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In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

# OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

FRIDAY

*L6ANZ2BD*
LD3 14/07/2017 #104
COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT**
You cannot use this forr an alteration of manner with accounting require

## Part 1 Corporate company name

| | |
|---|---|
| Corporate name of overseas company ❶ | THE CHINA NAVIGATION COMPANY PTE. LTD. |
| UK establishment number | B R 0 1 4 4 4 9 |

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

## Part 2 Statement of details of parent law and other information for an overseas company

### A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ SINGAPORE COMPANIES ACT (CHAPTER 50)

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸ SINGAPORE ACCOUNTING STANDARDS COUNCIL

❸ Please insert the name of the appropriate accounting organisation or body.

### A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

## OS AA01

Statement of details of parent law and other information for an overseas company

### A4 Audited accounts

| | | |
|---|---|---|
| Audited accounts | Have the accounts been audited in accordance with a set of generally accepted auditing standards?<br>Please tick the appropriate box.<br>☐ **No.** Go to **Part 3 'Signature'**.<br>☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**. | ❶ Please insert the name of the appropriate accounting organisation or body. |
| Name of organisation or body ❶ | SINGAPORE ACCOUNTING STANDARDS COUNCIL | |

### A5 Unaudited accounts

| | |
|---|---|
| Unaudited accounts | Is the company required to have its accounts audited?<br>Please tick the appropriate box.<br>☐ **No.**<br>☑ **Yes.** |

## Part 3 Signature

I am signing this form on behalf of the overseas company.

| | |
|---|---|
| Signature | Signature<br>**X** **X** |

This form may be signed by:
Director, Secretary, Permanent representative.

# OS AA01

Statement of details of parent law and other information for an overseas company

## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone

## Checklist

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

## Important information

**Please note that all this information will appear on the public record.**

## Where to send

**You may return this form to any Companies House address:**

**England and Wales:**
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

**Scotland:**
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

**Northern Ireland:**
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

## Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

**This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk**

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**The China Navigation Company Pte. Ltd.**
**Registration Number: 200917133H**

Annual Report
Year ended 31 December 2016

# Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages FS1 to FS36 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors in office during the financial year are as follows:

| | |
|---|---|
| Richard Maurice Hext | |
| Barnaby Nicholas Swire | |
| James Edward Hughes-Hallett | |
| Gordon Douglas McCallum | (Resigned on 22 March 2017) |
| Rebecca Jane Sharpe | |
| James Hugh Woodrow | |
| Guy Martin Coutts Bradley | |
| Christopher Richard Buttery | (Appointed on 1 September 2016) |
| Ian Henry Franklin Potter | (Appointed on 1 October 2016) |

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related companies are as follows:

| **Name of director and corporation in which interests are held** | **Holdings at beginning of the year** | | **Holdings at end of the year** | |
|---|---|---|---|---|
| ***Ultimate holding company*** | ***Ordinary shares*** | ***Preference shares*** | ***Ordinary shares*** | ***Preference shares*** |
| ***John Swire & Sons Limited*** | | | | |
| Gordon Douglas McCallum | | | | |
| - Interests held | 9,694 | 900 | 9,694 | 6,716 |

## Directors' interests (cont'd)

| **Name of director and corporation in which interests are held** | **Holdings at beginning of the year** | | **Holdings at end of the year** | |
|---|---|---|---|---|
| ***Ultimate holding company*** | ***Ordinary shares*** | ***Preference shares*** | ***Ordinary shares*** | ***Preference shares*** |
| ***John Swire & Sons Limited*** | | | | |
| Barnaby Nicholas Swire | | | | |
| - Interests held | 2,166,322 | 674,991 | 1,566,322 | 1,974,784 |
| - Deemed interests (beneficial) | 16,664,505 | 5,423,984 | 9,740,462 | 8,961,562 |
| - Deemed interests (non-beneficial) | 12,234,069 | 3,551,494 | 23,906,790 | 19,168,776 |

***Related companies***

| | *<——— Ordinary shares ———>* | | | |
|---|---|---|---|---|
| ***Swire Pacific Limited*** | ***Swire Pacific Limited "A"*** | ***Swire Pacific Limited "B"*** | ***Swire Pacific Limited "A"*** | ***Swire Pacific Limited "B"*** |
| Barnaby Nicholas Swire | | | | |
| - Deemed interests (non-beneficial) | – | 4,901,581 | 394,602 | 11,314,876 |
| James Edward Hughes-Hallett | | | | |
| - Deemed interests (beneficial) | 30,000 | – | 30,000 | – |

| ***Swire Properties Limited*** | ***Ordinary shares*** | ***Ordinary shares*** |
|---|---|---|
| James Edward Hughes-Hallett | | |
| - Interests held | 3,100 | 3,100 |

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares of the Company, or of related companies either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## Directors' interests (cont'd)

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

## Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**James Hugh Woodrow**
*Director*

**Rebecca Jane Sharpe**
*Director*

23 MAY 2017

KPMG LLP
16 Raffles Quay #22-00
*Hong Leong Building*
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
*Internet* *www.kpmg.com.sg*

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# Independent auditors' report

Members of the Company
The China Navigation Company Pte. Ltd.

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of The China Navigation Company Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS36.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other information*

Management is responsible for the other information. The other information comprises the Directors' statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

*Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**

23 MAY 2017

**Statement of financial position**
**As at 31 December 2016**

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 1,048,942 | 954,363 |
| Investments in subsidiaries | 5 | 5,729 | 5,729 |
| Investments in an associate and joint ventures | 6 | 44,515 | 44,515 |
| Intangible assets | 7 | 10,257 | 11,932 |
| Finance lease receivable | 8 | 30,196 | – |
| Employee benefits | 15 | 1,538 | 2,189 |
| | | 1,141,177 | 1,018,728 |
| **Current assets** | | | |
| Finance lease receivable | 8 | 140 | – |
| Inventories | 9 | 28,109 | 15,301 |
| Trade and other receivables | 10 | 111,611 | 108,742 |
| Cash and cash equivalents | 11 | 9,234 | 56,195 |
| Assets held for sale | 12 | 2,576 | 999 |
| Derivatives | 19 | 1,267 | – |
| | | 152,937 | 181,237 |
| **Total assets** | | 1,294,114 | 1,199,965 |
| **Equity** | | | |
| Share capital | 13 | 420,154 | 420,154 |
| Capital reserve | 13 | 1,356 | 1,356 |
| Hedging reserve | 13 | 1,086 | (1,590) |
| Accumulated profits | | 57,186 | 66,476 |
| **Total equity** | | 479,782 | 486,396 |
| **Non-current liability** | | | |
| Loans and borrowings | 14 | 552,679 | 475,311 |
| Deferred gains | 18 | 2,082 | 3,116 |
| Provisions | 20 | 17,374 | 26,020 |
| | | 572,135 | 504,447 |
| **Current liabilities** | | | |
| Loans and borrowings | 14 | 114,968 | 70,303 |
| Current tax liabilities | 16 | 611 | 877 |
| Trade and other payables | 17 | 106,705 | 119,602 |
| Deferred gains | 18 | 1,033 | 1,033 |
| Derivatives | 19 | – | 3,052 |
| Provisions | 20 | 18,880 | 14,255 |
| | | 242,197 | 209,122 |
| **Total equity and liabilities** | | 1,294,114 | 1,199,965 |

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

**Statement of comprehensive income**
**Year ended 31 December 2016**

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Revenue | 21 | 625,104 | 613,282 |
| Vessel operating expenses | | (559,015) | (554,982) |
| **Gross profit** | | 66,089 | 58,300 |
| Other income | | 3,154 | 8,445 |
| Administrative expenses | | (65,454) | (72,338) |
| **Results from operating activities** | | 3,789 | (5,593) |
| Finance income | | 794 | 319 |
| Finance costs | | (12,473) | (7,244) |
| **Loss before tax** | | (7,890) | (12,518) |
| Tax expense | 23 | (693) | (1,083) |
| **Loss for the year** | 22 | (8,583) | (13,601) |
| | | | |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to profit or loss:*** | | | |
| Defined benefit plan remeasurements | 15 | (707) | (52) |
| ***Items that are or maybe reclassified subsequently to profit or loss:*** | | | |
| Effective portion of changes in fair value of cashflow hedges | | 2,676 | (1,590) |
| **Total comprehensive loss for the year** | | (6,614) | (15,243) |

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

## Statement of changes in equity
## Year ended 31 December 2016

| | Note | Share capital US$'000 | Capital reserve US$'000 | Hedging reserve US$'000 | Accumulated profits US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2015 | | 420,154 | 1,356 | – | 80,129 | 501,639 |
| Loss for the year | | – | – | – | (13,601) | (13,601) |
| **Other comprehensive income** | | | | | | |
| Defined benefit plan remeasurements | 15 | – | – | – | (52) | (52) |
| Effective portion of changes in fair value of cashflow hedges | | – | – | (1,590) | – | (1,590) |
| **Total other comprehensive income** | | – | – | (1,590) | (52) | (1,642) |
| At 31 December 2015 | | 420,154 | 1,356 | (1,590) | 66,476 | 486,396 |
| At 1 January 2016 | | 420,154 | 1,356 | (1,590) | 66,476 | 486,396 |
| Loss for the year | | – | – | – | (8,583) | (8,583) |
| **Other comprehensive income** | | | | | | |
| Defined benefit plan remeasurements | 15 | – | – | – | (707) | (707) |
| Effective portion of changes in fair value of cashflow hedges | | – | – | 2,676 | – | 2,676 |
| **Total other comprehensive income** | | – | – | 2,676 | (707) | 1,969 |
| At 31 December 2016 | | 420,154 | 1,356 | 1,086 | 57,186 | 479,782 |

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

**Statement of cash flows**
**Year ended 31 December 2016**

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (7,890) | (12,518) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 4 | 48,465 | 33,073 |
| Impairment loss on remeasurement of an asset classified as held for sale | 12 | – | 1,159 |
| Dividend income | 22 | (253) | (4,258) |
| Distribution of profit from a joint venture | | (1,600) | (1,460) |
| Amortisation of intangible assets | 7 | 1,675 | 1,709 |
| Amortisation of deferred gain on sale and finance lease back transactions | | (1,034) | (1,018) |
| Impairment loss upon wind up of joint venture | 6 | – | 1,008 |
| Reversal of contingent consideration | 6 | (1,000) | (1,000) |
| Provision for onerous contract | 20 | (4,021) | 40,043 |
| Loss on sale of property, plant and equipment | 22 | 2,027 | 582 |
| Change in fair value of derivatives | | (1,643) | (5,904) |
| Net finance cost | | 11,679 | 6,925 |
| | | 46,405 | 58,341 |
| *Changes in working capital:* | | | |
| Trade and other receivables | | (5,069) | (48,403) |
| Trade and other payables | | (11,624) | 22,889 |
| Inventories | | (12,808) | 5,076 |
| Change in employee benefits | | (56) | (5) |
| Taxes paid | 16 | (959) | (676) |
| **Net cash from operating activities** | | 15,889 | 37,222 |
| **Cash flows from investing activities** | | | |
| Dividends received | | 653 | 5,718 |
| Receipt of finance lease receivable | | 15 | – |
| Investments in joint ventures | | – | (1,200) |
| Investment in an associate | 6 | – | (38,223) |
| Purchase of property, plant and equipment | 4 | (180,227) | (294,395) |
| Proceeds from disposal of property, plant and equipment | | 4,604 | 27,963 |
| Interest received | | 794 | 319 |
| Loan repayment from a subsidiary | | 3,399 | – |
| **Net cash used in investing activities** | | (170,762) | (299,818) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (14,120) | (7,597) |
| Proceeds from borrowings | | 316,969 | 718,500 |
| Repayment of borrowings | | (187,024) | (428,312) |
| Payment of finance lease liabilities | | (7,913) | (14,216) |
| **Net cash from financing activities** | | 107,912 | 268,375 |
| **Net (decrease)/increase in cash and cash equivalents** | | (46,961) | 5,779 |
| Cash and cash equivalents at beginning of year | | 56,195 | 50,416 |
| **Cash and cash equivalents at end of year** | 11 | 9,234 | 56,195 |

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

# Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 MAY 2017.

## 1 Domicile and activities

The China Navigation Company Pte. Ltd. (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 300 Beach Road, #27-01, The Concourse, Singapore 199555.

The principal activities of the Company are owners and operators of liner and handysize bulk vessels.

The immediate and ultimate holding companies during the financial year are The China Navigation Company Limited and John Swire & Sons Limited respectively. Both companies are incorporated in the United Kingdom.

Consolidated financial statements of the Company and its subsidiaries are not prepared as the Company is a wholly owned subsidiary of John Swire & Sons Limited which prepares consolidated financial statements. John Swire & Sons Limited is a company incorporated in England and has its registered office at Swire House, 59 Buckingham Gate, London SWIE 6AJ, United Kingdom.

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies set out below.

### 2.3 Functional and presentation currency

The financial statements are presented in United States (US) dollars, which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies, including assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

- Note 4 – Property, plant and equipment
- Note 6 – Investments in an associate and joint ventures
- Note 20 – Provisions

***Measurement of fair values***

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in Note 24 – financial instruments.

## 2.5 Adoption of new and revised financial reporting standards

The Company has adopted the new and revised FRSs and interpretations, which became effective for the current financial year. The adoptions of the new and revised FRSs and interpretations to FRS did not result in substantial changes to the Company's accounting policies and has no material effect on the amounts reported for the current financial year.

# 3 Significant accounting polices

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 3.1 Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to the functional currency of the Company at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to the functional currency of the Company at the exchange rate of the date of transactions. Foreign currency differences of foreign operations are recognised in other comprehensive income, and presented in foreign currency translations reserve in equity.

## 3.2 Financial instruments

***Non-derivative financial assets***

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company ceases to recognise 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 Company is recognised as a separate asset or liability.

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

The Company classifies non-derivative financial assets into the following category: loans and receivables.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

***Non-derivative financial liabilities***

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company discharges a financial liability when its contractual obligations are settled, cancelled or expire.

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

***Share capital***

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

***Derivative financial instruments***

The Company holds derivative financial instruments to hedge its bunker price risk exposures. Derivatives that are not designated for hedge accounting are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognised immediately in profit or loss.

Derivatives for which hedge accounting was used, are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognised in other comprehensive income and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

## 3.3 Property, plant and equipment

***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- Capitalised borrowing costs.

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 accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal with the carrying amount of the item) are recognised in profit or loss.

***Subsequent costs***

The cost of replacing a component 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 components will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***Depreciation***

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Vessels | 20 - 30 years |
| Drydock expense | 2.5 - 5 years |
| Containers/Other equipment | 7 - 8 years |
| Fixtures and fittings | 5 years |
| Office equipment | 3 - 5 years |
| Motor vehicles | 5 years |
| Computer equipment | 3 - 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

## 3.4 Leases

***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specified asset or assets; and
- the arrangement contains the right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease where it is a lessee that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made, and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

***Finance leases – as lessee***

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is 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 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.

Other leases where the Company is a lessee, are operating leases and are not recognised in the Company's statement of financial position.

***Operating leases – as lessee***

Payments made under operating leases are recognised in profit or loss 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.

***Finance leases – as lessor***

Leases in terms of which the Company transfers substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a finance lease receivable is recognised based on the cash flows expected to be received over the life of the lease, discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that at the inception of the lease causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to equal the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Subsequent to initial measurement, the recognition of finance income is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease.

3.5 Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company 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.

Investment in subsidiaries is stated at cost less any accumulated impairment losses.

3.6 Investment in associates and joint ventures

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has the rights to net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.7 Intangible assets

Intangible assets consist of customer contracts that are acquired by the Company and have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful life of 10 years, from the date on which they are available for use.

## 3.8 Inventories

Inventories comprise consumables, lubricant oil and bunkers which are valued at cost of purchase (including cost incurred in bringing the stocks to their present location and condition) on a first-in first-out basis less applicable allowance for obsolescence when stocks are used. The carrying amount of these stocks is recognised as an expense in profit or loss in the period in which usage occurs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

## 3.9 Impairment

***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

*Loans and receivables*

The Company considers evidence of impairment for receivables at specific asset level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any 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 ("CGU") 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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 that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3.10 Employee benefits

***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which 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 Company's net obligation in respect of defined benefit retirement plans is calculated 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and 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.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in administrative expenses in profit or loss.

***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company 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.

## 3.11 Provisions

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. 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. Before a provision is established, the Company assess and recognise any impairment loss on the assets associated with the contracts.

## 3.12 Revenue

***Charter revenue***

Revenue from charter of vessels is recognised in profit or loss on a straight-line basis over the period of the charter.

***Freight revenue***

Freight revenue is recognised on a discharge-by-discharge basis in determining percentage of completion.

***Rendering of services***

Revenue from agency services comprises document handling fees, which is recognised when outward and inward cargo is loaded for shipment.

## 3.13 Finance income and finance costs

Finance income comprises interest income from deposits placed with financial institutions and interests earned on loan to subsidiary company. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and finance lease liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

## 3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items 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 reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of 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 temporary differences on 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.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

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 realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## 3.15 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these financial statements. For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company has commenced the process of assessing the transition options, and the potential impact of these changes on its financial statements. The Company does not plan to adopt these standards early.

| **New standards**<br>**Summary of the requirements** | **Potential impact** |
|---|---|
| **FRS 115** ***Revenue from Contracts with Customers*** | |
| FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. | Based on its initial assessment, the Company does not expect significant impact upon adopting FRS 115. The Company's revenue is primarily derived from chartering of vessels and freight revenue from customers. |
| When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. | The Company plans to adopt the standard when it becomes effective in 2018, and is currently performing a detailed analysis to determine its election of the practical expedients and to quantify the transition adjustments on its financial |

**New standards**

| Summary of the requirements | Potential impact |
|---|---|
| FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition. | statements. |
| **FRS 109 *Financial Instruments*** | |
| FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.<br><br>FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018. | Based on its initial assessment, overall, the Company does not expect a significant impact on its opening equity.<br><br>The Company expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. |
| **FRS 116 *Leases*** | |
| FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.<br><br>FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.<br><br>When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.<br><br>FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied. | The Company has performed a preliminary assessment of the new standard on its existing operating lease arrangements as lessee. Based on the assessment, the Company expects these operating leases would be recognised as ROU assets with corresponding lease liabilities under the new standard.<br><br>In addition, operating lease payments currently expensed in the profit and loss will no longer be treated as an operating lease expense, rather deprecation of the ROU asset and lease liability interest expense will be recognised. This change will have a material impact on the presentation of the profit and loss and the timing of recognition of these expenses.<br><br>The Company plans to adopt the standard when it becomes effective in 2019. The Company will perform a detailed analysis of the standard, including the transition options and practical expedients before the date of mandatory adoption. |

## 4 Property, plant and equipment

| | Vessels US$'000 | Vessels under construction US$'000 | Drydock expense US$'000 | Containers and other equipment US$'000 | Fixtures and fittings US$'000 | Office equipment US$'000 | Motor vehicles US$'000 | Computer equipment US$'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2015 | 468,934 | 240,137 | 37,665 | 16,005 | 2,585 | 350 | 2,505 | 7,902 | 776,083 |
| Additions | 4,604 | 297,826 | 14,112 | 3,647 | 832 | 5 | 309 | 2,814 | 324,149 |
| Transfers | 326,887 | (335,687) | 8,800 | – | – | – | – | – | – |
| Reclassification to assets held for sale | (3,019) | – | (1,243) | – | – | – | – | – | (4,262) |
| Disposals/write off | (28,603) | – | (1,572) | (41) | (20) | (9) | (233) | (75) | (30,553) |
| At 31 December 2015 | 768,803 | 202,276 | 57,762 | 19,611 | 3,397 | 346 | 2,581 | 10,641 | 1,065,417 |
| Additions | – | 173,730 | 3,108 | 3,159 | 108 | 24 | 579 | 975 | 181,683 |
| Transfers | 340,465 | (350,065) | 9,600 | – | – | – | – | – | – |
| Reclassification to assets held for sale | (4,126) | – | (2,582) | – | – | – | – | – | (6,708) |
| Disposals/write off | (36,888) | – | (2,934) | (55) | – | – | (332) | (38) | (40,247) |
| At 31 December 2016 | 1,068,254 | 25,941 | 64,954 | 22,715 | 3,505 | 370 | 2,828 | 11,578 | 1,200,145 |
| **Accumulated depreciation and impairment losses** | | | | | | | | | |
| *At 1 January 2015* | 50,165 | – | 22,257 | 2,962 | 1,474 | 213 | 1,365 | 4,557 | 82,993 |
| Depreciation charge for the year | 21,454 | – | 6,779 | 2,315 | 439 | 61 | 377 | 1,648 | 33,073 |
| Reclassification to assets held for sale | (1,205) | – | (899) | – | – | – | – | – | (2,104) |
| Disposals/write off | (778) | – | (1,853) | (32) | (2) | – | (203) | (40) | (2,908) |
| At 31 December 2015 | 69,636 | – | 26,284 | 5,245 | 1,911 | 274 | 1,539 | 6,165 | 111,054 |
| Depreciation charge for the year | 32,641 | – | 10,601 | 2,694 | 382 | 53 | 358 | 1,736 | 48,465 |
| Reclassification to assets held for sale | (1,601) | – | (2,531) | – | – | – | – | – | (4,132) |
| Disposals/write off | (1,242) | – | (2,670) | (27) | – | – | (216) | (29) | (4,184) |
| At 31 December 2016 | 99,434 | – | 31,684 | 7,912 | 2,293 | 327 | 1,681 | 7,872 | 151,203 |
| **Carrying amounts** | | | | | | | | | |
| At 1 January 2015 | 418,769 | 240,137 | 15,408 | 13,043 | 1,111 | 137 | 1,140 | 3,345 | 693,090 |
| At 31 December 2015 | 699,167 | 202,276 | 31,478 | 14,366 | 1,486 | 72 | 1,042 | 4,476 | 954,363 |
| At 31 December 2016 | 968,820 | 25,941 | 33,270 | 14,803 | 1,212 | 43 | 1,147 | 3,706 | 1,048,942 |

***Depreciation, useful lives and residual values of vessels***

Vessels are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The Company reviews the estimated useful lives of the vessels regularly in order to determine the amount of depreciation expense to be recorded at each financial period. Changes in the expected level of use of the vessels and the Company's historical experience with similar vessels after taking into account anticipated changes in market conditions could impact the economic useful lives and the residual values of the vessels, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Company's results. The residual value is reviewed at each reporting date, with any change in estimate accounted for as a change in estimate and therefore prospectively.

The residual value of vessels for the purpose of calculating the depreciation expense of vessels is estimated based on a product of the vessels' lightweight tonnage and an estimated scrap rate.

Dry-docking costs are amortised on a straight-line basis over the period to the next dry-docking date. The Company reviews the conditions of the vessels operated by them together with the Company's historical experience with similar vessels and determines the next dry-docking date of the individual vessel. Any changes to the next dry-docking date could impact the amortisation and consequently affect the Company's results. The next dry-docking date is reviewed at each reporting date.

There are no revisions to the useful lives of vessels in the current year.

***Leased vessels***

During the year, the Company delivered a vessel under a lease arrangement for a period of 20 years. The arrangement has been assessed as a finance lease. Accordingly, the vessel was disposed (net book value of US$30,351,000) and its proceeds have been classified as finance lease receivable (see Note 8).

In 2015, the Company disposed and leased back a vessel with net book value of US$25,100,000 under finance lease arrangement. No such arrangement has been made during the year.

***Vessels under construction***

During the year, the Company incurred US$173,730,000 (2015: US$297,826,000) for construction of vessels. Included in this amount are capitalised borrowing costs of US$1,456,000 (2015: US$3,559,000), calculated using a capitalisation rate of 1.9% (2015: 1.8%).

***Impairment***

For the purpose of impairment testing of vessels, management considered the Company's Liner vessels with a carrying value of US$427.2 million (2015: US$456.4 million) and its handysize Bulk vessels with a carrying value of US$600.8 million (2015: US$ 476.5 million) as separate cash generating units (CGU). The recoverable amounts of the CGU's were based on the respective CGU's value-in-use which were determined by discounting the future cash flows to be generated from the use of vessels allocated to each CGU.

Key assumptions used in the calculation of recoverable amounts are budgeted EBITDA and discount rate.

Based on the recoverable amounts determined, management concluded that no impairment provision is required for the vessels.

The values assigned to the key assumptions represent management's assessment of the future trends of the shipping industry and are based on both external sources and internal sources (historical data).

## 5 Investments in subsidiaries

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Unquoted equity shares, at cost | 5,729 | 5,729 |

Particulars of subsidiaries are as follows:

| | Country of incorporation | Principal activities | Effective ownership % 2016 | Effective ownership % 2015 |
|---|---|---|---|---|
| Polynesia Line Limited | Bahamas | Dormant | 100% | 100% |
| Taikoo Maritime Services (Guangdong) Limited** | China | Shipping agency | 100% | 100% |
| Swire Shipping (Agencies) Limited HK | Hong Kong | Shipping agency | 100% | 100% |
| Taikoo Maritime Services Limited | Hong Kong | Investment holding | 100% | 100% |
| Swire Shipping Agencies | New Caledonia | Shipping agency | 60% | 60% |
| Quadrant Pacific Limited | New Zealand | Shipping agency | 66.67% | 66.67% |
| Quadrant Pacific Agencies Limited* | New Zealand | Shipping agency | 66.67% | 66.67% |
| The Loading Company (NZ) Limited* | New Zealand | Stevedoring | 58.33% | 58.33% |
| Cubic Transport Services Limited* | New Zealand | Transport services | 40% | 40% |
| The China Navigation Company NZ Limited | New Zealand | Coastal Shipping services | 100% | 100% |

* *Held by Quadrant Pacific Limited*
** *Held by Taikoo Maritime Services Limited*

Quadrant Pacific Limited (QPL) holds the following associates:

| | Country of incorporation | Principal activities | Ownership by QPL % 2016 | Ownership by QPL % 2015 |
|---|---|---|---|---|
| Independent Stevedoring Limited | New Zealand | Stevedoring | 33.33% | 33.33% |
| Pacific Agencies (Fiji) Limited | Fiji | Shipping agency | 33.33% | 33.33% |

Polynesia Line Ltd (PLL) holds the following joint venture:

| | Country of incorporation | Principal activities | Ownership by PLL % 2016 | 2015 |
|---|---|---|---|---|
| Polynesia Shipping Services Inc. | American Samoa | Shipping services | 50% | 50% |

## 6 Investments in an associate and joint ventures

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Investment in an associate | 40,223 | 40,223 |
| Investments in joint ventures | 4,292 | 4,292 |
| | 44,515 | 44,515 |

***Associate***

Particulars of the associate are as follows:

| | Percentage of ownership | Principal activities | Percentage of ownership 2016 | 2015 |
|---|---|---|---|---|
| PT Mitrabahtera Segara Sejati Tbk | 25.68% | Provision of shipping services | 25.68% | 25.68% |

In March 2015, the Company acquired 25.68% of the share capital of PT Mitrabahtera Segara Sejati Tbk (PT MBSS), an entity listed in Jakarta Stock Exchange, for a total consideration of US$40,223,000 out of which US$38,223,000 was paid in cash upon acquisition. The remaining US$2,000,000 was contingent upon PT MBSS delivering certain performance indicators.

The contingent consideration was reassessed to be US$nil as at 31 December 2016 and the difference between the amount recognised initially and the reassessed amount has been taken into the profit and loss in the periods in which such reassessments had been made.

As a result of depressed share price, management concluded that impairment indications exist for its investment in PT MBSS. Accordingly, the recoverable amount of PT MBSS was estimated based on its value-in-use which was determined by discounting the share of estimated future cash flows to be generated by PT MBSS.

Key assumptions used in the calculation include EBITDA, terminal value and discount rate.

Based on the recoverable amount determined, management concluded that no impairment allowance is required for the investment in PT MBSS.

The values assigned to the key assumptions represent management's assessment of the future trends of the shipping industry and is based on both external sources and internal sources (historical data).

***Joint ventures***

Particulars of the joint ventures are as follows:

| | Principal activities | Percentage of ownership 2016 | 2015 |
|---|---|---|---|
| Greater Bali Hai (GBH)* | Provision of liner services | 25% | 25% |
| Japan South Pacific (JSP)## | Provision of liner services | 66.67% | 66.67% |
| Greater Pacific Shipping LP (GPS)# | Provision of liner services | 33.33% | 33.33% |
| Greater Pacific Shipping Limited (GPSL)# | Management of liner services | 33.33% | 33.33% |
| Bali Hai (BHI)## | Provision of liner services | 66.67% | 66.67% |
| Polynesia Shipping Services Limited* | Shipping agency | 50% | 50% |

* This partnership ceased operations in 2013 and is in the process of being wound up.
\# This partnership ceased operations in 2015 and is in the process of being wound up.
\## This partnership ceased operations in 2016 and is in the process of being wound up.

## 7 Intangible assets

| | PLL Trade US$'000 | SSL Trade US$'000 | Total US$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2015 | 14,498 | 2,000 | 16,498 |
| Transfer of PLL trade from a subsidiary | 251 | – | 251 |
| At 31 December 2015 and 31 December 2016 | 14,749 | 2,000 | 16,749 |
| **Accumulated amortisation** | | | |
| At 1 January 2015 | 2,175 | 933 | 3,108 |
| Amortisation charge for the year | 1,509 | 200 | 1,709 |
| At 31 December 2015 | 3,684 | 1,133 | 4,817 |
| Amortisation charge for the year | 1,475 | 200 | 1,675 |
| At 31 December 2016 | 5,159 | 1,333 | 6,492 |
| **Carrying amounts** | | | |
| At 1 January 2015 | 12,323 | 1,067 | 13,390 |
| At 31 December 2015 | 11,065 | 867 | 11,932 |
| At 31 December 2016 | 9,590 | 667 | 10,257 |

Intangible assets relate to the transfer of the liner trade businesses from Swire Shipping Limited ("SSL Trade") and Polynesia Line Limited ("PLL Trade"), a related corporation and a subsidiary respectively. SSL Trade was transferred to the Company in 2010 for a consideration of 2 million ordinary shares in the Company amounting to US$2,000,000. PLL Trade was transferred to the Company in 2014.

## 8 Finance lease receivables

During the financial year, the Company delivered one newly constructed vessel into a 20 year lease arrangement, which has been assessed to be a finance lease. The Company was not a party to any finance lease as lessor in the prior year. The finance lease receivables are analysed as follows:

| | Future minimum lease receipts 2016 US$'000 | Interest to be earned over life of lease 2016 US$'000 | Present value of minimum lease receipts 2016 US$'000 |
|---|---|---|---|
| Within one year | 3,204 | 3,064 | 140 |
| Between one and five years | 13,139 | 11,299 | 1,840 |
| More than five years | 53,716 | 26,485 | 27,231 |
| | 70,059 | 40,848 | 29,211 |
| Unguaranteed residual value | 8,366 | 7,241 | 1,125 |
| Gross investment in lease | 78,425 | 48,089 | 30,336 |

## 9 Inventories

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Consumables | 5,295 | 2,777 |
| Lubricant oil | 2,438 | 2,258 |
| Bunkers | 20,376 | 10,266 |
| | 28,109 | 15,301 |

During the current financial year, consumables, lubricant oil and bunkers recognised as vessel operating expenses amounted to US$92,635,301 (2015: US$93,383,501).

## 10 Trade and other receivables

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Trade receivables – third parties | 49,743 | 49,882 |
| Amounts due from related companies, trade | 12,289 | 9,480 |
| Loans to a subsidiary | 3,779 | 7,178 |
| Other receivables | 6,632 | 12,921 |
| Deposits | 5,970 | 2,560 |
| Amount due from a joint venture | 1,600 | 400 |
| Loans and receivables | 80,013 | 82,421 |
| Prepaid expenses | 31,598 | 26,321 |
| | 111,611 | 108,742 |

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 24.

Loans to a subsidiary are unsecured, repayable on demand and bear interest of between 1.56% and 1.81% per annum (2015: 1.21% and 1.27% per annum). Interest rate reprices on a quarterly basis and is based on 3-month LIBOR plus margin of 0.95% per annum.

## 11 Cash and cash equivalents

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Cash on hand | 945 | 841 |
| Cash at bank | 8,289 | 55,354 |
| | 9,234 | 56,195 |

## 12 Asset held for sale

In 2016, management signed an agreement to sell one of its vessels. Accordingly, the vessel is presented as asset held for sale. The sale has been completed in 2017.

## 13 Share capital and reserves

| | *2016 Number of shares '000* | *2015 Number of shares '000* |
|---|---|---|
| **Fully paid shares, with no par value:** | | |
| At start of the year | 420,154 | 420,154 |
| Issue of ordinary shares during the year | – | – |
| At end of the year | 420,154 | 420,154 |

***Ordinary shares***

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

***Capital reserve***

Prior to 2011, the Company's share of ownership of a joint venture, Greater Bali Hai, was held by the Company's immediate holding company. In 2011, the immediate holding company transferred its interest in Greater Bali Hai's net assets of US$1,356,000 to the Company at a nominal consideration of US$1. The gain arising from this transaction has been included in the capital reserve.

***Hedging reserve***

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

# 14 Loans and borrowings

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| **Current liabilities** | | |
| Secured bank loans | 70,403 | 56,600 |
| Unsecured bank loans | 33,000 | – |
| Finance lease liabilities | 11,565 | 13,703 |
| | 114,968 | 70,303 |
| **Non-current liabilities** | | |
| Secured bank loans | 481,592 | 398,450 |
| Finance lease liabilities | 71,087 | 76,861 |
| | 552,679 | 475,311 |
| **Total** | 667,647 | 545,614 |

***Terms and debt repayment schedule***

Terms and conditions of outstanding loans and borrowings are as follows:

| | Currency | Nominal interest rate % | Year of maturity | Face value $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Floating rate loans | US$ | 1.41% to 1.93% | 2017 to 2023 | 589,574 | 551,995 |
| Finance lease liabilities | US$ | 3.75% | 2019 | 89,796 | 82,652 |
| **2015** | | | | | |
| Floating rate loans | US$ | 0.99% to 1.22% | 2021 to 2022 | 479,185 | 455,050 |
| Finance lease liabilities | US$ | 3.56% to 3.81% | 2019 | 104,101 | 90,564 |

Unsecured bank loans with a carrying value of US$33,000,000 (2015: US$ Nil) are with a fixed interest rate and short term in nature.

Floating rate loans with a carrying amount of US$551,995,000 (2015: US$455,050,000) are secured by vessels with a total carrying value of US$664,448,000 (2015: US$498,716,000).

Finance lease liabilities are secured by vessels with a total carrying value of US$94,496,000 (2015: US$98,075,000).

***Finance lease liabilities***

Finance lease liabilities are payable as follows:

| | Future minimum lease payments 2016 US$'000 | Interest 2016 US$'000 | Present value of minimum lease payments 2016 US$'000 | Future minimum lease payments 2015 US$'000 | Interest 2015 US$'000 | Present value of minimum lease payments 2015 US$'000 |
|---|---|---|---|---|---|---|
| Within one year | 14,413 | 2,848 | 11,565 | 16,900 | 3,198 | 13,702 |
| Between one and five years | 75,383 | 4,296 | 71,087 | 87,201 | 10,339 | 76,862 |
| | 89,796 | 7,144 | 82,652 | 104,101 | 13,537 | 90,564 |

## 15 Employee benefits

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Present value of obligations | (5,207) | (5,555) |
| Fair value of plan assets | 6,745 | 7,744 |
| Surplus in the plan | 1,538 | 2,189 |

The Company participates in the Swire Group Retirement Benefits Scheme ("SGRBS") and the Swire Group Retirement Plan (SGRP), both funded defined benefit retirement plans, for certain of its employees. The plan is administered by trustees, the majority of which are independent, and the plan's assets are held separately from those of the Company.

Plan assets comprise:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Equity securities | 3,754 | 4,537 |
| Bonds | 251 | 232 |
| Cash and others | 2,740 | 2,975 |
| | 6,745 | 7,744 |

Movements in the present value of the defined benefit obligations:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| At beginning of financial year | (5,555) | (7,487) |
| Effect of movement in exchange rates | (127) | 695 |
| Benefits paid by the plan | 1,301 | 1,914 |
| Current service cost | (237) | (297) |
| Interest cost | (210) | (240) |
| Remeasurements loss | (379) | (140) |
| At end of financial year | (5,207) | (5,555) |

Movements in the fair value of plan assets:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| At beginning of financial year | 7,744 | 9,723 |
| Effect of movement in exchange rates | (85) | (695) |
| Benefits paid by the plan | (1,414) | (1,637) |
| Contributions paid to the plan | 339 | 265 |
| Remeasurements gains | 161 | 88 |
| At end of financial year | 6,745 | 7,744 |

Included in profit or loss as administrative expenses:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Current service cost | (237) | (297) |
| Interest cost | (210) | (240) |
| | (447) | (537) |

Included in other comprehensive income:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Remeasurement (gain)/loss | 707 | 52 |

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

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 3.22% - 4.1% | 3.22% - 4.1% |
| Expected rate of return on plan assets | 7.50% | 7.50% |
| Future salary increases | 2.8% - 4.00% | 2.8% - 4.00% |

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | Movement in assumption | |
|---|---|---|
| | Increase US$'000 | Decrease US$'000 |
| **2016** | | |
| Discount rate (1% movement) | (348) | 244 |
| Future salary increases (1% movement) | 272 | (170) |
| **2015** | | |
| Discount rate (1% movement) | (321) | 245 |
| Future salary increases (1% movement) | 332 | (243) |

## 16 Current tax liabilities

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| At beginning of the year | 877 | 470 |
| Tax expense – current year | 693 | 1,083 |
| Payments during the year | (959) | (676) |
| At end of the year | 611 | 877 |

## 17 Trade and other payables

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | | 15,015 | 18,712 |
| Amount due to: | | | |
| - ultimate holding company (non-trade) | | 1,262 | 645 |
| - immediate holding company (non-trade) | | – | 1,297 |
| - related companies (trade) | | 3,775 | 4,262 |
| Accrued voyage costs | | 72,481 | 75,716 |
| Accrued vessel operating costs | | 4,605 | 4,165 |
| Contingent consideration | 6 | – | 1,000 |
| Other accrued expenses | | 9,567 | 13,805 |
| | | 106,705 | 119,602 |

The amounts due to the ultimate and immediate holding companies are unsecured, interest-free and repayable on demand.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

## 18 Deferred gains

Deferred gains consist of gains on sale and finance leaseback transactions.

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| **Non-Current** | | |
| Deferred gains | 2,082 | 3,116 |
| **Current** | | |
| Deferred gains | 1,033 | 1,033 |

## 19 Derivatives

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| **Derivative financial assets** | | |
| Forward bunker contracts | 1,267 | – |
| **Derivative financial liabilities** | | |
| Forward bunker contracts | – | 3,052 |

## 20 Provisions

| | Onerous contracts US$'000 | Office restoration US$'000 | Total US$'000 |
|---|---|---|---|
| At 1 January 2015 | – | 232 | 232 |
| Provision made during the year | 40,043 | – | 40,043 |
| At 31 December 2015 | 40,043 | 232 | 40,275 |
| | | | |
| Non-current | 25,788 | 232 | 26,020 |
| Current | 14,255 | – | 14,255 |
| **Total** | 40,043 | 232 | 40,275 |
| | | | |
| At 1 January 2016 | 40,043 | 232 | 40,275 |
| Provision made during the year | 10,234 | – | 10,234 |
| Provision utilised during the year | (14,255) | – | (14,255) |
| At 31 December 2016 | 36,022 | 232 | 36,254 |
| | | | |
| Non-current | 17,142 | 232 | 17,374 |
| Current | 18,880 | – | 18,880 |
| **Total** | 36,022 | 232 | 36,254 |

**Onerous contracts**

In previous years, the Company entered into non-cancellable leases for 14 vessels. The leases will expire between 2018 and 2021, but changes in market conditions mean that the revenue is lower than the rental expenses. The obligation for the discounted future payments, net of expected income, has been provided for. Key assumptions used in estimating the provision amount are budgeted revenues, operating expenses and the discount rate.

**Office restoration**

Provision for office restoration was made in respect of the Company's obligation to restore its leased office to its original state. The required work has been estimated to be at a cost of US$232,000 (2015: US$232,000).

## 21 Revenue

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Freight revenue | 596,862 | 587,662 |
| Charter revenue | 27,784 | 23,204 |
| Document handling fees | 458 | 544 |
| Management fees | – | 1,872 |
| | 625,104 | 613,282 |

## 22 Loss for the year

The following items have been included in arriving at a loss for the year:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Staff costs | 84,092 | 84,903 |
| Contributions to defined contribution plan, included in staff costs | 1,567 | 2,215 |
| Depreciation of property, plant and equipment | 48,465 | 33,073 |
| Amortisation of intangible asset, included in vessel operating expenses | 1,675 | 1,709 |
| Operating lease expense | 76,577 | 53,037 |
| Fair value loss/(gain) on derivatives | 2,536 | (127) |
| Expenses relating to defined benefit plan | 447 | 537 |
| Distribution of profit from a joint venture | (1,600) | (1,460) |
| Dividend income from subsidiaries | (253) | (122) |
| Dividend income from associate | – | (4,136) |
| Exchange (gain)/loss | (2,785) | 3,964 |
| Impairment loss on remeasurement of an asset classified as asset held for sale | – | 1,159 |
| Shipbuilding services | (1,164) | (1,291) |
| Impairment loss on joint ventures | – | 1,008 |
| Loss on disposal of property, plant and equipment | 2,027 | 582 |

## 23 Tax expense

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 447 | 1,083 |
| Prior year | 246 | - |
| | 693 | 1,083 |
| ***Reconciliation of effective tax rate*** | | |
| Loss before tax | (7,890) | (12,518) |
| Tax calculated using Singapore tax rate of 17% (2015: 17%) | (1,341) | (2,128) |
| Under provision of prior year tax | 246 | - |
| Effect of tax rates in foreign jurisdictions | 15 | 72 |
| Expenses not subject to tax* | 1,773 | 3,139 |
| | 693 | 1,083 |

* *Tax exemption income under Section 13F of Singapore Income Tax Act, Chapter 134.*

# 24 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, as and when they fall due, and arises principally from the Company's receivables from customers, related companies and deposits placed with banks and financial institutions.

The Company's exposure to customers is influenced mainly by the individual characteristics of each customer. The Company adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. Credit exposure to an individual customer is restricted by the credit limit approved by the management.

Cash is placed with banks and financial institutions which are rated 'A' and above based on rating agency Standard & Poor's ratings.

*Exposure to credit risk*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The maximum exposure to credit risk for loans and receivables at the reporting date by geographical region was as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Domestic - Singapore | 2,780 | 5,744 |
| Australia | 9,967 | 12,062 |
| New Zealand | 6,827 | 12,716 |
| Pacific Islands | 13,265 | 7,818 |
| Papua New Guinea | 10,233 | 4,921 |
| Others | 36,941 | 39,160 |
| | 80,013 | 82,421 |

The ageing of loans and receivables at the reporting date is:

| | Gross 2016 US$'000 | Impairment losses 2016 US$'000 | Gross 2015 US$'000 | Impairment losses 2015 US$'000 |
|---|---|---|---|---|
| Not past due | 54,644 | – | 51,270 | – |
| Past due 1 – 30 days | 13,130 | – | 16,486 | – |
| Past due 31 – 60 days | 4,752 | – | 6,188 | – |
| Past due 61 – 180 days | 3,020 | – | 5,180 | – |
| More than 181 days | 4,692 | (225) | 3,512 | (215) |
| | 80,238 | (225) | 82,636 | (215) |

At the balance sheet date, there is no significant concentration of credit risk.

The Company believes that no additional impairment allowance is necessary in respect of the outstanding receivables. The receivables arise from customers who have good payment records with the Company.

***Derivatives***

Derivatives are entered into with financial institutions, which are rated 'BBB+' and above based on rating agency Standard & Poor's ratings.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

Following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments:

| | Carrying amount US$'000 | Contractual cash flows US$'000 | Within one year US$'000 | Within one to five year US$'000 | More than five years US$'000 |
|---|---|---|---|---|---|
| **31 December 2016** | | | | | |
| **Financial liabilities** | | | | | |
| Secured bank loans | 551,995 | (589,573) | (79,611) | (287,755) | (222,207) |
| Unsecured bank loans | 33,000 | (33,015) | (33,015) | – | – |
| Finance lease liabilities | 77,072 | (89,796) | (14,413) | (75,383) | – |
| Trade and other payables (excluding deferred gains) | 106,705 | (106,705) | (106,705) | – | – |
| | 768,772 | (819,089) | (233,744) | (363,138) | (222,207) |

| | Carrying amount US$'000 | Contractual cash flows US$'000 | Within one year US$'000 | Within one to five year US$'000 | More than five years US$'000 |
|---|---|---|---|---|---|
| **31 December 2015** | | | | | |
| **Financial liabilities** | | | | | |
| Secured bank loans | 455,050 | (483,297) | (62,292) | (285,326) | (135,679) |
| Finance lease liabilities | 90,564 | (104,101) | (16,901) | (87,200) | – |
| Forward bunker contracts (net-settled) | 3,052 | (3,052) | (3,052) | – | – |
| Trade and other payables (excluding deferred gains) | 119,602 | (119,602) | (119,602) | – | – |
| | 668,268 | (710,052) | (201,847) | (372,526) | (135,679) |

### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and bunker prices will affect the Company'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.

### *Currency risk*

The Company incurs foreign currency risk on revenue and expenses that are denominated in currencies other than US dollar. The currencies giving rise to this risk are primarily Singapore dollar (SGD), Australian dollar (AUD), New Zealand dollar (NZD) and Papua New Guinea kina (PGK). Exposures to foreign currency risk are monitored on an ongoing basis.

The Company uses financial derivatives to hedge its foreign currency risk when necessary.

The Company exposures to foreign currencies are as follows:

| | SGD US$'000 | AUD US$'000 | NZD US$'000 | PGK US$'000 |
|---|---|---|---|---|
| **31 December 2016** | | | | |
| Cash and cash equivalents | 2,016 | 1,242 | 2,197 | 5,528 |
| Trade and other receivables | 3,578 | 8,763 | 3,528 | 20,201 |
| Trade and other payables | (405) | (1,871) | (949) | (10,182) |
| | 5,189 | 8,134 | 4,776 | 15,547 |
| **31 December 2015** | | | | |
| Cash and cash equivalents | 1,070 | 1,338 | 711 | 13,177 |
| Trade and other receivables | 5,779 | 8,232 | 2,407 | 9,748 |
| Trade and other payables | (1,260) | (5,810) | (1,484) | (4,384) |
| | 5,589 | 3,760 | 1,634 | 18,541 |

*Sensitivity analysis*

A 10% strengthening of US dollar against the above currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Profit or loss US$'000 |
|---|---|
| **31 December 2016** | |
| Singapore dollar | (519) |
| Australian dollar | (813) |
| New Zealand dollar | (478) |
| Papua New Guinea kina | (1,555) |
| **31 December 2015** | |
| Singapore dollar | (559) |
| Australian dollar | (376) |
| New Zealand dollar | (163) |
| Papua New Guinea kina | (1,854) |

A 10% weakening of US dollar against the above currencies 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.

***Bunker price risk***

For the Company, bunker price risk is the risk of increase in bunker price that will adversely affect the Company's earnings.

The Company's general risk management policy is to hedge its forecast bunker cost exposure not covered by customer service contracts where applicable.

*Sensitivity analysis*

A 40% (2015: 40%) increase/(decrease) in bunker prices at the reporting date would increase/(decrease) the hedging reserve by US$312,000 (2015: US$62,000) as a result of changes in fair value of forward bunker contracts designated in effective cash flow hedges.

***Interest rate risk***

At the reporting date, the profile of the Company's interest-bearing financial instruments subject to floating interest rates, as reported to management was as follows:

| | Nominal amount | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| ***Variable rate instruments*** | | |
| Financial assets | 8,289 | 55,354 |
| Financial liabilities | (584,995) | (455,050) |
| | (576,706) | (399,696) |

*Fair value sensitivity analysis for fixed rate instruments*

An increase/(decrease) of 100 basis points in interest rates would have decreased/(increased) profit by approximately US$5,759,000 (2015: US$3,997,000).

***Estimation of fair values***

The following methods and assumptions are used to estimate fair values of the following financial instruments:

*Financial assets and liabilities*

The carrying amounts of trade and other receivables, cash and cash equivalents, and trade and other payables approximate their fair values because of the short period to maturity.

Fair values of loans and borrowings are calculated based on the present value of future principal and interest cash flows, discounted at the market rate at the measurement date. The carrying amounts of loans and borrowings approximate their fair values.

Fair values of forward bunker contracts are based on broker quotes.

Forward bunker contracts are classified as Level 2 financial instruments.

***Capital management***

The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. The Board of Directors monitors the return on capital employed, which the Company defines as earnings before interest divided by capital employed. The Board also monitors the level of dividends declared to ordinary shareholders.

The Board defines "capital" to include funds raised through the issuance of ordinary share capital, accumulated profits and proceeds raised from debt facilities.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## 25 Commitments

The future minimum lease payments under non-cancellable operating lease are payable as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Within 1 year | 67,713 | 46,616 |
| Between 1 and 5 years | 106,363 | 131,921 |
| After 5 years | 384 | 10,097 |
| | 174,460 | 188,634 |

***Capital expenditure***

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Purchase of containers | – | 2,200 |
| Purchase of vessels | 43,555 | 160,743 |

## 26 Related parties

***Transactions with key management personnel***

Key management personnel of the Company are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Board of Directors of the Company are considered as key management personnel of the Company.

*Key management personnel compensation*

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Short-term employee benefits | 2,021 | 1,932 |

***Other related party transactions***

Other than disclosed elsewhere on the financial statements, the transactions with related corporations carried out at rates agreed between the parties are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| **Related companies** | | |
| Revenue | 16,612 | 19,927 |
| Vessel operating expenses | (26,220) | (21,922) |
| Administrative expenses | (3,794) | (4,127) |
| Other income | 1,403 | 1,571 |
| Finance cost | (2,078) | (1,025) |
| Finance income | 471 | 55 |

## 27 Subsequent events

Subsequent to the balance sheet date;

(a) The Company took delivery of M/V Tunsin. The cost of this vessel was US$27,540,000.

(b) The Company entered into an agreement to purchase three Green Dolphin handysize bulk carriers from Huanghai Shipbuilding which are expected to be delivered in 2017.

(c) The Company disposed of a co-owned vessel M/V Chenan for an amount of US$2,786,000. Total loss from the disposal was US$2,432,000. The Company's share of the sales proceeds and loss was US$1,393,000 and US$1,216,000 respectively.