14	445 5	359 8
Other investments	17	29 3	29 7
Trade and other receivables	16	15 3	17 9
Loans to group undertakings	16	17 3	22 4
Deferred tax assets	15	0 1	8 4
		2,964 2	2,442 4
Current assets			
Inventories		17 1	16 9
Trade and other receivables	16	181 0	157 9
Tax recoverable		16 6	14 4
Loans to group undertakings	16	2,602 8	2,601 1
Cash and cash equivalents	18	269 4	249 2
		3,086 9	3,039 5
Total assets		6,051 1	5,481 9
Non-current liabilities			
Interest bearing loans and borrowings	19	1,073 1	860 9
Trade and other payables	20	73 6	81 3
Loan from group undertakings	20	291 8	26 1
Deferred tax liabilities	15	386 7	319 0
Employee benefits	24	122 1	135 2
Provisions		0 7	0 7
		1,948 0	1,423 2
Current liabilities			
Interest bearing loans and borrowings	19	34 2	100 3
Trade and other payables	20	252 4	236 0
Income tax liabilities		81 1	87 2
Loan from group undertakings	20	51 8	35 0
Employee benefits	24	6 8	6 5
Provisions		16 5	16 5
		442 8	481 5
Total liabilities		2,390 8	1,904 7

Consolidated statement of financial position (continued)

as at 31 December 2015

			£ million
	Note	2015	2014
Net assets		3,660.3	3,677.2
Equity			
Issued capital	22	843.2	843 2
Share premium	22	815 4	815 4
Other reserves	22	296 1	295 8
Retained earnings		1,675 5	1,552 3
		3,630 2	3,506 7
Non-controlling interests	21	30.1	70 5
Total equity		3,660.3	3,577 2
Total equity and liabilities		6,051.1	5,481.9

The accounts were approved by the board of directors and signed on its behalf on 27 June 2016 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 2015

	Share capital	Share premium	Translation reserve	Hedging reserve	Other reserve	Retained earnings	Total	Non-controlling Interest	Total equity
									£ million
Balance as at 1 January 2014	843 2	815 4	160 4	(24 0)	170 5	1,513 1	3,478 6	62 3	3,540 9
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	76 7	76 7	22 2	98 9
Total other comprehensive income, net of income tax	-	-	27 2	(38 3)	-	(37 5)	(48 6)	(2 6)	(51 2)
Total comprehensive income	-	-	27 2	(38 3)	-	39 2	28 1	19 6	47 7
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests									
-Other transactions	-	-	-	-	-	-	-	4 2	4 2
-Dividends	-	-	-	-	-	-	-	(15 6)	(15 6)
Total Transactions with non-controlling interests	-	-	-	-	-	-	-	(11 4)	(11 4)
At 31 December 2014	843 2	815 4	187 6	(62 3)	170 5	1,552 3	3,506 7	70 5	3,577 2
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)**
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**

Consolidated statement of cash flows
For the year ended 31 December 2015

	Note	2015	2014
Operating activities			
Profit after taxation		**137 3**	**98 9**
Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities			
Share of profits of equity accounted investees	14	**(80 2)**	(67 7)
Loss on sale of intangibles and property, plant and equipment		**0 7**	0 1
Loss on sale and termination of business	9	**0 2**	-
Impairment loss	9	**0 4**	-
Net finance expense	10	**37 1**	27 9
Taxation expense	11	**56 2**	61 6
Depreciation and amortisation charges		**109 4**	99 6
Gross cash flows from operations		**261 1**	220 4
Movement in working capital			
Change in inventories		**0 3**	(2 5)
Change in trade and other receivables		**53 5**	19 0
Change in trade and other payables		**(5 8)**	65 2
Change in provisions		**(17 7)**	(5 7)
Income taxes paid		**(76 0)**	(63 6)
Net cash provided by operating activities		**215 4**	232 8
Investing activities			
Capital expenditure		**(227 8)**	(146 1)
Investment in equity accounted investees		**(19 0)**	(1 1)
Proceeds from disposals of fixed assets		**10 9**	0 7
Dividends received from joint ventures and associates	14	**23 9**	81 5
Net loans given to joint ventures and associates		**(17 1)**	-
Interest received		**11 2**	8 6
Acquisition of non-controlling interest without change of control		**(38 7)**	-
Acquisition of subsidiary, net of cash acquired	28	**(287 6)**	(7 9)
Net cash used in investing activities		**(544 2)**	(64 3)
Financing activities			
Drawdown from long-term financing		**173 8**	157 8
Repayments of long-term financing		**(36 5)**	(70 7)
Net decrease/ (increase) in loan with group undertakings		**285 9**	(110 3)
Net interest paid		**(55 9)**	(46 4)
Dividends paid to Non-controlling interest		**(7 6)**	(15 6)
Net cash provided by (used in) financing activities		**359 7**	(85 2)
Increase in cash and cash equivalents		**30 9**	83 3
Cash and cash equivalents at beginning of year	18	**249 2**	165 5
Currency translation differences relating to cash and cash equivalents		**(10 7)**	0 4
Cash and cash equivalents at end of year		**269 4**	249 2

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 2015 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 78 to 103

The consolidated financial statements were approved by the board of directors on 27 June 2016

(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 this 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 £2,602 8 million (2014 £2,601 1 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 2015, the Group had net debt of £837 9 million (2014 £712 0 million) and £244 3 million (2014 £389 6 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 £215 4 million (2014 £232 8 million) from operating activities and its interest cover for the year is 8 times (2014 11 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

Notes to the consolidated financial statements *(continued)*

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

(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

(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 and Asian Terminals Inc are 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

Notes to the consolidated financial statements *(continued)*

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

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 (including business combinations under common control) 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 statement of profit or loss

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 statement of profit or loss

(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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group

(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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

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 assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss If the Group retains any interest in the previous subsidiary, then such interest is re-measured at fair value at the date that control is lost Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained

(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, which is generally at fair value

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)

An associate is an entity over which the Group has significant influence Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies

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 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

Investment 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 goodwill identified on acquisition, fair value adjustments net of any accumulated impairment losses The consolidated financial statements include the Group's share of the income and expenses of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee If the equity-accounted investees subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised

The financial statements of the equity-accounted investees are prepared for the same reporting period as the Group The transactions between the Group and its equity-accounted investees are made at normal market prices

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

Upon loss of joint control or significant influence, the Group measures and recognises any retained investment at its fair value The difference between the carrying amount of the equity–accounted investees upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised as profit or loss in the consolidated income statement

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(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 respective functional currencies of the Group entities at exchange rates prevailing at the date of the transactions

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 consolidated 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 consolidated statement of other comprehensive income (refer to note 4(b)(iv))

(iii) Foreign operations

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

(a) The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Sterling at exchange rates at the reporting date
(b) The income and expenses of foreign operations are translated to Sterling at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
(c) All resulting foreign exchange differences arising on translation are recognised in the other comprehensive income and presented in the translation reserve in equity However, if the foreign operation is not a wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(iii) Foreign operations (continued)

When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non- controlling interests When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity

(iv) Hedge of a net investment in a foreign operation

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 To the extent that the hedge is ineffective, such differences are recognised in the consolidated statement of profit or loss When the hedged net investment is disposed of, the associated cumulative amount in consolidated statement of other comprehensive income is transferred to the consolidated statement of profit or loss as part of the gain or loss on disposal

(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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 statement of profit or loss 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

(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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non -derivative financial liabilities (continued)

Initial recognition and measurement (continued)

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derivative financial instruments (continued)

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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

Capital work-in-progress

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

Dredging

Dredging expenditure is categorised into capital dredging and major maintenance dredging Capital dredging is expenditure which includes creation of a new harbour, deepening or extension of the channel berths or waterways in order to allow access to larger ships which will result in future economic benefits for the Group This expenditure is capitalised and amortised over the expected period of the relevant concession agreement Terminals, where the Group owns the land, dredging expenditure is capitalised and amortised over its useful life

Major maintenance dredging is expenditure incurred to restore the channel to its previous condition and depth On an average, the Group incurs such expenditure every 10 years At the completion of maintenance dredging, the channel has an average service potential of 10 years Any unamortised expense is written-off on the commencement of any new dredging activities 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 – 35
Dredging (included in land and buildings)	10 – 99

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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))

(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))

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

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 Other port concession rights acquired separately are measured on initial recognition at cost

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 capitalised 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 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

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 in the expense category consistent with the function of port concession rights

Port concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level Such port concession rights are not amortised 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 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 associates and joint ventures)

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(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 Assets held under operating leases are not recognised in the Group's consolidated statement of financial position 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

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

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

(ii) 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

A series of leasing and sub-leasing transactions between the Group and third parties which are closely interrelated, negotiated as a single transaction, and which take place concurrently or in a continuous sequence are considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole

These 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 Under these leasing and sub-leasing transactions, current and non-current liabilities have been decreased by the loan receivable and the placement of deposits

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(h) Leases (continued)

(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 Impairment losses are recognised in the consolidated income statement and reflected in an allowance account against loans and receivables or held to maturity investments When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement

(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 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 A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount Impairment losses are recognised in the consolidated income statement 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

For goodwill and port concession rights that have indefinite lives or that are not yet available for use, recoverable amount is estimated annually and when circumstances indicate that carrying value may be impaired Goodwill acquired in business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination An impairment loss in respect of goodwill is not reversed

In respect of other assets, 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

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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(l) Employee benefits

(i) Pension and post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods That benefit is discounted to determine the present value, and the fair value of any plan 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 Group's obligations

When the actuarial calculation results in a benefit to the Group, 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 Group An economic benefit is available to the Group 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 consolidated statement of other comprehensive income The Group 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 Group recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs

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 losses

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 statement of profit or loss

Provision for an onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract

(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

Notes to the consolidated financial statements *(continued)*

4 Significant accounting policies (continued)

(n) Revenue (continued)

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

(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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and port concession rights other than goodwill

(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 and expected infrequency 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 These are material amounts and as such warrant separate disclosure, without which information of the underlying operations of the group would not be clear

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 2015, 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 (2010), IFRS 9 Financial Instruments (2009)***

  IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and general hedge accounting requirements

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted The adoption of this standard is not expected to have any significant impact on the Group's financial statements

- ***IFRS 15 Revenue from contracts with customers***

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes

  The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted The adoption of this standard is not expected to have any significant impact on the Group's financial statements

- ***IFRS 16 Leases***

  IASB has introduced a new leases Standard, IFRS 16, which supersedes IAS 17 leases The Group is required to apply IFRS 16 with effect from 1 January 2019

  The new standard requires the lessee to recognise the operating lease commitment on balance sheet The Group, as a lessee, has substantial operating leases and commitments as disclosed in Note 32 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 and finance expense

Notes to the consolidated financial statements *(continued)*

5 Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Port concession rights

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

(iii) Investments in debt securities

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

(iv) Trade and other receivables/ payables

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

(v) Derivatives

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

(vi) Non-derivative financial liabilities

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

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

Notes to the consolidated financial statements *(continued)*

6 Financial risk management

Overview

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

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

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

Risk management framework

The Board of Directors, in conjunction with the Board of Directors of DP World 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

Notes to the consolidated financial statements *(continued)*

6 **Financial risk management (continued)**

Risk management framework (continued)

(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 associates and joint ventures 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

(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

Notes to the consolidated financial statements *(continued)*

6 Financial risk management (continued)

(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 75 7% (2014 64 8%) 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 The Group operates in some locations where the local currency is fixed to the Group's presentation currency of £ further reducing the risk of currency movements

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 2015, after taking into account the effect of interest rate swaps, approximately 88 2% (2014 82%) 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	2015	2014
Total interest bearing loans and borrowings	19	1,107 3	961 2
Less cash and cash equivalents	18	(269 4)	(249 2)
Total net debt		837 9	712 0
Total Equity		3,660 3	3,577 2
Adjusted EBITDA	7	340 7	288 0
Net finance costs before separately disclosed items		43 5	26 4
Net debt / Equity		0 23	0 20
Net debt / Adjusted EBITDA		2 5	2 5
Interest cover before separately disclosed items		7 8	10 9

Notes to the consolidated financial statements *(continued)*

7 Operatıng segments

The ınternal 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

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 amortisation		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)*

7. Operating segments (continued)

By region	Note	Asia Pacific and Indian subcontinent	Australia and Americas	Europe and Africa	Head Office	£ million 2014 Total group
Revenue		236 9	367 5	233 2	-	837 6
Segment results from operations		105 5	106 2	1 9	(86 8)	126 8
Finance income	10	-	-	-	44 1	44 1
Finance expenses	10	-	-	-	(72 0)	(72 0)
Profit/(loss) for the year		105 5	106 2	1 9	(114 7)	98 9
Depreciation and amortisation		27 1	37 2	34 7	0 6	99 6
Impairment losses		-	-	-	-	-
Share of profit of equity accounted investees before separately disclosed items	14	57 0	0 5	10 2	-	67 7
Tax expenses	11	-	-	-	61 6	61 6
Capital expenditure		28 5	37 3	79 0	1 3	146 1
Segment assets						
Current and non-current assets		480 6	699 4	1,222 5	2,447 6	4,850 1
Equity-accounted investments	14	257 6	5 6	87 6	9 0	359 8
Taxation assets		-	-	-	22 8	22 8
Cash	18	-	-	-	249 2	249 2
Total assets		738 2	705 0	1,310 1	2,728 6	5,481 9
Segment liabilities						
Current and non-current liabilities		163 3	70 6	94 0	145 9	473 8
Taxation liabilities		-	-	-	406 2	406 2
Financial instruments	20	-	-	-	63 5	63 5
Loans and borrowings	19	-	-	-	961 2	961 2
Total liabilities		163 3	70 6	94 0	1,576 8	1,904 7

Revenue before separately disclosed items		205 1	367 5	233 2	-	805 8
EBITDA (Adjusted)		131 5	143 4	39 0	(25 9)	288 0
Finance income	10	-	-	-	43 1	43 1
Finance costs	10	-	-	-	(69 5)	(69 5)
Tax expense	11	-	-	-	(61 6)	(61 6)
Depreciation and amortisation		(27 1)	(37 2)	(34 7)	(0 6)	(99 6)
Adjusted net profit		104 4	106 2	4 3	(114 5)	100 4
Adjusted for separately disclosed items	9	1 0	-	(2 5)	-	(1 5)
Profit from continuing operations		105 4	106 2	1 8	(114 5)	98 9

Notes to the consolidated financial statements *(continued)*

8 Net operating costs

	£ million	
Included within Group operating profit are the following items	**2015**	**2014**
Depreciation and amortisation of prepaid leases, intangible assets and property plant and equipment	109 4	99 6
Audit fee	0 9	1 0
Operating lease rental	114 4	107 0
Hire of plant, machinery and ships	15 5	15 8

	£ million	
Fees paid to the company's principal auditor – KPMG	**2015**	**2014**
Fees paid to the company's auditor for the audit of the company's accounts	0 1	0 2
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	-	-
	0 9	1 0
Non-audit and other assurance services		
Tax services	-	0 5
Valuation and actuarial services	-	-
All other services	0 2	-
	0 2	0 5
Total of audit and non-audit services	1 1	1 5

Fees of £36,000 (2014 £48,000), in respect of the audit, and Nil (2014 Nil), in respect of tax services, were paid to KPMG LLP by the UK pension scheme

9 Separately disclosed items

				£ million 2015
	Operating profit	**Sale of businesses**	**Net financing cost**	**Total**
Impairment of property, plant and equipment	(0 4)	-	-	**(0 4)**
Net gain on restructuring of loan	-	-	6 1	**6 1**
Ineffective interest rate swaps	-	-	0 3	**0 3**
Loss on sale and termination of business	-	(0 2)	-	**(0 2)**
	(0 4)	**(0 2)**	**6 4**	**5 8**

				£ million 2014
	Operating profit	**Sale of businesses**	**Net financing cost**	**Total**
Ineffective interest rate swaps	-	-	(1 5)	**(1 5)**
	-	-	(1 5)	**(1 5)**

Notes to the consolidated financial statements *(continued)*

10 Net financing expenses

		£ million
	2015	2014
Finance income		
Interest income	35 4	29 5
Exchange gains	18 1	14 6
Fair value gain	0 3	-
	53 8	**44 1**
Finance expenses		
Interest expense	(62 2)	(47 7)
Exchange losses	(24 3)	(17 7)
Fair value loss	-	(2 5)
Net interest costs in respect of pension plans	(4 4)	(4 1)
	(90 9)	**(72 0)**
Net financing expense	**(37 1)**	**(27 9)**

11 Taxation

		£ million
	2015	2014
UK corporation tax		
Current tax charge for the year	**14 7**	(10 0)
Adjustment in respect of prior years	**(0 2)**	0 1
	14 5	(9 9)
Overseas tax		
Current tax charge for the year	**(86 6)**	(50 4)
Adjustment in respect of prior years	**8 8**	3 4
	(77 8)	(47 0)
Total current tax	**(63.3)**	(56 9)
Deferred tax		
Origination and reversal of temporary differences in the current year	**6 8**	(2 4)
Adjustment in respect of prior years	**0 3**	(2 3)
Tax on profit for the year	**(56.2)**	(61 6)

The adjustments in respect of prior periods of £8 9 million (2014 £1 2 million) arises from the finalisation and agreement of prior year tax computations for companies in the UK and overseas

The rate of UK corporation tax was reduced from 21% to 20% from 1 April 2015 Further reductions to 19% on 1 April 2017 and 18% from 1 April 2020 were enacted in the period The group re-measured its UK deferred tax assets and liabilities at the end of the reporting period in 2015 to the rate of 18% The re-measurement did not have a material effect on the 2015 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 (2014 higher) than the profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 20 25 per cent (2014 21 5 per cent) The differences are explained as follows

Reconciliation of the effective tax rate	%	£ million	%	£ million
	2015		2014	
Profit before taxation		193 5		160 5
Profit before taxation multiplied by the standard rate of corporation tax in the UK of	20 25%	(39 2)	21 5%	(34 5)
Effects of				
Non-taxable income less expenses not deductible for tax purposes, other than impairment of goodwill	0 8%	1 6	(7 9%)	(12 5)
Tax deduction in respect of pension schemes	0 8%	1 5	1 0%	1 5
Unrelieved tax losses carried forward	(1 3%)	(2 4)	(7 8%)	(12 5)
Utilisation of tax losses	0 2%	0 3	5 2%	8 3
Accounting profits on chargeable assets	-	-	-	-
Changes in the UK corporation tax rate	0 4%	0 8	0 1%	0 2
Higher rate taxes on overseas earnings	(22 5%)	(43 7)	(22 7%)	(36 5)
Withholding and other taxes suffered oversees	(9 5%)	(18 4)	(4 2%)	(6 8)
Tax on earnings from equity accounted investees	17 8%	34 4	18 7%	30 0
Adjustments to tax charge in respect of prior periods	4 6%	8 9	0 7%	1 2
Effective tax rate	(29 0%)	(56 2)	(38 4%)	(61 6)

The profit before taxation of £193 5 million (2014 £160 5 million) includes the Group's share of profits of equity accounted investees within continuing operations of £80 2 million (2014 £67 7 million) which is net of a tax charge of £34 4 million (2014 £30 0 million)

The Group's overseas tax rates are typically a mixture of rates higher and lower than 20 25 per cent They include the effect of overseas tax benefits available to infrastructure projects

Notes to the consolidated financial statements *(continued)*

12 Intangible assets

			£ million
	Port concession rights	Goodwill	Total
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**
Cost			
At 1 January 2014	358 1	34 3	392 4
Disposals	(0 1)	-	(0 1)
Additions	50 7	-	50 7
Acquired through business combinations	0 1	2 6	2 7
Exchange adjustments	15 3	0 5	15 8
At 31 December 2014	424 1	37 4	461 5
Accumulated amortisation			
At 1 January 2014	(169 6)	-	(169 6)
Disposals	-	-	-
Charge for the year	(17 2)	-	(17 2)
Exchange adjustments	(7 6)	-	(7 6)
At 31 December 2014	(194 4)	-	(194 4)
Net book amount at 31 December 2014	229 7	37 4	267 1

At 31 December 2015, port concession rights with a carrying amount of £4 0 million (2014 £4 2 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	Carrying amount of port concession rights with indefinite useful life £' million	Discount rate %	Perpetuity growth rate %
2015				
Europe and Africa	**10 8**	**585 1**	**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**	**585 1**		
2014				
Europe and Africa	13 2	585 1	5 5-6 5	2 5-2 6
Australia and Americas	13 3	-	6 5	2 5
Asia Pacific and Indian subcontinent	10 9	-	8 5-12 5	2 5
Total	37 4	585 1		

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 management 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 senior management, 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 management 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 management'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 management

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

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 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**
Cost					
At 1 January 2014	722 4	136 2	795 3	439 7	2,093 6
Additions	6 0	15 7	9 2	64 5	95 4
Acquisitions through business combinations	-	54 2	3 0	0 4	57 6
Transfers from capital work-in-progress	55 9	0 4	394 0	(450 3)	-
Disposals	(0 9)	(28 4)	(20 8)	-	(50 1)
Exchange adjustments	6 5	(13 1)	36 0	0 5	29 9
At 31 December 2014	789 9	165 0	1,216 7	54 8	2,226 4
Accumulated depreciation					
At 1 January 2014	(136 0)	(62 0)	(240 0)	-	(438 0)
Charge for the year	(22 7)	(7 6)	(52 1)	-	(82 4)
Acquisitions through business combinations	-	(14 8)	(1 9)	-	(16 7)
Disposals	0 9	28 4	20 0	-	49 3
Exchange adjustments	-	5 9	(7 4)	-	(1 5)
At 31 December 2014	(157 8)	(50 1)	(281 4)	-	(489 3)
Net book amount at 31 December 2014	632 1	114 9	935 3	54 8	1,737 1

At 31 December 2015, property, plant and equipment with a carrying amount of £1,306 1 million (2014 £1,243 8 million) are pledged to secure bank loans (refer to note 19) At 31 December 2015, the net carrying value of the leased plant and equipment and other assets was £79 7 million (2014 £95 million)

Borrowing costs capitalised to property, plant and equipment amounted to £13 7 million (2014 £17 1 million) with a capitalisation rate in the range of 2 94% to 3 91% per annum (2014 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 2014	363 9
Additions	1 1
Share of profits for the year	67 7
Share of actuarial losses, net of tax	0 6
Share of movement in effective portion of cash-flow hedges, net of tax	0 8
Dividends	(81 5)
Exchange adjustments	7 2
Cost at 31 December 2014	359 8
Cost at 1 January 2015	359 8
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

		£ million
	2015	2014
Sales and other operating revenues	**355 4**	342 1
Profit before interest and taxation	**126 8**	110 3
Finance costs	**(12 0)**	(12 6)
Profit before taxation	**114 8**	97 7
Taxation	**(34 4)**	(30 0)
Profit for the year	**80 4**	67 7
Non-current assets	**608 8**	622 9
Current assets	**214 8**	132 9
Total assets	**823 6**	755 8
Current liabilities	**(96 4)**	(135 4)
Non-current liabilities	**(346 0)**	(312 3)
Total liabilities	**(442 4)**	(447 7)
Net assets	**381 2**	308 1

Notes to the consolidated financial statements *(continued)*

14 Investments in equity accounted investees (continued)

Significant investments in principal Joint Ventures and Associates include

	Ownership interest	Country of incorporation	Principal activities
Joint ventures			
PT Terminal Petikemas Surabaya	49 00%	Indonesia	Container terminal operations
Associates			
Antwerp Gateway N V	60 00%	Belgium	Container terminal operations
Portus Indico	48 50%	United Arab Emirates	Container terminal operations
Asian Terminal Inc	41 72%	Philippines	Container terminal operations
Laem Chabang International Terminal Co Ltd	34 50%	Thailand	Container terminal operations
Eurofos S A R L	50 00%	France	Container terminal operations
Generale de Manutention Portuaire S A	50 00%	France	Container terminal operations
Qingdao Qianwan Container Terminal Co Ltd	29 00%	People's Republic of China	Container terminal operations

Notes to the consolidated financial statements *(continued)*

15 Deferred tax assets and lıabılıties

Deferred tax assets and lıabılıtıes attnbutable to the followıng

			£ mıllıon
	Assets	**Lıabılıtıes**	**Net 2015**
Property, plant and equıpment	**(1 8)**	**54 9**	**53 1**
Intangıble assets	**(0 6)**	**65 1**	**64 5**
Investment ın equıty accounted ınvestees	**0 0**	**12 9**	**12 9**
Employee benefits	**(4 8)**	**0 0**	**(4 8)**
Provısıons	**(1 0)**	**0 0**	**(1 0)**
Tax value of loss carned forward recognısed	**(16 2)**	**0 0**	**(16 2)**
Fınancial instruments	**(9 7)**	**0 1**	**(9 6)**
Capıtal gaın	**0 0**	**266 0**	**266 0**
Other	**(1 8)**	**23 5**	**21 7**
Total tax (assets)/lıabılities	**(35 9)**	**422 5**	**386 6**
Tax offset	**35 8**	**(35 8)**	**0 0**
Total tax (assets)/lıabılıties after offset	**(0 1)**	**386 7**	**386 6**

	Assets	Lıabılıties	Net 2014
Property, plant and equıpment	(2 2)	58 2	56 0
Intangıble assets	(0 5)	0 1	(0 4)
Investment ın equıty accounted ınvestees	-	17 2	17 2
Employee benefits	(5 8)	-	(5 8)
Provısıons	(1 9)	-	(1 9)
Tax value of loss carned forward recognısed	(11 8)	-	(11 8)
Fınancıal ınstruments	(13 1)	0 3	(12 8)
Capıtal gaın	-	252 9	252 9
Other	(1 1)	18 3	17 2
Total tax (assets)/lıabılıtıes	(36 4)	347 0	310 6
Tax offset	28 0	(28 0)	-
Total tax (assets)/lıabılıtıes after offset	(8 4)	319 0	310 6

Deferred tax ıs not recognısed on losses of £469 0 mıllıon (2014 £481 3mıllıon) where utılısatıon ıs uncertaın, eıther because they have not been agreed wıth tax authorıtıes, or because the lıkelıhood of future taxable profits ıs not sufficıently certaın, or because of the ımpact of tax holıdays

Under current legıslatıon, £406 1m (2014 £411 2m) of the tax losses shown above can be carned forward ındefinıtely

Notes to the consolidated financial statements *(continued)*

15 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

£ million

	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	0 0	**53 1**
Intangible assets	(0 4)	(3 5)	(0 7)	69 1	0 0	**64 5**
Investment in joint ventures and associates	17 2	(0 1)	(4 2)	0 0	0 0	**12 9**
Employee benefits	(5 8)	0 0	0 3	0 0	0 7	**(4 8)**
Provisions	(1 9)	0 1	0 8	0 0	0 0	**(1 0)**
Tax value of loss carried forward recognised	(11 8)	0 1	(4 5)	0 0	0 0	**(16 2)**
Financial instruments	(12 8)	(0 1)	0 0	0 0	3 3	**(9 6)**
Capital gain	252 9	13 1	0 0	0 0	0 0	**266 0**
Other	17 2	0 0	4 8	0 0	(0 3)	**21 7**
Total tax liabilities/(assets)	310 6	8 9	(7 1)	70 5	3 7	**386 6**

	Balance at 1 January 2014	Exchange movements	Recognised in income	Acquired balances and disposals	Recognised in other comprehensive income	**Balance at 31 December 2014**
Property, plant and equipment	58 7	1 0	(7 6)	3 9	-	56 0
Intangible assets	(0 4)	0 1	(0 1)	-	-	(0 4)
Investment in joint ventures and associates	16 1	-	1 1	-	-	17 2
Employee benefits	(3 9)	0 1	(0 1)	-	(1 9)	(5 8)
Provisions	(1 6)	-	(0 2)	(0 1)	-	(1 9)
Tax value of loss carried forward recognised	(20 7)	1 8	7 1	-	-	(11 8)
Financial instruments	(3 2)	(0 2)	0 1	-	(9 5)	(12 8)
Capital gain	238 4	14 1	0 4	-	-	252 9
Other	13 1	0 2	4 0	0 1	(0 2)	17 2
Total tax liabilities/(assets)	296 5	17 1	4 7	4 0	(11 6)	310 6

Notes to the consolidated financial statements *(continued)*

16 Trade and other receivables

	2015		2014	£ million
	Current	Non-current	Current	Non-current
Trade receivables	**86 7**	-	71 7	-
Other receivables	**63 5**	**14 7**	49 6	13 4
Prepayments and accrued income	**30 8**	**0 6**	36 6	4 3
Employee benefit assets	-	-	-	0 2
	181 0	**15 3**	157 9	17 9
Loans to group undertakings				
Loans to the intermediate parent company	**2,472 1**	-	2,441 1	-
Loans to fellow subsidiaries	**130 7**	**17 3**	160 0	22 4
	2,602 8	**17 3**	2,601 1	22 4

Trade receivables are reported net of a provision of £1 2 million (2014 £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 £141 2 million received in 2015 (2014 £87 2 million)

17 Other investments

	2015	2014
		£ million
Debt securities held-to-maturity	**5 1**	5 5
Financial assets at fair value through profit and loss	**24 2**	24 2
	29 3	29 7

(a) The movement in debt securities held to maturity mainly relates to redemption of £ 0 4 million (2014 £ 0 6 million) during the year

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

	2015	2014
		£ million
Balance as of 1st January	**24 2**	24 2
Additions during the year	-	-
Balance as of 31st December	**24 2**	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	
	2015	2014
Bank balances	100 8	160 5
Call deposits	155 7	81 7
Deposits under lien	12 9	7 0
Cash and cash equivalents as per the statement of financial position	**269 4**	**249 2**
Bank overdrafts	-	-
Cash and cash equivalents as per the consolidated statement of cash flows	**269 4**	**249 2**

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 Company's subsidiaries (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	
	2015	2014
Non-current		
Secured bank loans	**692 4**	524 2
Mortgage debenture stock	**1 4**	1 4
Unsecured loan	**7 7**	6 3
Unsecured bank loans	**352 3**	307 4
Unsecured bond issues	**5 4**	5 1
Finance lease liabilities	**13 9**	16 5
Total non-current	**1,073 1**	860 9
Current		
Secured bank loans	**23 4**	89 7
Unsecured bank loans	**6 4**	6 6
Finance lease liabilities	**4 4**	4 0
Total current	**34 2**	100 3
Total current and non-current	**1,107 3**	961 2

Notes to the consolidated financial statements (continued)

19 Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

2015				£ million
	Nominal Interest rate	Year of maturity	Face value	Carrying value
Unsecured loans				
CAD	Variable	2018	60 5	60 5
INR	Variable	2019-2022	123 9	123 9
USD	Variable	2018	174 3	174 3
Secured loans				
USD	Variable	2016- 2030	89 4	89 4
USD	3 00%	2019	1 6	1 6
USD	5 98% to 8%	2022	22 8	22 8
EUR	Variable	2016-2022	12 5	12 5
EUR	4 25%	2031	5 4	5 4
PKR	Variable	2019	42 1	42 1
GBP †	Variable	2019-2024	542 7	542 7
GBP	7 50%	2017	(0 7)	(0 7)
Unsecured bond issues				
USD	7 875%	2027	5 4	5 4
Unsecured loan				
EUR	2 50% 4 00%	Indefinite duration	7 7	7 7
Mortgage debentures stocks				
GBP	3 50%	Undated	1 4	1 4
Finance leases				
Various currencies	2 62% to 13 58%	2018- 2054	18 3	18 3
Total			1,107 3	1,107 3

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

Notes to the consolidated financial statements *(continued)*

19 Interest bearing loans and borrowings (continued)

2014				£ million
	Nominal interest rate	Year of maturity	Face value	Carrying value
Unsecured loans				
CAD	Variable	2018	74 2	74 2
INR	Variable	2018-2019	74 4	74 4
USD	Variable	2018	165 4	165 4
Secured loans				
USD	Variable	2015- 2020	106 4	106 4
USD	3 00%	2019	2 0	2 0
USD	5 65% to 8%	2022	23 7	23 7
EUR	Variable	2015-2031	15 8	15 8
EUR	6 32%	2015	0 2	0 2
PKR	Variable	2019	41 7	41 7
ZAR	9 50%	2017	0 2	0 2
GBP	Variable	2031	422 7	422 7
GBP	8 50%	2017	1 2	1 2
Unsecured bond issues				
USD	7 88%	2027	5 1	5 1
Unsecured loan				
EUR	2 5% to 4 00%	Payable on demand	6 3	6 3
Mortgage debentures stocks				
GBP	3 50%	Undated	1 4	1 4
Finance leases				
Various currencies	2 6% to 30 0%	2015- 2054	20 5	20 5
Total			961 2	961 2

Finance lease liabilities

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
			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**
			2014
Less than one year	5 3	(1 3)	4 0
Between one and five years	16 6	(2 4)	14 2
More than five years	5 7	(3 4)	2 3
Total	27 6	(7 1)	20 5

Notes to the consolidated financial statements *(continued)*

19 Interest bearing loans and borrowings (continued)

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 £ 12 9 million (2014 £ 7 0 million) are placed to collateralise some of the borrowings of the Company's subsidiaries (refer to note 18)

There has been no issuance or repayment of debt securities in the current year (*2014 Nil*) At 31 December 2015, the undrawn committed borrowing facilities of £ 244 3 million (*2014 £ 389 6 million*) were available to the Group, in respect of which all conditions precedent had been met

20 Trade and other payables

				£ million
	2015		2014	
	Current	Non-current	Current	Non-current
Trade payables	49 0	-	51 1	-
Other unsecured payables	97 6	11 6	78 2	9 2
Accruals and deferred income	105 0	8 5	106 6	8 7
Fair value of derivative financial instruments	0 8	53 5	0 1	63 4
	252 4	**73 6**	**236 0**	**81 3**
Loan from parent undertaking	-	-	-	-
Loan from fellow subsidiaries	51 8	291 8	35 0	26 1
	51 8	**291 8**	**35 0**	**26 1**

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

	2015 Europe and Africa region	2015 Other individually immaterial subsidiaries *	2015 Gross Total	2014 Europe and Africa region	2014 Other individually immaterial subsidiaries *	£ million 2014 Gross Total
Balance sheet information						
Non-current assets				87 4		
Current assets				60 0		
Non-current liabilities				(34 5)		
Current liabilities				(25 8)		
Net assets (100%)				87 1		
Carrying amount of NCI as at 31 December		30 1	30 1	42 7	27 8	70 5
Income statement information						
Revenue	110 8			128 2		
Profit after tax	12 7			13 9		
Other comprehensive income, net of tax	0 4			(7 4)		
Total comprehensive income (100%), net of tax	13 1		13 1	6 5		6 5
Profit allocated to NCI	6 2	13 0	19 2	6 8	15 40	22 2
OCI allocated to NCI	0 2	(3 0)	(2 8)	(3 6)	1 0	(2 6)
Total comprehensive income allocated to NCI	6 4	10 0	16 4	3 2	16 4	19 6
Cash flows from operating activities				27 5		
Cash flows from investing activities				(4 8)		
Cash flows from financing activities				(1 4)		
Dividends paid to NCI	-			-		

* There are no material subsidiaries with 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 (2014 £953 2 million) being the allotted capital together with £110 0 million (2014 £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 2015 (2014 £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

Notes to the consolidated financial statements *(continued)*

22 Issued capital and reserves (continued)

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 (2014 £170 5 million) is made up of the Group's merger reserve of £454 2 million (2014 £454 2 million) and capital reserve £161 4 million (2014 £161 4 million), less goodwill deducted from reserves of £451 9 million (2014 £451 9 million), all arising under UK GAAP prior to transition to IFRS, plus a capital redemption reserve of £3 3 million (2014 £3 3 million) and amounts relating to share based payments of £3 5 million (2014 £3 5 million)

23 Employees

		£ million
Employee costs	**2015**	**2014**
Wages and salaries	**186 6**	166 1
Social security costs	**10 3**	9 7
Pension and other post-retirement benefit costs	**24 9**	22 2
	221 8	198 0
Average number of employees at 31 December		
UK full time	**1,069**	985
UK part time	**20**	22
Overseas full time	**4,699**	4,688
Oversees part time	**148**	104
Sea Staff	**363**	456
	6,299	6,255

24 Employee benefits

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

The Group also operates a number of smaller defined benefit and defined contribution schemes In addition, 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

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, certain multi-employer industry schemes the Group can be exposed to a pro-rata share of the credit risk of other participating employers

Notes to the consolidated financial statements *(continued)*

24 Employee benefits (continued)

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

		£ million
	2015	2014
Non-current		
Defined benefit pension schemes net liabilities	120 9	133 6
Liabilities from defined contribution pension schemes	-	-
Liabilities in respect of long service leave	0 3	0 3
Liabilities in respect of other deferred compensation	0 9	1 1
	122 1	**135 0**
Current		
Liabilities for deferred compensation	6 8	6 5
Net liability	128 9	141 5
Reflected in the consolidated statement of financial position as follows		
Employee benefits assets included within non-current receivables (refer to note 16)	-	(0 2)
Employee benefit liabilities non-current	122 1	135 2
Employee benefit liabilities current	6 8	6 5
	128 9	141 5

The defined benefit pension schemes net liabilities of £120 9 million (2014 £133 6 million) is in respect of the total Group schemes shown on page 66

The current portion of employee benefits liabilities includes a liability of £5 4 million (2014 £5 1 million) in respect of annual leave, £0 4 million (2014 £0 5 million) in respect of long service leave, and £1 million (2014 £0 9 million) in respect of sick leave and other miscellaneous employee benefit items

An expense of £23 million (2014 £19 8 million) has been recognised in the consolidated income statement for the long term employee benefit schemes £5 8 million (2014 £4 6 million) in respect of defined benefit schemes, £7 5 million (2014 £7 5 million) in respect of defined contribution schemes and £9 7 million (2014 £7 7 million) in respect of other employee benefits

A net finance cost of £4 5 million (2014 £4 1 million) in respect of defined benefit funds has been recognised in the consolidated income statement

The re-measurement of the net defined liability, gross of tax, recognised in consolidated statement of other comprehensive income is as follows

		£ million
	2015	2014
Actuarial (gain)/ loss recognised in the year	(53 2)	123 1
Return on plan assets lesser/ (greater) than the discount rate	39 1	(104 0)
Change of share in multi-employer scheme	(0 9)	18 1
Movement in minimum funding liability	18 8	5 2
	3 8	42 4

Notes to the consolidated financial statements (continued)

24 Employee benefits (continued)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2015 by qualified independent actuaries The principal assumptions are included in the table below

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice There are ongoing discussions with Trustees in regards to deficit recovery plans

	P&O UK Scheme		MNOPF Scheme		Other Schemes	
	2015	2014	2015	2014	2015	2014
Discount rates	**3 70%**	3 60%	**3 70%**	3 60%	**3 90%**	3 70%
Discount rates Bulk Annuity Asset	**3 50%**	3 35%	**-**	-	**-**	-
Expected rates of salary increases	**-**	2 50%	**-**	-	**3 20%**	3 20%
Pension increases						
- deferment	**2 80%**	2 80%	**2 20%**	2 15%	**3 00%**	3 00%
- payment	**2 80%**	2 80%	**3 10%**	3 05%	**3 00%**	3 00%
Inflation	**3 20%**	3 15%	**3 20%**	3 15%	**3 20%**	3 20%

From 1 December 2011, changes have been made to the benefits provided by the P&O UK Scheme These include a restriction to pay increases equal to the lower of Retail Price Index and 2 5% in a Scheme Year This restriction is reflected in the pay increase assumption above and there is no allowance for promotional increases The P&O UK Scheme was closed to future accrual on 31 December 2015, so future pay increases will no longer be relevant after this date

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
2015				
P&O UK Scheme	23 4	26 6	25 8	28 9
MNOPF Scheme	22 7	25 6	26 3	29 3
2014				
P&O UK Scheme	23 3	26 3	25 6	28 7
MNOPF Scheme	22 6	25 4	26 2	29 2

At 31 December 2015 the weighted average duration of the defined benefit obligation was 15 8 years (2014 16 years)

Reasonably possible changes to one of the actuarial assumptions, holding other assumptions constant (in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated), would have increased the net defined benefit liability as at 31 December 2015 by the amounts shown below

	£ million
0 1% reduction in discount rate	12 3
0 1% increase in inflation assumption and related assumptions	5 4
0 25% p a increase in the long term rate of mortality improvement	7 9

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

Notes to the consolidated financial statements *(continued)*

24 Employee benefits (continued)

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

	P&O UK Scheme	MNOPF Scheme	Other Schemes	Group schemes fair value
	£'million	£'million	£'million	£'million
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**
2014				
Equities	321 0	48 7	56 3	426 0
Bonds	117 5	89 8	77 1	284 4
Other	19 6	-	24 8	44 4
Value of insured pensioner liability	816 8	-	-	816 8
	1,274 9	**138 5**	**158 2**	**1,571 6**

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 2015 and 2014

	Defined benefit pension schemes			£ million
	P&O UK Scheme	MNOPF Scheme	Other Schemes	Total Group Schemes
Present value of obligation at 1 January 2015	(1,328 7)	(158 0)	(209 9)	**(1,696 6)**
Employer's interest cost	(46 6)	(5 6)	(7 7)	**(59 9)**
Employer's current service cost	(0 4)	-	(2 8)	**(3 2)**
Settlements during the year	8 8	-	-	**8 8**
Contributions by scheme participants	-	-	(0 7)	**(0 7)**
Effect of movement in exchange rates	-	-	0 1	**0 1**
Benefits paid	64 0	7 1	6 8	**77 9**
Change of share in multi-employer scheme	-	-	3 5	**3 5**
Experience gains on scheme liabilities	23 3	5 9	3 3	**32 5**
Actuarial gain on scheme liabilities due to change in demographic assumptions	-	-	1 3	**1 3**
Actuarial gains on scheme liabilities due to change in financial assumptions	16 6	1 7	1 1	**19 4**
Present value of obligation at 31 December 2015	**(1,263 0)**	**(148 9)**	**(205 0)**	**(1,616 9)**
Present value of obligation at 1 January 2014	(1,251 3)	(130 8)	(154 6)	**(1,536 7)**
Employer's interest cost	(53 0)	(5 6)	(6 9)	**(65 5)**
Employer's current service cost	(0 4)	-	(2 2)	**(2 6)**
Contributions by scheme participants	-	-	(0 7)	**(0 7)**
Effect of movement in exchange rates	-	-	(0 2)	**(0 2)**
Benefits paid	66 7	5 7	6 9	**79 3**
Change of share in multi-employer scheme	-	(14 6)	(32 5)	**(47 1)**
Experience gains/(loss) on scheme liabilities	8 5	0 2	(14 8)	**(6 1)**
Actuarial losses on scheme liabilities due to change in demographic assumptions	(1 8)	-	-	**(1 8)**
Actuarial losses on scheme liabilities due to change in financial assumptions	(97 4)	(12 9)	(4 9)	**(115 2)**
Present value of obligation at 31 December 2014	**(1,328 7)**	**(158 0)**	**(209 9)**	**(1,696 6)**
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 than the discount rate	(43 6)	5 6	(1 1)	**(39 1)**
Contributions by employer	8 7	7 3	10 6	**26 6**
Contributions by scheme participants	-	-	0 7	**0 7**
Effect of movement in exchange rates	-	-	0 1	**0 1**
Benefits paid	(64 0)	(7 1)	(6 8)	**(77 9)**
Change of share in multi-employer scheme	-	-	(2 6)	**(2 6)**
Settlements during the year	(8 4)	-	-	**(8 4)**
Administration costs incurred during the year	(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)**
Fair value of scheme assets at 1 January 2014	1,206 7	105 6	126 1	**1,438 4**
Interest income on assets	51 2	4 6	5 7	**61 5**
Return on plan assets greater than the discount rate	76 3	18 0	9 7	**104 0**
Contributions by employer	8 6	5 2	5 4	**19 2**
Contributions by scheme participants	-	-	0 7	**0 7**
Effect of movement in exchange rates	-	-	0 1	**0 1**
Benefits paid	(66 7)	(5 7)	(6 9)	**(79 3)**
Change of share in multi-employer scheme	-	11 1	17 9	**29 0**
Administration costs incurred during the year	(1 2)	(0 3)	(0 5)	**(2 0)**
Fair value of scheme assets at 31 December 2014	**1,274 9**	**138 5**	**158 2**	**1,571 6**
Defined benefit scheme net liabilities	(53 8)	(19 5)	(51 7)	(125 0)
Minimum funding liability	-	(8 6)	-	(8 6)
Net liability recognised in the consolidated statement of financial position as at 31 December 2014	**(53 8)**	**(28 1)**	**(51 7)**	**(133 6)**

Notes to the consolidated financial statements (continued)

24 Employee benefits (continued)

Where a surplus arises on a scheme, in accordance with IAS19 and IFRIC14, the surplus is recognised as an asset only if it represents an unconditional economic benefit available to the Group in future Any surplus in excess of this benefit is not recognised in the statement of financial position 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 -

	2015	2014
		£ million
Minimum funding liability as on 1 January	(8 6)	(3 3)
Interest cost on minimum funding liability	(0 3)	(0 1)
Actuarial movement during the year	(18 8)	(5 2)
Effect of movement in exchange rates	-	-
Minimum funding liability as on 31 December	(27 7)	(8 6)

It is anticipated that the Group will make the following contributions to the pension schemes in 2016

	P&O UK Scheme	MNOPF Scheme	Other Schemes	Total Group schemes
	£'million	£ million	£'million	£'million
Pension scheme contributions	8 4	4 8	7 4	20 6

P&O UK Scheme

Formal actuarial valuations of the P&O UK Scheme are normally carried out triennially by qualified independent actuaries, the latest completed regular valuation report for the scheme being at 31 March 2013, using the projected unit credit method

As a result of valuation P&O committed to regular monthly deficit payments from April 2013 of £697 6 million until November 2021

In December 2007, as part of a process developed with the Group to de-risk the pension scheme, the Trustee transferred £800 million of P&O UK Scheme assets to Paternoster (UK) Ltd, in exchange for a bulk annuity insurance policy to ensure that the assets (in the Company balance sheet 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

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

The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members

Notes to the consolidated financial statements (continued)

24 Employee benefits (continued)

Merchant Navy Officers' Pension Fund (continued)

The Old Section has been closed to benefit accrual since 1978 The Old Scheme 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 Scheme The Group could not identify its share of the underlying assets and liabilities of the Old Section on a consistent and reasonable basis and therefore accounted for contributions and payments to the Old Section under IAS19 as if it were a defined contribution scheme until the scheme was wound up during the year

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 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

Following the valuation the Trustee and Employers have agreed contributions, in addition to those arising from the 31 March 2003, 31 March 2006 and 31 March 2009 valuations, 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 2016 £4 8 million, 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 2015 is estimated at 5 33%

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

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 3% share of the net deficit) Deficit contributions of £5 million were paid into the Scheme in 2015 Negotiations are ongoing for a repayment period for the remaining £23 3 million deficit, at which 6% pa interest will be charged

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, it was not overturned

The trustees notified these Group companies of their estimated share of current deficit during December 2012 equating to 3 0% The method of deficit allocation has still to be approved by the court However, based on this initial indication, the Group has provided for this liability after an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or able to pay their share The net impact of £10 9 million was reflected as an actuarial movement in the consolidated statement of other comprehensive income in 2012

Notes to the consolidated financial statements (continued)

25. Commitments

Capital commitments

		£ million
	2015	2014
Estimated capital expenditure contracted for as at 31 December	**205 5**	135 4

Operating lease commitments

				£ million
	Property		Others	
	2015	2014	**2015**	2014
Within one year	**46 8**	42 3	**59 2**	72 2
Between one and five years	**188 1**	170 6	**220 9**	203 5
Between five and ten years	**222 4**	160 9	**265 0**	266 7
Between ten and twenty years	**413 7**	204 1	**238 8**	243 3
Between twenty and thirty years	**352 1**	134 8	**93 9**	11 2
Between thirty and fifty years	**105 9**	82 5	**17 2**	-
Between fifty and seventy years	-	-	-	-
	1,329 1	795 2	**894 9**	796 9

26 Contingent liabilities

(a) The Group has contingent liabilities amounting to £22 5 million (2014 £25 2 million) in respect of payment guarantees and £71 7 million (2014 £68 6 million) in respect of performance guarantees and outstanding letters of credit issued by the Group's bankers amounting to £0 5 million (2014 £0 8 million) The bank guarantees and letters of credit 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 £11 7 million (2014 £3 4 million)

(c) The Group through its 100% owned subsidiary Mundra International Container Terminal Private Limited ("MICT") has developed and is operating the container terminal at the Mundra port in Gujarat

In 2006, MICT received a show cause notice from Gujarat Maritime Board ("GMB") requiring MICT to demonstrate that the undertaking given by its parent company, P&O Ports (Mundra) Private Limited, with regard to its shareholding in MICT has not been breached in view of P&O Ports being taken over by the Group GMB, MICT and Adani Ports and Special Economic Zone ("APSEZ") have signed consent terms accepting an amicable settlement of all disputes between the parties Presently steps are underway to file the signed consent terms and withdraw the court proceedings

(d) Chennai Port Trust ("CPT") had raised a demand for an amount of £12 2 million (2014 £12 2 million) from Chennai Container Terminal Limited ("CCTL"), a subsidiary of the Company, 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 £6 5 million (2014 £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

Transactions with parent group
Amounts due from the parent group are disclosed in note 16 Interest earned on these loans amounted to £17 2 million (2014 £15 9 million) Amounts due to the parent group are disclosed in note 20, these loans bear no interest

Management fees of £12 3 million (2014 £8 6 million) were paid to DP World group companies during the year

Management fees of £1 4 million (2014 £1 8 million) were received from DP World group companies during the year

There were no other transactions with the parent group during the year (2014 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 £4 8 million (2014 £3 8 million) of which £3 2 million (2014 £2 6 million) related to a share of the remuneration of the key management personnel of DP World Limited

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 3 million (2014 £0 8 million)

There are no other related party transactions during the year, (2014 Nil)

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 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

Notes to the consolidated financial statements *(continued)*

28 Business combination

2015

(i) 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	Fair value recognised on acquisition
	£ 'm	£ '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

2014

In September 2014, DPW Group acquired 57% stake in Remolcadores de Puerto y Altura, S A (REPASA), a Spanish operator of offshore support vessels for the energy industry for £7 3 million

This acquisition has resulted in recognition of Goodwill of £1 6m

From the date of acquisition, Remolcadores de Puerto y Altura, S A has contributed revenue of £3 9m and loss of £1 1m If the acquisition had taken place at the beginning of the year, the revenue would have been £9 9m and loss would have been £2 9m

(ii) Acquisitions without change of control

On 30 October 2015, the Group acquired the remaining 49% of non-controlling interest in Southampton Container Terminals Limited for a consideration of £38 8 million, resulting in a gain of £10 5 million which has been recorded in equity, as there has not been any change in control

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 2015	Carrying amount 2014
Trade receivables	86 7	71 7
Other receivables	109 6	103 9
Amounts owed by group companies	2,620 1	2,623 5
Cash and cash equivalents	269 4	249 2
Debt securities held-to-maturity	5 1	5 5
Loan to equity accounted investees	64 3	51 7

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

		£ million
	2015	2014
Europe and Africa	42 0	37 9
Australia and Americas	33 9	25 1
Asia Pacific and Indian subcontinent	10 8	8 7
	86 7	71 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
	2015	2014
At 1 January	1 3	1 8
Reversed during the year	-	(0 5)
At 31 December	1 3	1 3

The ageing of trade receivables at the reporting date was

		£ million
	2015	2014
Neither past due or impaired	51 5	49 2
Past due on the reporting date		
Past due less than 30 days	23 2	15 7
Past due 31-60 days	7 7	3 1
Past due over 60 days	4 3	3 7
	86 7	71 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)

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 loans and 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	(7 7)	(7 7)	(7 7)	-	-	-
Financial guarantees and Letter of Credit	-	(106 4)	-	-	-	-
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)

£ million

2014	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	(253 8)	(253 8)	(235 9)	(17 9)	-	-
Unsecured bond issues	(5 1)	(10 2)	(0 4)	(0 4)	(1 2)	(8 2)
Secured bank loans	(613 9)	(768 4)	(56 9)	(51 0)	(214 4)	(446 1)
Unsecured bank loans	(314 0)	(353 8)	(32 9)	(39 4)	(243 0)	(38 5)
Finance lease liabilities	(20 5)	(27 6)	(5 3)	(5 0)	(11 6)	(5 7)
Mortgage debenture stock	(1 4)	(2 5)	-	-	(0 1)	(2 4)
Unsecured loan stock	(6 3)	(6 3)	(6 3)	-	-	-
Financial guarantees and Letter of Credit	-	(97 9)	-	-	-	-
Derivative financial liabilities						
Interest rate swaps (net outflow)	(63 5)	(88 7)	(19 3)	(15 9)	(38 9)	(14 6)
	(1,278 5)	(1,609 2)	(357 0)	(129 6)	(509 2)	(515 5)

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	
	2015	2014	2015	2014
USD	**1 528**	1 646	**1 482**	1 559
EUR	**1 377**	1 241	**1 361**	1 285
AUD	**2 035**	1 827	**2 026**	1 904
INR	**97 996**	100 464	**98 092**	98 247
CAD	**1 954**	1 818	**2 057**	1 807

Foreign currency sensitivity analysis

A 10 per cent strengthening of pound sterling against the following currencies at 31 December 2015 and 31 December 2014 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

2015		£'million
	Consolidated statement of OCI	Consolidated statement of income
USD	**13 0**	**1 14**
EUR	**1 1**	**(0 15)**
AUD	**(1 9)**	**-**
INR	**8 1**	**0 23**
CAD	**1 9**	**0 24**

2014		£ million
	Equity	Income Statement
USD	13 4	0 9
EUR	0 6	(0 2)
AUD	(1 0)	-
INR	2 2	0 2
CAD	4 3	0 3

A 10% per cent weakening of pound sterling against the above currencies at 31 December 2015 and 31 December 2014 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

		£ million
	Carrying amount 2015	Carrying amount 2014
Fixed Rate instruments		
Financial assets	-	-
Financial liabilities	(61 9)	(60 6)
Interest rate swaps hedging floating rate debt	(914 7)	(723 6)
	(976 6)	**(784.2)**
Variable rate instruments		
Financial assets	2,788 7	2,712 2
Financial liabilities	(1,045 4)	(900 6)
Interest rate swaps hedging floating rate debt	914 7	723 6
	2,658.0	**2,535 2**

The group has hedged its exposure to variable rates by entering into fixed interest rate swaps for a notional amount equivalent to £914 70 million (2014 £723 60 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

				£ million
	Income statement			
	100bp increase	100bp decrease	100bp increase	100bp decrease
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)**
31-Dec-14				
Variable rate instruments	25 4	(25 4)	-	-
Interest rate swaps	1 1	(1 1)	7 2	(7 2)
Cash flow sensitivity net	**26.5**	**(26.5)**	**7.2**	**(7.2)**

Notes to the consolidated financial statements *(continued)*

29 Fınancıal ınstruments (contınued)

(d) Faır value of financıal assets and lıabılıtıes

The table below presents the carryıng amounts and the faır values of the Group's financıal assets and lıabılıtıes at 31 December 2015 and 31 December 2014

				£ mıllıon
	2015		2014	
	Book value	Faır value	Book value	Faır value
Prımary financıal assets and lıabılıtıes held or ıssued to finance the Group's operatıons				
Trade and other receıvables	196 3	196 3	175 8	175 8
Trade and other payables	(271 7)	(271 7)	(253 8)	(253 8)
Unsecured bond ıssues	(5 4)	(5 4)	(5 1)	(5 1)
Secured bank loans	(715 8)	(715 8)	(613 9)	(613 9)
Unsecured bank loans	(358 7)	(358 7)	(314 0)	(314 0)
Fınance lease lıabılıtıes	(18 3)	(18 3)	(20 5)	(20 5)
Mortgage debenture stock	(1 4)	(1 4)	(1 4)	(1 4)
Amounts owed by group undertakıngs	2,620 1	2,620 1	2,623 5	2,623 5
Amounts owed to group undertakıngs	(343 6)	(343 6)	(61 1)	(61 1)
Amounts owed by equıty accounted ınvestees	64 3	64 3	51 7	51 7
Cash and cash equıvalents	269 4	269 4	249 2	249 2
Fınancıal assets held at faır value through profit and loss	24 2	24 2	24 2	24 2
Debt securıtıes held-to-maturıty	5 1	5 1	5 5	5 5
Derıvatıve financıal ınstruments held to manage the ınterest rate and currency profile				
Interest rate swap - lıabılıtıes	(54 3)	(54 3)	(63 5)	(63 5)
Cash flow sensıtıvıty net	**1,410 2**	**1,410 2**	**1,796 6**	**1,796 6**

The followıng valuatıon methods have been used for the year ended 31 December 2015 and 31 December 2014

The faır value of trade and other receıvables and trade and other payables approxımates to the book value due to the short term maturıty of these ınstruments

The faır value of non-convertıble bonds and dollar notes ıncluded ın loans above ıs based on the quoted market prıce of comparable debt Other loans ınclude term loans and finance leases These are largely at varıable ınterest rates and therefore the book value normally equates to the faır value

The faır value of debt securıtıes held-to-maturıty ıs based on the quoted market value of sımılar assets The faır value of other ınvestments ıs based on the year-end quoted prıce for lısted ınvestments and the estımated recoverable amount for unlısted ınvestments The faır value of cash and bank overdrafts approxımates to the book value due to the short term maturıty of the ınstruments The faır value of derıvatıve financıal ınstruments ıs based on the cash flows dıscounted to the net present value usıng prevaılıng market rates and foreıgn currency rates at the reportıng 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
			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**
			2014
Financial assets held at fair value through profit and loss	–	–	24 2
Debt securities held-to-maturity	–	5 5	–
Mortgage debenture stocks	–	(0 8)	–
Derivative financial liabilities	–	(63 5)	–
	–	**(58 9)**	**24 2**

Notes to the consolidated financial statements *(continued)*

30 Significant group entities

The extent of the Group's ownership in its various subsidiaries, associates and joint ventures 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
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
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
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

Company balance sheet
At 31 December 2015

			£ million
	Note	2015	2014
Non-current assets			
Tangible fixed assets	E	7 0	7 3
Investments in subsidiaries	F	1,601 9	1,527 4
Other investments	F	23 8	23 8
		1,632.7	1,558 5
Current assets			
Debtors	G	3,508 5	3,542 5
Cash and cash equivalents		2 2	3 5
		3,510 7	3,546 0
Creditors· amounts falling due within one year			
Other creditors	I	(546 6)	(1,086 9)
		(546.6)	(1,086 9)
Net current assets		**2,964.1**	2,459 1
Total assets less current liabilities		**4,596.8**	4,017 6
Creditors: amounts falling due in more than one year			
Creditors amounts falling due in more than one year	I	(0 6)	-
Loans	H	(6 8)	(6 5)
		(7.4)	(6 5)
Provisions for liabilities	J	(11 0)	(11 0)
Net assets before pension liabilities		**4,578.4**	4,000 1
Pensions and post-retirement benefits	N	(88 1)	(95 3)
Net assets after pension liabilities		**4,490 3**	3,904 8
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	(2,831 7)	(2,246 2)
Total equity		**(4,490.3)**	(3,904 8)

The accounts were approved by a duly authorised committee of the Board of directors and signed on its behalf on 27 June 2016 by

Ganesh Raj
Director

Sarmad Qureshi
Director

The Peninsular and Oriental Steam Navigation Company – Company Number Z73

Statement of changes in equity

					£ million
	Share capital	Share premium	Other reserve	Retained earnings	Total Equity
Balance as at 1 January 2014 (revised)	843 2	815 4	-	2,279 7	3,938 3
Total comprehensive income for the year					
Profit for the year	-	-	-	(1 7)	(1 7)
Total other comprehensive income, net of income tax	-	-	-	(31 8)	(31 8)
Total comprehensive income	-	-	-	(33 5)	(33 5)
Transactions with owners recorded directly in equity	-	-	-	-	-
-Dividends	-	-	-	-	-
At 31 December 2014	843 2	815 4	-	2,246 2	3,904 8
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**

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 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

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101 The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 In previous years the financial statements were prepared in accordance with applicable UK accounting standards

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101 An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note Q There have been no material amendments to the disclosure requirements previously applied in accordance with previous UK GAAP The change in basis of preparation has enabled the Company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, which are summarized below

- Cash Flow Statement and related notes,
- Disclosures in respect of transactions with wholly owned subsidiaries,
- Disclosures in respect of capital management,
- The effects of new but not yet effective IFRSs,
- Disclosures in respect of the compensation of Key Management Personnel, and
- Disclosures of transactions with a management entity that provides key management personnel services to the company

As the consolidated financial statements of DP World Limited ('intermediate parent undertaking') include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures
Information on the impact of first-time adoption of FRS 101 is given in note Q

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

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

Notes to the Company financial statement (continued)

A. Accounting policies (continued)

Creditors

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

Notes to the Company financial statement (continued)

A Accounting policies (continued)

Pensions and post-retirement benefits (continued)

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

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

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

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

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

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

Notes to the Company financial statement (continued)

Financial guarantees

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

Taxation

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

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

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

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

B. Audit fees

The Company's audit fee paid to its principal auditors, KPMG LLP was £30,000 (2014 £30,000), and non-audit fee was £131,792 (2014 £100,000)

C. Dividends

On 31 March 2016, the Company declared a dividend of £1,000,000,000 (2014 £nil) This has not been recognised as a liability in 2015

D. Profit for the financial year

The profit for the financial year, being the profit on ordinary activities after taxation, was £592 0 million (2014 loss of £1 7 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 2015	5 7	0 5	2 6	-	8 8
Additions	-	0 0	0 1	0 2	0 3
At 31 December 2015	**5 7**	**0 5**	**2 7**	**0 2**	**9 1**
Accumulated depreciation					
At 1 January 2015	(0 2)	(0 2)	(1 1)	-	(1 5)
Charge for the year	(0 2)	(0 1)	(0 3)	-	(0 6)
At 31 December 2015	**(0 4)**	**(0 3)**	**(1 4)**	-	**(2 1)**
Net book amount at 31 December 2015	**5 3**	**0 2**	**1 3**	**0 2**	**7 0**
Net book amount at 31 December 2014	5 5	0 3	1 5	-	7 3

F. Investments

	Investments In subsidiary companies	Investments in unlisted companies	**Total**
At beginning of year	2,272 5	23 8	2,296 3
Additions / (increases)	95 7	-	95 7
At 31 December 2015	**2,368 2**	**23 8**	**2,392 0**
Provisions			
At beginning of year	(745 1)	-	(745 1)
Charge for the year	(21 2)	-	(21 2)
At 31 December 2015	**(766 3)**	-	**(766 3)**
Net Investment at 31 December 2015	**1,601 9**	**23 8**	**1,625 7**
Net Investment at 31 December 2014	1,527 4	23 8	1,551 2

Additions to investment in subsidiary companies during the year relates to acquisition of 100% stake in Maher Terminal's Fairview through P&O Dover (Holding Ltd) of £56 9 million and acquisition of remaining 49% of non-controlling interest in Southampton Container Terminals Limited for a consideration of £38 8 million

Provisions during the year represents additional impairment of investment in P&O Property International Ltd on account of reduction in carrying value of the company as at 31 December 2015

Notes to the Company financial statement (continued)

F. Investments (continue)

The following are subsidiary undertakings of the Company

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 Maritime B V	Netherlands	94 00%	Ordinary-B shares
DP World Red B V	Netherlands	100 00%	Ordinary shares
Linfire 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 Pension Funds Investments Limited	United Kingdom	100 00%	Ordinary shares
P&O Ports Ltd	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	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 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 (continue)

The following subsidiaries have elected the audit exemption (section 479A of the Companies Act 2006) where the parent company (The Peninsular and Oriental Steam Navigation Company ZC000073) has provided a guarantee as at the date of signing these financial statements for all liabilities owing by the respective entities for the year ended 31 December 2015

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	01824258
Poets Fleet Management Limited	161443

Notes to the Company financial statement (continued)

G. Debtors

	2015 Falling due within one year	2014 Falling due within one year
		£ million
Trade Debtors	2 8	1 9
Other receivables	6 1	7 6
Prepayments and accrued income	4 8	13 1
Corporation tax	-	3 1
Amounts owed by group undertakings	3,494 8	3,516 8
	3,508 5	3,542 5

H. Loans

	2015	2014
Creditors falling due more than one year		
US dollar bonds 2027 (unsecured)	5 4	5 1
Mortgage debentures stocks	1 4	1 4
	6 8	6 5

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2015	Carrying amount 2015	Face value 2014	Carrying amount 2014
US dollar bonds 2027 (unsecured)	USD	7 9	2027	5 4	5 4	5 1	5 1
Mortgage debentures stocks	GBP	3 5	Undated	1 4	1 4	1 4	1 4
				6 8	6 8	6 5	6 5

I. Creditors

	2015 Falling due within one year	in more than one year	Total	2014 Falling due within one year	in more than one year	Total
						£ million
Amounts owed to subsidiaries	534 8	-	534 8	1,073 5	-	1,073 5
Social security and other taxation	3 9	-	3 9	1 1	-	1 1
Other unsecured creditors	3 8	-	3 8	7 5	-	7 5
Accruals and deferred income	4 0	0 6	4 7	4 8	-	4 8
	546 5	**0 6**	**547 2**	**1,086 9**	-	**1,086 9**
	546 5	**0 6**	**547 2**	**1,086 9**	-	**1,086 9**

Notes to the Company financial statement (continued)

J. Provisions for liabilities

	£ million
	Other Provisions
At 1 January 2015	11 0
At 31 December 2015	**11 0**

Provisions include £8 3 million (2014 £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

Amounts released to the income statement during the year were in respect of interest receivable on the loan to an associate which was written off in the period

K. Share capital

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

		£ million
	2015	2014
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 2015	815 4	2,246 2	**3,061 6**
Actuarial gains	-	(6 5)	**(6 5)**
Profit for the financial year	-	592 0	**592 0**
At 31 December 2015	**815 4**	**2,831 7**	**3,647 1**

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 £23 8 million (2014 £25 8 million gain) in respect of foreign currency net lendings

M. Directors' emoluments

	£ thousand	
	2015	2014
Directors' emoluments	**1,510**	1,500
Company contributions to money purchase pension schemes	**86**	64
	1,596	1,564
Retirement benefits are accruing to the following number of directors under		
	2015	2014
Defined benefit schemes	**-**	-
Money purchase schemes	**1**	1
	1	1

The aggregate emoluments of the highest paid director were £1,140,147 and no pension contribution was made on his behalf (2014 The aggregate emoluments of the highest paid director were £484,000 and no pension contribution was made on his behalf)

In 2015 £492,147 (2014 £330,000) was paid to directors in respective of a long term incentive plan

Notes to the Company financial statement (continued)

N. Pensions

The Company participates in three funded UK defined benefit pension schemes and a Company Personal Pension arrangement The principal scheme, the P&O Pension Scheme (the "P&O UK Scheme"), was closed to routine new members on 1 January 2002 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

The Company also participates in the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme") and the Merchant Navy Ratings' Pension Fund (the "MNRPF scheme") which are industry wide schemes These generally have assets held in separate trustee administered funds which are legally separated from the Company

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

The amounts recognised in the balance sheet are as follows

	2015	2014
Present value of obligations	**(1,444 5)**	(1,506 0)
Fair value of plan assets	**1,356 4**	1,410 7
Net liability deficit	**(88 1)**	(95 3)
Related deferred tax asset	-	-
Net liability	**(88 1)**	(95 3)
Amounts in the balance sheet		
Non-current Liabilities	**(88 1)**	(95 3)
Net liability	**(88 1)**	(95 3)

The deferred pension benefit schemes of GBP £88 1 million (2014 £95 3 million) is in respect of the total Company schemes shown on page 94

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

	2015	2014
Actuarial (gain)/loss recognised in the year	**(45 1)**	102 2
Return on plan assets lesser/ (greater) than the discount rate	**39 4**	(91 3)
Change in share in multi-employer scheme	**(0 6)**	17 2
Movement in minimum funding liability	**12 8**	3 7
	6 5	31 8

Notes to the Company financial statement (continued)

N. Pensions (continued)

The pension costs for defined benefit schemes are as follows

	2015	2014
Current service cost	(0 3)	(0 3)
Gain due to settlements/curtailments	0 6	-
Administration costs	(2 5)	(1 6)
Total charge to operating profit	(2 2)	(1 9)
Net Interest on net defined benefit liability/(asset)	(3 0)	(2 7)
Total expenses recognised in the income statement	(5 2)	(4 6)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2015 by qualified independent actuaries The principal assumptions are included in the table below

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice There are ongoing discussions with Trustees in regards to deficit recovery plans

	P&O UK Scheme		MNOPF Scheme		MNRPF Scheme	
	2015	2014	2015	2014	2015	2014
Discount rates	3 70%	3 60%	3 70%	3 60%	3 70%	3 60%
Discount rates - Bulk Annuity Asset	3 50%	3 35%	n/a	n/a	n/a	n/a
Expected rates of salary increases	n/a	2 50%	n/a	n/a	n/a	n/a
Pension increases						
- Deferment	2 80%	2 80%	2 20%	2 15%	2 20%	2 15%
- Payment	2 80%	2 80%	3 10%	3 05%	3 10%	3 05%
- payment Bulk Annuity	2 75%	2 75%	n/a	n/a	n/a	n/a
Inflation	3 20%	3 15%	3.20%	3 15%	3 20%	3 15%
Inflation - Bulk Annuity Asset	3 10%	3 10%	n/a	n/a	n/a	n/a
Expected rates of return on scheme assets	n/a	n/a	n/a	n/a	n/a	n/a

From 1 December 2011, changes have been made to the benefits provided by the P&O UK scheme These include a restriction to pay increases equal to the lower of Retail Price Index and 2 5% in a Scheme Year This restriction is reflected in the pay increase assumption above and there is no allowance for promotional increases The P&O UK Scheme was closed to future accrual on 31 December 2015, so future pay increases will no longer be relevant after this date

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

Notes to the Company financial statement (continued)

N. Pensions (continued)

	P&O UK Scheme £'million	MNOPF Scheme £'million	MNRPF Schemes £'million	Total Fair value £'million
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**
2014				
Equities	317 5	36 1	5 4	359 0
Bonds	116 2	66 5	20 1	202 8
Other	19 3	-	7 8	27 1
Value of insured pensioner liability	821 8	-	-	821 8
	1,274 8	102 6	33 3	1,410 7

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
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**
2014				
P&O UK scheme	23 3	26 3	25 6	28 7
MNRPF scheme	21 3	24 0	24 1	26 7
MNOPF scheme	22 6	25 4	26 2	29 2

At 31 December 2015 the weighted average duration of the defined benefit obligation was 15 8 years (2014 16 years)

Reasonably possible changes to one of the actuarial assumptions, holding other assumptions constant (in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated), would have increased the net defined benefit liability as at 31 December 2015 by the amounts shown below

	£ million
0 1% reduction in discount rate	9 0
0 1% increase in inflation assumption and related assumptions	3 7
0 25% p a increase in the long term rate of mortality improvement	5 8

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

Notes to the Company financial statement (continued)

N. Pensions (continued)

At 31 December 2015 the weighted average duration of the defined benefit obligation was 15 8 years (2014 16 years)

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
Actual employee contributions	-	-	-	-
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)
Return on plan assets (greater)/less than the discount rate	-	-	-	-
Actual employer contributions	8 6	5 7	4 5	18 8
Actual employee contributions	-	-	-	-
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)

Reconciliation of the opening and closing present value of defined benefit obligations and fair value of scheme assets for the period ended 31 December 2014

				£ million
	P&O UK Scheme	MNOPF Scheme	MNRPF Scheme	Total
Present value of obligation at 1 January 2014	(1,251 2)	(94 0)	(21 0)	(1,366 2)
Current service cost	(0 3)	-	-	(0 3)
Interest cost on Defined Benefit Obligation	(53 0)	(4 0)	(0 9)	(57 9)
Past service cost - amendments/curtailments	-	-	-	-
Settlement of liabilities	-	-	-	-
Actual employee contributions	-	-	-	-
Actuarial gain/(loss) - experience	8 5	0 1	0 2	8 8
Actuarial gain/(loss) - demographic assumptions	(1 8)	-	-	(1 8)
Actuarial gain/(loss) - financial assumptions	(97 5)	(9 3)	(2 4)	(109 2)
Gain/(Loss) due to change in share	-	(14 6)	(30 5)	(45 1)
Actual benefit paid	66 7	4 2	1 1	72 0
Present value of obligation at 31 December 2014	(1,328 6)	(117 6)	(53 5)	(1,499 7)
Fair value of scheme assets at 1 January 2014	1,206 7	75 8	15 1	1,297 6
Interest income on assets	51 2	3 3	0 7	55 2
Return on plan assets (greater)/less than the discount rate	76 2	13 2	2 0	91 4
Return on plan assets (greater)/less than the discount rate	-	-	-	-
Actual employer contributions	8 6	3 4	-	12 0
Actual employee contributions	-	-	-	-
Actual benefit paid	(66 7)	(4 0)	(1 1)	(71 8)
Gain/(Loss) due to change in share	-	11 1	16 8	27 9
Settlement	-	-	-	-
Administration costs incurred during period	(1 2)	(0 2)	(0 2)	(1 6)
Fair value of scheme assets at 31 December 2014	1,274 8	102 6	33 3	1,410 7
Irrecoverable surplus at 1 January 2014	-	(2 5)	-	(2 5)
Interest cost on irrecoverable surplus	-	(0 1)	-	(0 1)
Change in irrecoverable surplus	-	(3 7)	-	(3 7)
Irrecoverable surplus at 31 December 2014	-	(6 3)	-	(6 3)
Defined benefit schemes net liabilities at 31 December 2014	(53 8)	(21 3)	(20 2)	(95 3)

Notes to the Company financial statement (continued)

N. Pensions (continued)

Where a surplus arises on a scheme, in accordance with IAS19 and IFRIC14, the surplus is recognised as an asset only if it represents an unconditional economic benefit available to the Company in future Any surplus in excess of this benefit is not recognised in the statement of financial position 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
	2015	2014
Minimum funding liability as on 1 January	(6 3)	(2 5)
Interest cost on minimum funding liability	(0 2)	(0 1)
Actuarial movement during the year	(12 8)	(3 7)
Effect of movement in exchange rates	-	-
Minimum funding liability as on 31 December	(19 3)	(6 3)

It is anticipated that the company will make the following contributions to the pension schemes in 2016

				£ million
	P&O UK Scheme	**MNOPF Scheme**	**MNRPF Scheme**	**Total**
Pension scheme contributions	8 4	3 3	1 5	13 2

P&O UK Scheme

Formal actuarial valuations of the P&O UK Scheme are normally carried out triennially by qualified independent actuaries, the latest completed regular valuation report for the scheme being at 31 March 2013, using the projected unit credit method

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 balance sheet 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 Company financial statement (continued)

N. Pensions (continued)

Merchant Navy Officers' Pension Fund

The MNOPF Scheme is an industry wide multi-employer defined benefit scheme in which officers employed by the 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 has been closed to benefit accrual since 1978

The Old Section has been closed to benefit accrual since 1978 The Old Scheme 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 Scheme The Company could not identify its share of the underlying assets and liabilities of the Old Section on a consistent and reasonable basis and therefore accounted for contributions and payments to the Old Section under IAS19 as if it were a defined contribution scheme until the scheme was wound up during the year

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

Following the valuation the Trustee and Employers have agreed contributions, in addition to those arising from the 31 March 2003, 31 March 2006 and 31 March 2009 valuations, 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 2016 £2 7 million, 2017 to 2020 £5 3 million thousand per annum and 2021 to 2023 £0 8 million per annum

The Trustees 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 2015 is estimated at 5 33%

Merchant Navy Ratings' Pension Fund

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 Company have participated The scheme has a significant funding deficit and has been closed to further benefit accrual

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 3 million (equating to 7 3% share of the net deficit) Deficit contributions of £5 0 million were paid into the Scheme in 2015 Negotiations are ongoing for a repayment period for the remaining £13 0 million deficit (on which 6% per annum interest will be charged)

The Company, which is no longer a current employer in the MNRPF, had settled its statutory debt obligation and was 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

Notes to the Company financial statement (continued)

N Commitments

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

	£ million	
	Land and buildings	
Lease expiring	2015	2014
Within one year	1 1	0 8
Between one and five years	4 3	3 2
Over five years	5 4	4 4
	10 8	8 4

O. Contingent liabilities

The company has a contingent liability in respect of payment guarantees amounting to £9 6 million (2014 £17 million)

P 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

Q. Explanation of transition to FRS 101 from old UK GAAP

As stated in note A, these are the Company's first financial statements prepared in accordance with FRS 101 The accounting policies set out in note A have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 December 2014 In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position is set out in the following tables and the notes that accompany the tables

Notes to the Company financial statement (continued)

Q. Explanation of transition to FRS 101 from old UK GAAP (continued)

£ million

	01-Jan-14				31-Dec-14			
	UK GAAP	Reclassification of Inter Company debtor	Effect of transition to FRS 101	FRS 101	UK GAAP	Reclassification of Inter Company debtor	Effect of transition to FRS 101	FRS 101
Non-current assets								
Tangible fixed assets	1 7	-	-	1 7	7 3	-	-	7 3
Investments in subsidiaries	2,589 0	(568 8)	-	2,020 2	2,100 6	(573 2)	-	1,527 4
Other investment	23 8	-	-	23 8	23 8	-	-	23 8
	2,614 5	**(568 8)**	**-**	**2,045 7**	**2,131 7**	**(573 2)**	**-**	**1,558 5**
Current assets								
Trade and other receivables	25 7	-	-	25 7	25 7	-	-	25 7
Loans to group undertakings	1,815 9	568 8	-	2,384 7	2,943 6	573 2	-	3,516 8
Cash and cash equivalents	1 8	-	-	1 8	3 5	-	-	3 5
	1,843 4	**568 8**	**-**	**2,412 2**	**2,972 8**	**573 2**	**-**	**3,546 0**
Creditors amounts falling due within one year								
Other creditors	(17 1)	-	-	(17 1)	(1,086 9)	-	-	(1,086 9)
	(17 1)	**-**	**-**	**(17 1)**	**(1,086 9)**	**-**	**-**	**(1,086 9)**
Net current assets	**1,826 3**	**568 8**	**-**	**2,395 1**	**1,885 9**	**573 2**	**-**	**2,459 1**
Total assets less current liabilities	**4,440 8**	**-**	**-**	**4,440 8**	**4,017 6**	**-**	**-**	**4,017 6**
Creditors amounts falling due in more than one year								
Loans	(6 2)	-	-	(6 2)	(6 5)	-	-	(6 5)
Other creditors, including taxation and social security	(406 7)	-	-	(406 7)	-	-	-	-
	(412 9)	**-**	**-**	**(412 9)**	**(6 5)**	**-**	**-**	**(6 5)**
Provisions for liabilities	(18 8)	-	-	(18 8)	(11 0)	-	-	(11 0)
Net assets before pension liabilities	**4,009 1**	**-**	**-**	**4,009 1**	**4,000 1**	**-**	**-**	**4,000 1**
Pensions and post-retirement benefits	(98 6)	-	27 9	(70 7)	(122 6)	-	27 3	(95 3)
Net assets after pension liabilities	**3,910 5**	**-**	**27 9**	**3,938 4**	**3,877 5**	**-**	**27 3**	**3,904 8**
Capital and reserves								
Called up share capital	(843 2)	-	-	(843 2)	(843 2)	-	-	(843 2)
Share premium account	(815 4)	-	-	(815 4)	(815 4)	-	-	(815 4)
Profit and loss account	(2,251 9)	-	(27 9)	(2,279 8)	(2,218 9)	-	(27 3)	(2,246 2)
Total equity	**(3,910 5)**	**-**	**(27 9)**	**(3,938 4)**	**(3,877 5)**	**-**	**(27 3)**	**(3,904 8)**

Notes to the Company financial statement (continued)

Q. Explanation of transition to FRS 101 from old UK GAAP (continued)

Note 1 As of transition date, pension and post-retirement benefits are measured in compliance with FRS 101, which resulted into decrease in pension liabilities by £27 9 million with a corresponding impact to retained earnings

Note 2 The transition to FRS 101 resulted in a reduction of pension liability in comparative period with a corresponding impact to increase in administrative costs by £1 6 million, net finance costs by £4 6 million, and credit to retained earnings by £33 5 million

Note 3 There has been a prior year adjustment to reclassify a loan to group undertakings of £573 2 million at 31st December 2014 (£568 8 million at 1st January 2014) from long term to short term as the loan is payable on demand

R. Related undertakings

In accordance with section 409 of the companies Act 2006, a full list of related undertakings, the country of incorporation and percentage of share capital owned by the Group as at 31 December 2015 is disclosed below

Name	Country of incorporation	Percentage of share capital owned by the Group	Class of shares
Abbott & Goldman	United Kingdom	99%	Ordinary shares
Aberlour Holding Company, Inc	Philippines	16%	Preferred shares
Anderson Hughes Pty Ltd	Australia	94%	Ordinary shares
Antwerp Depot NV	Belgium	65%	Category A shares
Antwerp Gateway NV	Belgium	60%	Category N shares and P shares
Ascot SAS	France	25%	Ordinary shares
Asian Terminals, Inc	Philippines	41 72%	Common shares
ATI Batangas, Inc	Philippines	41 72%	Common shares
ATI Holdings, Inc	Philippines	100%	Common shares
AWH Pty Ltd	Australia	1 57%	Ordinary shares
Basswick Pty Limited	Australia	100%	Ordinary shares
Beaufort Insurance Company Limited	United Kingdom	100%	Ordinary shares and Cumulative Preference shares
Bengal Port Private Limited	India	44 50%	Ordinary Equity shares
British India Steam Navigation Company Limited	United Kingdom	100%	Ordinary shares
Carpentaria Shipping Services Pty Ltd	Australia	47 00%	Ordinary-A shares
Charlwood Alliance Holdings Limited	United Kingdom	100%	ordinary shares
Chennai Container Terminal Pvt Ltd	India	100%	Ordinary shares
Community Network Services Limited	United Kingdom	100%	Ordinary shares
Container Rail Road Services Pvt Ltd	India	100%	Ordinary Equity shares
Daven Holdings, Inc	Philippines	16%	Preferred shares
DP World (Canada) Inc	Canada	100%	Ordinary shares
DP World (Fremantle) Limited	Australia	3 15%	Class A and class B Ordinary shares
DP World (POSN) B V	Netherlands	100%	Ordinary-B shares
DP World (SA) Pty Ltd	Australia	3 15%	Ordinary shares
DP World Antwerp Container Services NV	Belgium	100%	Ordinary shares
DP World Antwerp Customs Desk NV	Belgium	50%	Ordinary shares
DP World Antwerp Holding N V	Belgium	100%	Ordinary shares
DP World Antwerp Terminals N V	Belgium	100%	Ordinary shares
DP World ANZ Ports (Australia) Pty Limited	Australia	100%	Ordinary shares
DP World Australia (Finance) Pty Ltd	Australia	3 15%	Ordinary shares
DP World Australia (Holding) Pty Ltd	Australia	3 15%	Ordinary shares
DP World Australia (Investments) Pty Ltd	Australia	100%	Ordinary shares
DP World Australia (POAL) Pty Ltd	Australia	100%	Class A, Class B and class B Ordinary shares
DP World Australia (POSN) Pty Ltd	Australia	100%	Ordinary shares
DP World Australia Limited	Australia	3 15%	Ordinary shares
DP World Blue B V	Netherlands	100%	ordinary shares

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
DP World Brisbane Pty Limited	Australia	3 15%	Ordinary shares
DP World Canada B V	Netherlands	100%	Ordinary shares
DP World Germersheim B V	Netherlands	100%	Ordinary shares
DP World Investments FZE	United Arab Emirates	100%	Ordinary shares
DP World Liege NV	Belgium	100%	Class A, Class B and class B Ordinary shares
DP World Limited	United Kingdom	100%	Ordinary shares shares
DP World Maputo, SA	Mozambique	60%	Ordinary shares
DP World Maritime B V	Netherlands	100%	Ordinary-B shares
DP World Melbourne Limited	Australia	3 15%	Ordinary shares
DP World Overseas Pty Limited	Australia	100%	Class A Ordinary shares
DP World Prince Rupert Inc	Canada	100%	Common shares
DP World Properties (Australia) Pty Limited	Australia	100%	Ordinary shares
DP World Pvt Ltd	India	100%	Ordinary Equity shares
DP World Red B V	Netherlands	100%	Ordinary shares
DP World Saigon Holdings Limited	Virgin Islands, British	100%	Ordinary shares
DP World Sokhna FZE	United Arab Emirates	100%	Ordinary shares
DP World Sydney Limited	Australia	3 15%	Ordinary shares
Eastern Gateway Terminals Private Limited	India	68 80%	Ordinary Equity shares
Eurofos SARL	France	50%	Ordinary shares
Europe Atlantique Terminal SA	France	32 49%	Ordinary shares
European Ferries Limited	United Kingdom	100%	Ordinary shares
Expert Terminal Services Limited	Cyprus	50%	Ordinary shares
Fricue Pty Limited	Australia	100%	Ordinary shares
Fritex Pty Limited	Australia	100%	Ordinary shares
Gamac GIE	France	50%	Ordinary shares
Generale De Manutention Portuaire	France	50%	Ordinary shares
Global Container Services NV	Belgium	100%	Ordinary shares
Griltsen One Limited	United Kingdom	100%	Ordinary shares
Harbourside Holdings Corporation	Philippines	16%	Preferred shares
Havenbedrijf Antverpia NV	Belgium	98 73%	Ordinary shares
Hindustan Ports Private Limited	India	100%	Ordinary shares
Jeletrans SAS	France	50%	Ordinary shares
Laem Chabang International Terminal Co Ltd	Thailand	34 50%	Ordinary shares
Laem Chabang Security Service Co Ltd	Thailand	34 50%	Ordinary shares
Laing Investments Inc	United States	50%	Common shares
Laing Management Company	United States	50%	Common shares
Leonora Investment Company (Central) Limited	United Kingdom	100%	Ordinary shares
Liena Pty Limited	Australia	100%	Ordinary shares
Linfire Limited	United Kingdom	100%	Ordinary shares
London Gateway Limited	United Kingdom	100%	Ordinary shares
London Gateway Park Development Limited	United Kingdom	100%	Ordinary shares
London Gateway Park Limited	United Kingdom	100%	Ordinary shares
London Gateway Park Management Limited	United Kingdom	100%	Ordinary shares
London Gateway Port Holdings Limited	United Kingdom	100%	Ordinary shares
London Gateway Port Limited	United Kingdom	100%	Ordinary shares
London Gateway Port Railway Limited	United Kingdom	100%	Ordinary shares
London Gateway Services Limited	United Kingdom	100%	Ordinary shares

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
Louis Wolfe and Sons (Vancouver) Ltd	Canada	100%	Class A Common shares
Mackinnon Mackenzie & Co of Pakistan (Private) Limited	Pakistan	100%	Ordinary shares
Manutention Générale Méditerranéenne SA	France	50%	Ordinary shares
Manutention Terminal Nord	France	50%	Ordinary shares
Matthews Holdings Limited	Bermuda	100%	Common shares
Morray Holdings, Inc	Philippines	16%	Preferred shares
Mundra International Container Terminal Private Limited	India	100%	Ordinary Equity shares
Navique – Empresa Moçambicana de Navegação, SARL	Mozambique	33 95%	Ordinary shares
Network Financing B V	Netherlands	10%	Ordinary shares shares
Nhava Sheva (India) Gateway Terminal Private Limited	India	100%	Ordinary shares
Nhava Sheva International Container Terminal Pvt Ltd	India	100%	Ordinary shares
P & O Maritime Services (South Africa) (Proprietary) Limited	South Africa	100%	Ordinary shares
P&O Bulk Shipping Limited	United Kingdom	100%	Ordinary shares
P&O Containers Pakistan (Private) Limited	Pakistan	100%	Ordinary shares
P&O Delaware Holdings LLC	United States	100%	Ordinary shares
P&O Dover (Holdings) Limited	United Kingdom	100%	Ordinary shares
P&O France S A S	France	100%	Ordinary shares
P&O Garden City Investments B V	Netherlands	100%	Ordinary shares
P&O Management Services Philippines Inc	Philippines	40%	Common shares
P&O Maritime Holdings (Australia) Pty Limited	Australia	100%	Ordinary shares
P&O Maritime Holdings Paraguay S A	Paraguay	100%	Ordinary shares
P&O Maritime Mozambique SA	Mozambique	0 94%	Ordinary shares
P&O Maritime Ocean Sciences Limited	United Kingdom	50%	Ordinary-A shares
P&O Maritime Services (France) SARL	France	100%	Ordinary shares
P&O Maritime Services (Ireland) Ltd	Ireland	100%	Ordinary shares
P&O Maritime Services (NZ) Limited (being wound up)	New Zealand	100%	Ordinary shares
P&O Maritime Services (PNG) Limited	Papua New Guinea	100%	Ordinary shares
P&O Maritime Services (Singapore) Pte Ltd	Singapore	100%	Ordinary shares
P&O Maritime Services (UK) Limited	United Kingdom	100%	Ordinary shares
P&O Maritime Services Paraguay S A	Paraguay	90%	Ordinary shares
P&O Maritime Services Pty Ltd	Australia	100%	Ordinary shares
P&O Netherlands B V	Netherlands	100%	Ordinary shares
P&O Overseas Holdings Limited	United Kingdom	100%	Ordinary shares
P&O Pension Funds Investments Limited	United Kingdom	100%	Ordinary shares
P&O Ports (Chennai) Ltd	Mauritius	100%	Ordinary shares
P&O Ports (Kulpi) Pvt Ltd	Mauritius	100%	Ordinary shares
P&O Ports (Mundra) Pvt Ltd	Mauritius	100%	Ordinary shares
P&O Ports Ltd	United Kingdom	100%	Ordinary shares
P&O Properties International Limited	United Kingdom	100%	Ordinary shares
P&O Scottish Ferries Limited	United Kingdom	100%	Ordinary shares
P&O Scottish Ferries Ship Management Limited	United Kingdom	100%	Ordinary shares
P&O Tankships Investments Limited	United Kingdom	100%	Ordinary shares
P&O Trans Australia Holdings Limited	Australia	100%	Ordinary shares
Pacity Investments Pty Limited	Australia	100%	Ordinary shares
Parktex Development, Inc	United States	100%	Ordinary shares
Parkway Investments Partners, LP	United States	100%	Ordinary shares
Parkway Limited Investments, Inc	United States	100%	Ordinary shares

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
Partkestrel Limited	United Kingdom	100%	Ordinary shares
Pecard Group Holdings, Inc	Philippines	16%	Class B Common shares
Philippine Seaport, Inc	Philippines	39 80%	Common shares
POETS Fleet Management Limited	United Kingdom	100%	Ordinary shares
Portsynergy Projects SA	France	50%	Ordinary shares
Portsynergy SAS	France	50%	Ordinary shares
Portus Indico - Sociedade de Servicos Portuarios Limited	United Arab Emirates	48 50%	Ordinary shares
POTA Properties Pty Ltd	Australia	100%	Ordinary shares
PT Terminal Petikemas Surabaya	Indonesia	49%	Ordinary (Series B) shares
PTS Holdings Limited	Mauritius	59 22%	Ordinary shares and redeemable "A" Ordinary shares
Qasim International Container Terminal Pakistan Limited	Pakistan	55%	Ordinary shares
Qingdao New Qianwan Container Terminal Co , Ltd	China	23 20%	Ordinary shares
Qingdao Qianwan Container Terminal Co , Ltd	China	29%	Ordinary shares
Qingdao Qianwan Intelligent Container Terminal Co , Ltd	China	16 24%	Ordinary shares
Qingdao Qianwan United Advance Container Terminal Co , Ltd	China	8 12%	Ordinary shares
Qingdao Qianwan United Container Terminal Co , Ltd	China	11 60%	Ordinary shares
Remolcadores de Puerto y Altura, S A	Spain	57%	Ordinary shares
Saigon Premier Container Terminal	Vietnam	80%	Ordinary shares
Satellite Telemetry (Aust) P/L	Australia	100%	Ordinary shares
SCT Nominees Limited	United Kingdom	100%	Ordinary shares
SCT Pension Trustees Limited	United Kingdom	100%	Ordinary shares
SG Holdings, Inc	Philippines	16%	Preferred shares
Sociedade de Desenvolvimento do Porto de Maputo, S A	Mozambique	24 74%	C Class shares
Societe D'Amenagement De L'interface Terrestre Du Port Du Havre SAS	France	17 5%	Ordinary shares
Solent Container Services Limited	United Kingdom	100%	Ordinary shares
South Asia Logistics Pvt Ltd	Mauritius	100%	Ordinary shares
South Asia Ports Limited	Mauritius	100%	Ordinary shares
South Cotabato Integrated Port Services, Inc	Philippines	14 89%	Common shares
Southampton Container Terminals Limited	United Kingdom	100%	A shares
Technologicky Park Bmp a s	Czech Republic	50%	Ordinary shares
Terminal de Cabotagem de Maputo SARL	Mozambique	17 31%	Ordinary shares
Terminales Rio de la Plata S A	Argentina	55 62%	Ordinary shares
UK EDI Limited	United Kingdom	100%	Ordinary shares
Uninoble S A	Paraguay	42 3%	Ordinary shares
Ventress Investments Pty Limited	Australia	100%	Ordinary shares
Vipport	Belgium	100%	Ordinary shares
Waughcal Pty Limited	Australia	100%	Ordinary shares
Welbeck Navigation Inc	Panama	100%	Ordinary shares
1-Stop Connections Pty Ltd	Australia	1 57%	Ordinary shares