

FINANCIAL STATEMENT

Notes to the Consolidated Financial Statements

1. Corporate information

DP World Limited (“the Company”) was incorporated on 9 August 2006 as a Company Limited by Shares with the Registrar of Companies of the Dubai International Financial Centre (“DIFC”) under the Companies Law, DIFC Law No. 3 of 2006. The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interests in equity-accounted investees. The Group is engaged in the business of development and management of international marine and inland terminal operations, maritime services, industrial parks and economic zones, logistics and ancillary services to technology-driven trade solutions.

Port & Free Zone World FZE (“the Parent Company”), which originally held 100% of the Company’s issued and outstanding share capital, made an initial public offer of 19.55% of its share capital to the public and the Company was listed on the Nasdaq Dubai with effect from 26 November 2007. The Company was further admitted to trade on the London Stock Exchange with effect from 1 June 2011 and voluntarily delisted from the London Stock Exchange on 21 January 2015.

Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation (“the Ultimate Parent Company”).

The Company’s registered office address is P.O. Box 17000, Dubai, United Arab Emirates.

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on going concern basis in accordance with International Financial Reporting Standards (“IFRS”) and the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, investment at fair value through profit or loss and available-for-sale financial assets which are measured at fair value.

a) Use of estimates and judgements

The management makes estimates and judgements affecting the application of accounting policies and reported numbers in the consolidated financial statements. The significant estimates and judgements are listed below:

- i. Estimate of useful lives of property, plant and equipment and port concession rights with finite lives.
- ii. Estimate of expected future cash flows and discount rate for calculating present value of such cash flows used to compute value-in-use of cash-generating units.
- iii. Judgement on recognition of an identifiable intangible asset separate from goodwill in case of business combination at its estimated fair value. This is based on information available and management’s expectations on the date of acquisition.
- iv. Estimate of collectible amount of accounts receivables where the collection of full amount is not probable.
- v. Estimate of fair value of derivatives for which an active market is not available is computed using various generally accepted valuation techniques. Such techniques require inputs from observable markets and judgements on market risk and credit risk.
- vi. Judgements by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rate used for computation of defined benefit liability.
- vii. Estimate of level of probability of a contingent liability becoming an actual liability and resulting cash outflow based on the information available on the reporting date.
- viii. Consolidation of entities in which the Group holds less than 50% shareholding and non-consolidation of entities in which the Group holds more than 50% shareholding (refer to note 24).
- ix. Significant judgement is required in determining the worldwide provision for income taxes.
- x. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The actual results may differ from the estimates and judgements made by the management in the above matters. Revisions to the accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

b) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning 1 January 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

i. IFRS 9 Financial Instruments (effective from 1 January 2018)

IFRS 9 sets out requirements for recognising, classifying and measuring financial assets and financial liabilities and introduces a new expected credit loss model. The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies. The adoption of IFRS 9 will not affect the classification and measurement of the Group’s financial instruments, and the new standard does not fundamentally change the hedging relationships. Management has assessed that the effect of change from the incurred loss model to the expected credit loss model is considered immaterial due to the low credit risk in the Group.

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2. Basis of preparation of the consolidated financial statements (continued)**b) New standards and interpretations not yet effective** (continued)**ii. IFRS 15 Revenue from contracts with customers (effective from 1 January 2018)**

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers. The Group's current practices for recognising revenue have shown to comply in all material aspects with the concepts and principles encompassed by the new standard and impact on the financial statements is considered immaterial.

iii. IFRS 16 Leases (effective from 1 January 2019)

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

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

The Group is in the process of collating its leases and computing the impact. The impact of these standard's application is expected to be significant. The actual impact of applying IFRS 16 at 1 January 2019 will, among other factors, depend on future economic conditions – including the composition of the lease portfolio at that date as well as the level of time charter rates, incremental borrowing rates, etc.

c) New standards, amendments and interpretations adopted by the Group**i. Amendment to IAS 7, Statement of cash flows (effective from 1 January 2017)**

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

ii. Amendments to IAS 12, Income taxes (effective from 1 January 2017)

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

3. Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of these consolidated financial statements throughout the Group to all the years presented, unless otherwise stated.

a) Basis of consolidation**i. Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The acquisition method of accounting is used to account for business combinations by the Group on the date of acquisition.

ii. Business combination achieved in stages

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognised in profit or loss.

iii. Change in ownership interests in subsidiaries without loss of control

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

iv. Disposal of subsidiaries (loss of control)

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

v. Non-controlling interests

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

3. Significant accounting policies (continued)

vi. Structured entities

The Group established DP World Crescent Limited (a limited liability company incorporated in the Cayman Islands) as a structured entity ("SE") for the issue of Sukuk Certificates. These certificates are listed on Nasdaq Dubai and London Stock Exchange. The Group does not have any direct or indirect shareholding in this entity.

The Group has also incorporated JAFZ Sukuk (2019) Limited as a SE for issuing New JAFZ Sukuk which are currently listed on Nasdaq Dubai and the Irish Stock Exchange.

The Group consolidates the above SE's based on an evaluation of the substance of its relationship with the Group. This relationship results in the majority of the benefits related to the SE's operations and net assets being received by the Group. It also exposes the Group to risks incident to the SE's activities and retains the majority of the residual or ownership risks related to the SE or its assets.

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

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

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

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

viii. Transactions eliminated on consolidation

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

b) Foreign currency

i. Functional and presentation currency

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

ii. Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currency are translated to the functional currency of each entity at the foreign exchange rate ruling at the date of transaction with no further re-measurement in future. Foreign currency differences are generally recognised in the profit or loss.

iii. Foreign operations

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

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

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

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3. Significant accounting policies (continued)**c) Financial instruments****i. Non-derivative financial assets****Initial recognition and subsequent measurement**

The Group classifies non-derivative financial assets into the following categories: held to maturity financial assets, loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. All non-derivative financial assets are recognised initially at fair value, plus, any directly attributable transaction costs. The Group's non-derivative financial assets comprise investments in an unquoted infrastructure fund, debt securities held to maturity, trade and other receivables, due from related parties and, cash and cash equivalents.

The subsequent measurement of non-derivative financial assets depends on their classification.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

ii. Non-derivative financial liabilities**Initial recognition and measurement**

The Group's non-derivative financial liabilities consist of loans and borrowings, bank overdrafts, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. The Group classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortised cost using effective interest method.

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

Subsequent measurement

The subsequent measurement of non-derivative financial liabilities are carried at their amortised cost using the effective interest method.

Convertible bond

Convertible bonds issued by the Group are denominated in USD and can be converted into ordinary shares. Convertible bonds are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a non-derivative financial liability for future coupon payments and the redemption of the principal amount. The embedded derivative, a financial derivative liability, represents the value of the option that bond holders can convert into ordinary shares. The Group has not recorded the embedded derivative within equity due to the existence of cash settlement terms with the Company.

Derecognition

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

iii. Derivative financial instruments

The Group holds derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its cash flows exposed to risk of fluctuations in foreign currencies and interest rates.

Initial recognition

On initial designation of the derivatives as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and hedged risk together with the methods that will be used to assess the effectiveness of the hedging relationship

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the consolidated statement of profit or loss when incurred. Derivative instruments that are not designated as hedging instruments in hedge relationships are classified as financial liabilities or assets at fair value through profit or loss.

Subsequent measurement

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

When the hedged item is a non-financial asset, the amount recognised in the consolidated statement of other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in consolidated statement of other comprehensive income is transferred to the consolidated statement of profit or loss in the same period that the hedged item affects the consolidated statement of profit or loss.

3. Significant accounting policies (continued)

Derecognition

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in consolidated statement of other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, then the balance in equity is reclassified to the consolidated statement of profit or loss.

d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (refer to note 3(j) (ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located. Such property, plant and equipment does not directly increase the future economic benefits of any particular existing item of property, plant and equipment, but may be necessary for an entity to obtain the future economic benefits from its other assets.

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

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

Dredging

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

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

iii. Depreciation

Land and capital work in progress is not depreciated. Depreciation on other assets is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and is based on cost less residual value. Leased assets are depreciated on straight-line basis over their estimated useful lives or lease term whichever is shorter.

The estimated useful lives of assets are as follows:

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

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

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

iv. Borrowing costs

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

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3. Significant accounting policies (continued)**e) Investment properties**

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

Investment property under construction is not depreciated until such time as the relevant assets are completed and commissioned.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives, as follows:

Assets	Useful life (years)
Buildings	20 – 35
Infrastructure	5 – 50

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

f) Land use rights

Land use rights represents the prepaid lease payments of leasehold interests in land under operating lease arrangements. These rights are amortised using the straight-line method to allocate the cost over the term of rights of 99 years.

g) Goodwill

Goodwill arises on the acquisition of subsidiaries and equity-accounted investees. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses (refer to note 3(j) (i)). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed.

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

h) Port concession rights

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

i. Port concession rights arising on business combinations

The cost of port concession rights acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, port concession rights are carried at cost less accumulated amortisation and any accumulated impairment losses (refer to note 3(j)(i)). The useful lives of port concession rights are assessed to be either finite or indefinite.

Port concession rights with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the port concession rights may be impaired. The amortisation period and amortisation method for port concession rights with finite useful lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on port concession rights with finite useful lives are recognised in the consolidated statement of profit or loss on a straight-line basis.

3. Significant accounting policies (continued)

h) Port concession rights (continued)

i. Port concession rights arising on business combinations (continued)

Port concession rights with indefinite lives (arising where freehold rights are granted) are not amortised and are tested for impairment at least on an annual basis or when the impairment indicator exists, either individually or at the cash-generating unit level. The useful life of port concession rights with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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

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

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

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

i) Leases

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

i. Group as a lessee

Assets held by the Group under leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the consolidated statement of 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.

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

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

ii. Group as a lessor

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

iii. Leasing and sub-leasing transactions

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

iv. Leases of land in port concession

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

j) Impairment

i. Non-financial assets

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

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

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3. Significant accounting policies (continued)**j) Impairment** (continued)**i. Non-financial assets** (continued)

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

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

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

ii. Financial assets

Financial assets not classified at fair value through profit or loss are assessed by management at each reporting date to determine whether there is objective evidence of impairment.

Loans and receivables and held to maturity investments

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

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

Available-for-sale financial assets

A significant or prolonged decline in the fair value of an equity investment is considered as objective evidence of impairment. The Group considers that generally a decline of 20% will be considered as significant and a decline of over 9 months will be considered as prolonged.

k) Employee benefits**i. Pension and post-employment benefits****Defined contribution plans**

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

Defined benefit plans

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

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

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised directly in the consolidated statement of other comprehensive income. The cost of providing benefits under the defined benefit plans is determined separately for each plan.

Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi-employer defined benefit schemes where it is not possible to identify the Group's share of the scheme, are charged to the consolidated statement of profit or loss as they fall due.

ii. Short-term employee benefits

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

3. Significant accounting policies (continued)

l) Provisions

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

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

m) Revenue

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

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

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

i. Rendering of services

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

ii. Service concession arrangements (IFRIC 12)

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

iii. Lease rentals and related services

A lease rental is recognised on a straight line basis over the lease term. Where the consideration for the lease is received for subsequent period, the attributable amount of revenue is deferred and recognised in the subsequent period. Unrecognised revenue is classified as deferred revenue under liabilities in the consolidated statement of financial position. Revenue from administrative service, license, registration and consultancy is recognised as the service is provided.

n) Finance income and costs

Finance income comprises interest income on cash and cash equivalents and gains on hedging instruments that are recognised in the consolidated statement of profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises interest expense on borrowings, unwinding of discount on provisions, impairment losses recognised on financial assets, losses on hedging instruments and fair value changes of debt instruments that are recognised in the consolidated statement of profit or loss.

Finance income and costs also include realised and unrealised exchange gains and losses on monetary assets and liabilities (refer to note 3(b) (ii)).

o) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

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

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3. Significant accounting policies (continued)**p) Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible bond and other consequential changes in income or expense that would result from the assumed conversion) by the weighted average number of ordinary shares outstanding during the year including the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (refer to note 11).

q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Board of Directors ('Chief Operating Decision Maker') to assess performance.

r) Separately disclosed items

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

4. Segment information

The Group has identified the following geographic areas as its basis of segmentation.

- Asia Pacific and Indian subcontinent
- Australia and Americas
- Middle East, Europe and Africa

Each of these operating segments have an individual appointed as Segment Director responsible for these segments, who in turn reports to the Chief Operating Decision Maker. In addition to the above reportable segments, the Group reports unallocated head office costs, finance costs, finance income and tax expense under the head office segment.

The Group measures segment performance based on the earnings before separately disclosed items, interest, tax, depreciation and amortisation ("Adjusted EBITDA").

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

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

The following table presents certain results, assets and liabilities information regarding the Group's segments as at the reporting date.

	Asia Pacific and Indian subcontinent		Australia and Americas		Middle East, Europe and Africa		Head office		Inter-segment		Total	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
Revenue	682,272	501,496	762,151	659,020	3,284,363	3,071,052	-	-	-	-	4,728,786	4,231,568
Adjusted for separately disclosed items	(14,053)	(68,243)	-	-	-	-	-	-	-	-	(14,053)	(68,243)
Revenue before separately disclosed items	668,219	433,253	762,151	659,020	3,284,363	3,071,052	-	-	-	-	4,714,733	4,163,325
Adjusted EBITDA	434,989	316,476	291,485	293,052	1,917,640	1,791,269	(175,080)	(137,720)	-	-	2,469,034	2,263,077
Finance income	-	-	-	-	-	-	95,540	100,247	-	-	95,540	100,247
Finance costs	-	-	-	-	-	-	(425,410)	(438,357)	-	-	(425,410)	(438,357)
Tax expense	-	-	-	-	-	-	(144,406)	(122,579)	-	-	(144,406)	(122,579)
Depreciation and amortisation	(101,760)	(67,260)	(94,046)	(77,389)	(427,169)	(391,184)	(9,235)	(7,050)	-	-	(632,210)	(542,883)
Adjusted net profit/ (loss) before separately disclosed items	333,229	249,216	197,439	215,663	1,490,471	1,400,085	(658,591)	(605,459)	-	-	1,362,548	1,259,505
Adjusted for separately disclosed items	(13,313)	(6,284)	(32,384)	2,076	10,369	(8,171)	3,526	(92,059)	-	-	(31,802)	(104,438)
Profit/ (loss) for the year	319,916	242,932	165,055	217,739	1,500,840	1,391,914	(655,065)	(697,518)	-	-	1,330,746	1,155,067

Net finance cost and tax expense from various geographical locations and head office have been grouped under head office.

4. Segment information (continued)

	Asia Pacific and Indian subcontinent		Australia and Americas		Middle East, Europe and Africa		Head office		Inter-segment		Total	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
Segment assets	4,576,571	4,350,319	3,103,562	2,092,970	18,062,307	15,333,720	9,345,615	9,205,350	(11,974,165)	(10,278,030)	23,113,890	20,704,329
Segment liabilities	661,767	605,616	643,515	379,373	4,042,232	3,455,870	8,693,264	8,524,199	(3,554,677)	(2,855,393)	10,486,101	10,109,665
Tax liabilities*	–	–	–	–	–	–	1,002,427	1,074,979	–	–	1,002,427	1,074,979
Total liabilities	661,767	605,616	643,515	379,373	4,042,232	3,455,870	9,695,691	9,599,178	(3,554,677)	(2,855,393)	11,488,528	11,184,644
Capital expenditure	87,670	81,068	163,999	156,457	835,695	1,057,844	2,287	2,759	–	–	1,089,651	1,298,128
Depreciation	43,022	22,801	64,801	55,527	339,645	310,077	9,234	7,050	–	–	456,702	395,455
Amortisation/ impairment	58,738	44,459	29,245	21,862	91,127	81,883	–	–	–	–	179,110	148,204
Share of profit/(loss) of equity accounted investees before separately disclosed items	117,365	125,215	(14,894)	6,418	21,121	17,802	–	–	–	–	123,592	149,435
Tax expense	–	–	–	–	–	–	43,330	122,579	–	–	43,330	122,579

* Tax liabilities and tax expenses from various geographical locations have been grouped under head office.

5. Revenue

	2017 USD'000	2016 USD'000
Revenue consists of:		
Containerised stevedoring revenue	1,856,806	1,535,059
Containerised other revenue	1,450,110	1,315,186
Non-containerised revenue	821,751	759,516
Service concession revenue (refer to note 9)	14,053	68,243
Lease rentals and related services	586,066	553,564
Total	4,728,786	4,231,568

6. Profit for the year

	2017 USD'000	2016 USD'000
Profit for the year is stated after charging the following costs:		
Staff costs	933,712	826,947
Depreciation and amortisation	632,210	542,883
Operating lease rentals	399,968	364,365
Impairment loss (refer to note 9)	3,602	776

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Notes to the Consolidated Financial Statements continued

7. Finance income and costs

	2017 USD'000	2016 USD'000
Finance income		
Interest income	66,400	56,420
Exchange gains	29,140	43,827
Finance income before separately disclosed items	95,540	100,247
Separately disclosed items (refer to note 9)	550	47,462
Finance income after separately disclosed items	96,090	147,709
Finance costs		
Interest expense	(372,950)	(375,065)
Exchange losses	(46,550)	(57,672)
Other net financing expense in respect of pension plans	(5,910)	(5,620)
Finance costs before separately disclosed items	(425,410)	(438,357)
Separately disclosed items (refer to note 9)	(98,100)	(139,521)
Finance costs after separately disclosed items	(523,510)	(577,878)
Net finance costs after separately disclosed items	(427,420)	(430,169)

8. Income tax

The major components of income tax expense for the year ended 31 December:

	2017 USD'000	2016 USD'000
Current tax on profits for the year	193,987	175,195
Adjustments for change in estimates related to prior years	(24,506)	(39,193)
	169,481	136,002
Deferred tax credit	(126,151)	(13,423)
Income tax expense	43,330	122,579
Share of income tax of equity-accounted investees	48,963	47,130
Total tax expense	92,293	169,709
Income tax balances included in the consolidated statement of financial position:		
Current income tax receivable (included within accounts receivable and prepayments)	31,551	32,318
Current income tax liabilities	94,567	129,722

8. Income tax (continued)

The relationship between the total tax expense and the accounting profit can be explained as follows:

	2017 USD'000	2016 USD'000
Net profit before tax	1,374,076	1,277,646
Tax at the Company's domestic rate of 0% (2016: 0%)	–	–
Income tax on foreign earnings	139,118	121,342
Net current year tax losses incurred, on which deferred tax is not recognised	15,699	27,189
Tax charge on equity-accounted investees	48,963	47,130
Effect of rate change	2,188	(11,035)
Deferred tax in respect of fair value adjustments	(15,198)	(11,436)
Others	20,971	37,226
Tax expense before prior year adjustments	211,741	210,416
Change in estimates related to prior years:		
– current tax	(24,507)	(39,193)
– deferred tax	6,135	(1,514)
Total tax expense from operations before separately disclosed items	(A) 193,369	169,709
Separately disclosed items	(101,076)	–
Total tax expense	92,293	169,709
Net profit before tax	1,374,076	1,277,646
Separately disclosed items	132,878	104,438
Share of income tax of equity-accounted investees	48,963	47,130
Adjusted profit before tax and before separately disclosed items	(B) 1,555,917	1,429,214
Effective tax rate before separately disclosed items	(A/B) 12.43%	11.87%

Unrecognised deferred tax assets

Deferred tax assets are not recognised on trading losses of USD 786,799 thousand (2016: USD 656,449 thousand) where utilisation is uncertain, either because they have not been agreed with tax authorities, or because the likelihood of future taxable profits is not sufficiently certain, or because of the impact of tax holidays. Under current legislation, USD 598,892 thousand (2016: USD 420,692 thousand) of these trading losses can be carried forward indefinitely.

Deferred tax assets are also not recognised on capital and other losses of USD 208,342 thousand (2016: USD 221,394 thousand) as their utilisation is uncertain.

Group tax rates

The Group is not subject to income tax on its UAE operations. The total tax expense relates to the tax payable on the profit earned by the overseas subsidiaries and equity-accounted investees as adjusted in accordance with the taxation laws and regulations of the countries in which they operate. The applicable tax rates in the regions in which the Group operates are set out below:

Geographical segments	Applicable corporate tax rate
Asia Pacific and Indian subcontinent	10% to 34.6%
Australia and Americas	0% to 36.0%
Middle East, Europe and Africa	0% to 34.0%

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Notes to the Consolidated Financial Statements continued

8. Income tax (continued)

Movement in temporary differences during the year:

	1 January 2017 USD'000	Recognised in consolidated statement of profit or loss USD'000	Acquisitions in the period USD'000	Translation and other movements USD'000	31 December 2017 USD'000
Deferred tax liabilities					
Property, plant and equipment	92,599	8,633	–	3,348	104,580
Investment in equity-accounted investees	47,458	(22,826)	–	(1,653)	22,979
Fair value of acquired intangibles	441,415	(15,980)	50,512	42,856	518,803
Others	410,768	(105,061)	(1,245)	1,423	305,885
Total before set off	992,240	(135,234)	49,267	45,974	952,247
Set off of deferred tax asset against liabilities	(46,983)	–	–	–	(44,387)
Net deferred tax liabilities	945,257	–	–	–	907,860
Deferred tax assets					
Pension and post-employment benefits	13,075	(3,068)	47	1,463	11,517
Financial instruments	8,366	(787)	–	(897)	6,682
Provisions	3,912	(760)	87	(872)	2,367
Tax value of losses carried forward recognised	21,630	418	–	1,773	23,821
Total before set off	46,983	(4,197)	134	1,467	44,387
Set off of deferred tax asset against liabilities	(46,983)	–	–	–	(44,387)
Net deferred tax assets (included within non-current account receivables and prepayments)	–	–	–	–	–

9. Separately disclosed items

	2017 USD'000	2016 USD'000
Revenue		
Construction contract revenue relating to service concessions	14,053	68,243
Cost of sales		
Construction contract costs relating to service concessions	(14,053)	(68,243)
General and administrative expenses		
Impairment of property, plant and equipment and investment properties	(3,602)	(776)
Acquisition related costs and restructuring provisions (net)	(11,097)	–
Other income	3,433	3,878
Loss on conversion of an associate to a subsidiary	(28,234)	(12,524)
Share of profit/ (loss) from equity-accounted investees	4,172	(2,957)
Finance income		
Change in fair value of convertible bond option	–	47,462
Ineffective swaps	550	–
Finance costs		
Change in fair value of convertible bond option	(77,034)	–
Finance costs related to convertible bond	(21,066)	(20,110)
Ineffective swaps	–	(3,432)
Sukuk redemption costs	–	(61,755)
Transaction costs	–	(54,224)
Income tax	101,076	–
Total	(31,802)	(104,438)

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

Impairment of property, plant and equipment and investment properties relates to subsidiaries in the 'Middle East, Europe and Africa' region.

Acquisition related costs and restructuring provisions represent advisory, legal, valuation, professional consulting, general and administrative costs directly related to various business acquisitions in the Group and reversal of excess restructuring provisions in a subsidiary in the 'Middle East, Europe and Africa' region.

9. Separately disclosed items (continued)

Other income represents non-recurring income in a subsidiary in the 'Middle East, Europe and Africa' region. (2016 represents the gain on sale of other investments in the 'Asia Pacific and Indian subcontinent' region and in the 'Middle East, Europe and Africa' region).

Loss on conversion of an associate to a subsidiary relates to the loss on re-measurement to fair value of the existing stake resulting from the acquisition of a controlling stake in an equity-accounted investee in the 'Australia and Americas' region. (2016 relates to the loss on sale of a subsidiary in the 'Middle East, Europe and Africa' region and loss on re-measurement to fair value of the existing stake resulting from the acquisition of a controlling stake in an equity-accounted investee in the 'Asia Pacific and Indian subcontinent' region).

Share of loss from equity-accounted investees relates to release of deferred tax liability of USD 15,985 thousand due to tax rate change in an equity-accounted investee in the 'Middle East, Europe and Africa' region offset by impairment of goodwill of USD 11,813 thousand in an equity-accounted investee in the 'Asia Pacific and Indian subcontinent' region. (2016 represents the non-recurring expenses incurred in the 'Middle East, Europe and Africa' region).

Change in fair value of convertible bond option relates to the movement based on re-measured fair value of the embedded derivative liability of the convertible bonds.

Ineffective swaps relates to an ineffective element of cash flow hedge in a subsidiary in the 'Middle East, Europe and Africa' region. (2016: ineffective element of a cash flow hedge in a subsidiary in the 'Middle East, Europe and Africa' region and the loss on termination of interest rate swap in a subsidiary in the 'Australia and Americas' region).

Finance costs related to convertible bond represents the accretion of liability component as at the reporting date to the amount that will be payable on redemption of the convertible bond.

Sukuk redemption costs represents the redemption premium paid on an early redemption of sukuk bond liability.

Transaction costs relates to costs on restructuring and termination of loans in subsidiaries in the 'Middle East, Europe and Africa' region.

Income tax credit relates to the release of deferred tax liability on account of a tax rate change.

10. Dividends

	2017 USD'000	2016 USD'000
Declared and paid during the year:		
Final dividend: 38 US cents per share/ 30 US cents per share	315,400	249,000
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):		
Final dividend: 41 US cents per share/ 38 US cents per share	340,300	315,400

11. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	2017 Before separately disclosed items USD'000	2017 Adjusted for separately disclosed items USD'000	2016 Before separately disclosed items USD'000	2016 Adjusted for separately disclosed items USD'000
Profit attributable to the ordinary shareholders of the Company (a)	1,208,517	1,176,715	1,126,554	1,024,254
Adjustment for costs/ (income) related to convertible bonds saved as a result of the conversion	18,772	116,872	18,666	(8,686)
Profit attributable to the ordinary shareholders of the Company after conversion (b)	1,227,289	1,293,587	1,145,220	1,015,568
Weighted average number of basic shares outstanding as at 31 December (c)	830,000,000	830,000,000	830,000,000	830,000,000
Weighted average numbers of shares due to conversion of convertible bond	36,846,510	36,846,510	36,846,510	36,846,510
Total weighted average number of ordinary shares (diluted) outstanding – (d)	866,846,510	866,846,510	866,846,510	866,846,510
Basic earnings per share US cents – (a/c)	145.60	141.77	135.73	123.40
Diluted earnings per share US cents – (b/d)	141.58	141.77*	132.11	117.16
Anti-diluted earnings per share US cents – (b/d)	–	149.23	–	–

* Diluted earnings per share (adjusted for separately disclosed items) for the year ended 31 December 2017 is equal to basic earnings per share (adjusted for separately disclosed items) as it is antidilutive.

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12. Property, plant and equipment

	Land and buildings USD'000	Plant and equipment USD'000	Vessels USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
As at 1 January 2016	3,884,675	3,927,182	279,549	1,056,958	9,148,364
Acquired through business combination	14,964	327,868	–	1,649	344,481
Additions during the year	11,324	62,225	2,960	997,216	1,073,725
Transfers from capital work-in-progress	381,421	282,300	2,013	(665,734)	–
Transfer from investment properties	–	270	–	–	270
Disposals	(30,296)	(48,649)	(2,455)	–	(81,400)
Translation adjustment	(90,513)	(285,415)	(3,817)	(64,484)	(444,229)
As at 31 December 2016	4,171,575	4,265,781	278,250	1,325,605	10,041,211
As at 1 January 2017	4,171,575	4,265,781	278,250	1,325,605	10,041,211
Acquired through business combination	8,579	544,824	93,962	–	647,365
Additions during the year	33,332	65,452	20,267	826,150	945,201
Transfers from capital work-in-progress	346,474	573,461	42,404	(962,339)	–
Transfer from investment properties	–	892	–	–	892
Disposals	(14,897)	(79,407)	(7,494)	–	(101,798)
Translation adjustment	85,339	187,437	21,345	41,298	335,419
As at 31 December 2017	4,630,402	5,558,440	448,734	1,230,714	11,868,290
Depreciation and impairment					
As at 1 January 2016	869,521	1,251,777	57,940	–	2,179,238
Acquired through business combination	1,289	125,875	–	–	127,164
Charge for the year	130,858	212,027	19,392	–	362,277
Impairment loss	4	772	–	–	776
On disposals	(21,966)	(44,699)	(1,370)	–	(68,035)
Translation adjustment	(10,479)	(70,089)	(1,718)	–	(82,286)
As at 31 December 2016	969,227	1,475,663	74,244	–	2,519,134
As at 1 January 2017	969,227	1,475,663	74,244	–	2,519,134
Acquired through business combination	2,037	153,652	53,255	–	208,944
Charge for the year	144,389	252,720	21,826	–	418,935
Impairment loss	–	1,515	–	–	1,515
On disposals	(7,485)	(49,412)	(7,494)	–	(64,391)
Translation adjustment	20,160	56,008	10,614	–	86,782
As at 31 December 2017	1,128,328	1,890,146	152,445	–	3,170,919
Net book value					
At 31 December 2016	3,202,348	2,790,118	204,006	1,325,605	7,522,077
At 31 December 2017	3,502,074	3,668,294	296,289	1,230,714	8,697,371

In the prior years, the Group had entered into agreements with third parties pursuant to which the Group participated in a series of linked transactions including leasing and sub-leasing of certain cranes of the Group (“the Crane French Lease Arrangements”). At 31 December 2017, cranes with aggregate net book value amounting to USD 210,017 thousand (2016: USD 225,756 thousand) were covered by these Crane French Lease Arrangements. These cranes are accounted for as property, plant and equipment as the Group retains all the risks and rewards incidental to the ownership of the underlying assets.

At 31 December 2017, property, plant and equipment with a carrying amount of USD 1,917,423 thousand (2016: USD 2,180,671 thousand) are pledged to bank loans (refer to note 29).

Borrowing costs capitalised to property, plant and equipment amounted to USD 5,121 thousand (2016: USD 20,510 thousand) with a capitalisation rate in the range of 0.16% to 0.53% per annum (2016: 2.27% to 3.84% per annum).

The fair value of property, plant and equipment recognised as a result of business combination was determined using the market approach model.

13. Investment properties

	Land USD'000	Buildings and infrastructure USD'000	Under development USD'000	Total USD'000
Cost				
As at 1 January 2016	30,378	970,094	205,016	1,205,488
Additions during the year	3,491	88,801	44,609	136,901
Transfers	–	11,716	(11,716)	–
Transfer to property, plant and equipment	–	–	(270)	(270)
Translation adjustment	(260)	–	(97)	(357)
As at 31 December 2016	33,609	1,070,611	237,542	1,341,762
As at 1 January 2017	33,609	1,070,611	237,542	1,341,762
Additions during the year	2,450	–	96,434	98,884
Transfers	–	92,736	(92,736)	–
Transfer to property, plant and equipment	–	–	(892)	(892)
Disposals	(251)	(15,500)	(1,196)	(16,947)
Translation adjustment	1,609	–	54	1,663
As at 31 December 2017	37,417	1,147,847	239,206	1,424,470
Depreciation and impairment				
As at 1 January 2016	–	28,259	–	28,259
Depreciation charge for the year	–	33,178	–	33,178
As at 31 December 2016	–	61,437	–	61,437
As at 1 January 2017	–	61,437	–	61,437
Depreciation charge for the year	–	37,767	–	37,767
Impairment loss	–	1,746	341	2,087
As at 31 December 2017	–	100,950	341	101,291
Net book value:				
As at 31 December 2016	33,609	1,009,174	237,542	1,280,325
As at 31 December 2017	37,417	1,046,897	238,865	1,323,179

Revenue on lease rentals from investment properties recognised in profit or loss amounted to USD 466,677 thousand (2016: USD 460,865 thousand) while associated costs related to these investment properties amounted to USD 114,478 thousand (2016: USD 109,790 thousand).

Land:

At 31 December 2017, the fair value of land was estimated to be USD 76,900 thousand (2016: USD 65,941 thousand) compared to the carrying value of USD 37,417 thousand (2016: USD 33,609 thousand).

Buildings and infrastructure:

At 31 December 2017, the fair value of buildings and infrastructure was USD 2,271,513 thousand (2016: USD 2,107,291 thousand) compared to the carrying value of USD 1,046,897 thousand (2016: USD 1,009,174 thousand). The buildings and infrastructure are constructed on a land for which the Economic Zones and Logistics park business obtained land use rights for a period of 99 years.

Investment properties under development:

Investment properties under development mainly include infrastructure development, staff accommodation and office building in Jebel Ali Free Zone, UAE. Based on management's assessment, the fair value of investment properties under development approximates their carrying value as at the reporting date.

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Notes to the Consolidated Financial Statements continued

13. Investment properties continued**Key assumptions used in determination of the fair value of investment properties**

On an annual basis, the Group engages external, independent and qualified valuers who have the relevant experience to value such properties in order to determine the fair value of the Group's investment properties. The external valuation of the investment properties has been performed using income capitalisation, comparable and residual methods of valuation. The external valuers, in discussion with the Group's management, have determined these inputs based on the current lease rates, specific market conditions and comparable benchmarking of rents and capital values and rentals in the wider corresponding market. The significant unobservable inputs used in the fair value measurement are as follows:

- Market rent (per square metre per annum)
- Rent growth per annum
- Historical and estimated long term occupancy rate
- Yields, discount rates and terminal capitalisation rates

The fair value of investment properties are categorised under level 3 hierarchy and the Group considers the current use of these properties as their highest and best use.

14. Intangible assets and goodwill

	Land use rights USD'000	Goodwill USD'000	Port concession rights and other intangible assets USD'000	Total USD'000
Cost				
As at 1 January 2016	2,677,717	1,460,386	4,042,167	8,180,270
Acquired through business combinations	–	61,519	498,400	559,919
Additions	–	–	87,502	87,502
Translation adjustment	–	(166,122)	(194,357)	(360,479)
As at 31 December 2016	2,677,717	1,355,783	4,433,712	8,467,212
As at 1 January 2017	2,677,717	1,355,783	4,433,712	8,467,212
Acquired through business combinations	–	–	365,287	365,287
Additions	–	–	87,662	87,662
Translation adjustment	–	114,598	331,731	446,329
As at 31 December 2017	2,677,717	1,470,381	5,218,392	9,366,490
Amortisation and impairment				
As at 1 January 2016	23,096	–	1,022,257	1,045,353
Charge for the year	29,212	–	118,216	147,428
Translation adjustment	–	–	(14,707)	(14,707)
As at 31 December 2016	52,308	–	1,125,766	1,178,074
As at 1 January 2017	52,308	–	1,125,766	1,178,074
Charge for the year	29,200	–	146,308	175,508
Translation adjustment	–	–	92,254	92,254
As at 31 December 2017	81,508	–	1,364,328	1,445,836
Net book value:				
As at 31 December 2016	2,625,409	1,355,783	3,307,946	7,289,138
As at 31 December 2017	2,596,209	1,470,381	3,854,064	7,920,654

Port concession rights include concession agreements which are mainly accounted for as part of business combinations and acquisitions. These concessions were determined to have finite and indefinite useful lives based on the terms of the respective concession agreements and the income approach model was used for the purpose of determining their fair values.

At 31 December 2017, port concession rights with a carrying amount of USD 374 thousand (2016: USD 11,790 thousand) are pledged to bank loans (refer to note 29).

15. Impairment testing

Goodwill acquired through business combinations and port concession rights with indefinite useful lives have been allocated to various cash-generating units, for the purpose of impairment testing.

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

	Carrying amount of goodwill		Carrying amount of port concession rights with indefinite useful life		Discount rates	Perpetuity growth rate
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000		
Cash-generating units aggregated by operating segment						
Asia Pacific and Indian subcontinent	233,570	219,919	–	–	6.50% – 11.50%	2.50%
Australia and Americas	342,650	320,926	–	–	6.00% – 14.50%	2.50%
Middle East, Europe and Africa	894,161	814,938	848,880	776,919	6.00% – 16.00%	2.50%
Total	1,470,381	1,355,783	848,880	776,919		

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

Key assumptions used in value in use calculations

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

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

Discount rates – These represent the cost of capital adjusted for the risks associated with the cash flows of the CGU being valued. The Group uses the post-tax Weighted Average Cost of Capital that represents a market participant discount rate.

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

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

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

Sensitivity to changes in assumptions

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

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16. Investment in equity-accounted investees

The following table summarises the segment wise financial information for equity-accounted investees, adjusted for fair value adjustments (using the income approach model) at acquisition together with the carrying amount of the Group's interest in equity-accounted investees as included in the consolidated statement of financial position:

	Asia Pacific and Indian subcontinent		Australia and Americas		Middle East, Europe and Africa		Total	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
Cash and cash equivalents	619,948	432,726	138,293	147,176	239,142	203,733	997,383	783,635
Other current assets	186,374	232,754	106,289	111,735	265,891	186,858	558,554	531,347
Non-current assets	6,396,749	6,167,755	1,586,116	2,146,178	2,813,120	2,459,574	10,795,985	10,773,507
Total assets	7,203,071	6,833,235	1,830,698	2,405,089	3,318,153	2,850,165	12,351,922	12,088,489
Current financial liabilities	25,951	–	17,027	595,272	61,144	37,734	104,122	633,006
Other current liabilities	434,519	317,386	181,136	170,598	293,921	249,081	909,576	737,065
Non-current financial liabilities	973,497	1,092,416	1,282,768	1,009,024	579,555	534,625	2,835,820	2,636,065
Other non-current liabilities	430,311	466,819	17,105	137,061	583,467	520,062	1,030,883	1,123,942
Total liabilities	1,864,278	1,876,621	1,498,036	1,911,955	1,518,087	1,341,502	4,880,401	5,130,078
Net assets (100%)	5,338,793	4,956,614	332,662	493,134	1,800,066	1,508,663	7,471,521	6,958,411
Group's share of net assets in equity-accounted investees							2,172,683	1,951,658
Revenue	1,375,504	1,489,325	656,529	599,720	746,085	587,559	2,778,118	2,676,604
Depreciation and amortisation	(263,768)	(292,542)	(92,531)	(107,201)	(107,066)	(93,828)	(463,365)	(493,571)
Other expenses	(566,946)	(605,441)	(458,788)	(410,974)	(526,943)	(448,606)	(1,552,677)	(1,465,021)
Interest expense	(70,211)	(70,090)	(223,476)	(241,971)	(46,505)	(42,015)	(340,192)	(354,076)
Other finance income	21,225	19,860	51,386	149,040	(646)	1,753	71,965	170,653
Income tax expense	(138,080)	(146,669)	(26,530)	(3,295)	(17,487)	25,503	(182,097)	(124,461)
Net profit/ (loss) (100%)	357,724	394,443	(93,410)	(14,681)	47,438	30,366	311,752	410,128
Group's share of profit (before separately disclosed items)							123,592	149,435
Dividends received							114,695	151,146
Group's share of other comprehensive income							3,988	3,416

17. Accounts receivable and prepayments

	2017 Non-current USD'000	2017 Current USD'000	2016 Non-current USD'000	2016 Current USD'000
Trade receivables (net)	–	454,052	–	410,334
Advances paid to suppliers	–	69,776	–	81,966
Other receivables and prepayments	167,886	298,160	137,789	220,515
Due from related parties (refer to note 25)	313,855	49,554	290,838	80,530
Total	481,741	871,542	428,627	793,345

The Group's exposure to credit and currency risks are disclosed in note 26.

18. Cash and cash equivalents

	2017 USD'000	2016 USD'000
Cash at banks and in hand	651,675	619,251
Short-term deposits	815,854	614,618
Deposits under lien	16,150	65,522
Cash and cash equivalents for consolidated statement of cash flows	1,483,679	1,299,391

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit market rates.

The deposits under lien are placed to collateralise some of the borrowings of the Company's subsidiaries.

18. Cash and cash equivalents (continued)

Cash flow information

	Note	2017 USD'000	2016 USD'000
Cash flows from operating activities			
Profit for the year		1,330,746	1,155,067
Adjustments for:			
Depreciation and amortisation	6	632,210	542,883
Impairment loss	6	3,602	776
Share of profit from equity-accounted investees (net of tax)		(127,764)	(146,478)
Finance costs	7	523,510	577,878
Gain on disposal of other investments		–	(3,878)
Gain on sale of property, plant and equipment		(5,172)	(999)
Loss on disposal and change in ownership of business	9	28,234	15,490
Finance income	7	(96,090)	(147,709)
Income tax expense	8	43,330	122,579
Gross cash flows from operations		2,332,606	2,115,609

19. Employees' end of service benefits

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2017 USD'000	2016 USD'000
As at 1 January	112,594	97,762
Acquired through business combinations	–	8,422
Provision made during the year*	20,560	17,647
Amounts paid during the year	(12,607)	(11,237)
Translation	1,683	–
As at 31 December	122,230	112,594

* The provision for expatriate staff gratuities, included in Employees' end of service benefits, is calculated in accordance with the regulations of the Jebel Ali Free Zone Authority. This is based on the liability that would arise if employment of all staff were terminated at the reporting date.

The UAE government had introduced Federal Labour Law No.7 of 1999 for pension and social security. Under this Law, employers are required to contribute 15% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Group's contribution is recognised as an expense in the consolidated statement of profit or loss as incurred.

20. Pension and post-employment benefits

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

a) P&O UK Scheme

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

Formal actuarial valuations of the P&O UK scheme are normally carried out triennially by qualified independent actuaries, the most recent valuation was at 31 March 2016 using the projected unit credit method. The deficit on a statutory funding objectives basis was USD 123,078 thousand. The Group agreed with the Trustee to a new monthly deficit payment plan effective from 1 April 2016 of USD 12,173 thousand until 31 March 2020, then increasing to a total of USD 13,863 thousand until 31 March 2024 and then increasing to USD 16,230 thousand a year until 30 November 2026.

In December 2007, as part of a process developed with the Group to de-risk the pension scheme, the Trustee transferred USD 1,600,000 thousand of P&O UK Scheme assets to Paternoster (UK) Ltd, in exchange for a bulk annuity insurance policy to ensure that the assets (in the Company's statement of financial position and in the Scheme) will always be equal to the current value of the liability of the pensions in payment at 30 June 2007, thus removing the funding risks for these liabilities.

In December 2017, the Group entered into a Flexible Apportionment Arrangement which enabled a related party to withdraw as an employer from the P&O Pension Scheme, following which all current and future deficit liabilities of the Scheme were taken over by the Group with an additional cash contribution of USD 17,583 thousand.

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Notes to the Consolidated Financial Statements continued

20. Pension and post-employment benefits (continued)**b) Merchant Navy Officers' Pension Fund ("MNOPF")**

The Group participates in various industry multi-employer schemes, the most significant of which is the MNOPF Scheme and is in the UK. These generally have assets held in separate trustee administered funds which are legally separated from the Group.

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

The most recent formal actuarial valuation of the New Section of MNOPF scheme was carried out as at 31 March 2015. This resulted in a deficit of USD 4,058 thousand. The Trustee Board believe their investment strategy will address this deficit and therefore has not issued deficit contribution notices to employers in respect of the 2015 actuarial valuation. The New Section closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009 and 2012 the Trustee and Employers agreed contributions to be paid to the Section by participating employers over the period to 30 September 2023. These contributions included an allowance for the impact of irrecoverable contributions in respect of companies no longer in existence or not able to pay their share. In September 2017, the Trustee offered a settlement sum of USD 19,926 thousand to the Group which would clear the outstanding contributions (due payable bi-annually to September 2023) and save the Group USD 2,807 thousand in future interest payments. The Group agreed and settled the payment on 28 September 2017. There are no outstanding contributions due by Group in 2018.

In 2016, Group has accounted for an amount of USD 91,281 thousand as an additional defined benefit obligation with regards to reapportionment of deficit contribution from a related party. In April 2017, this liability was borne and paid by the Parent Company.

The Group's share of the net deficit of the New Section at 31 December 2017 is estimated at 5.36%.

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

The MNRPF Scheme is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by companies within the Group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual from 2001.

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

The Group's deficit contributions arising from the 31 March 2014 valuation totalled USD 38,276 thousand (equating to 7.0% share of the net deficit). The contributions due to the Scheme in respect of this valuation will be paid over the period to 31 October 2022. Deficit contributions of USD 4,795 thousand were paid into the Scheme in 2017. The Group's aggregated outstanding contributions from this valuation are payable as follows: 2018 to 2022 USD 4,797 thousand per annum.

The most recent formal actuarial valuation was carried out as at 31 March 2017. The Group's deficit contributions arising from this valuation totalled USD 11,796 thousand. A consultation regarding the valuation assumptions, factors and outcome is currently underway. The Group has submitted a response to the consultation. A final decision by the Trustee is expected to be communicated at the end of Q1 2018.

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

d) Others

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

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

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

20. Pension and post-employment benefits (continued)**Reconciliation of assets and liabilities recognised in the consolidated statement of financial position**

	2017 USD'000	2016 USD'000
Non-current		
Defined benefit schemes net liabilities	187,037	313,980
Liability in respect of long service leave	331	406
Liability for other non-current deferred compensation	202	305
	187,570	314,691
Current		
Liability for current deferred compensation	7,324	8,185
Net liabilities	194,894	322,876
Reflected in the consolidated statement of financial position as follows:		
Employee benefits assets (included within non-current receivables)	–	–
Employee benefits liabilities: Non-current	187,570	314,691
Employee benefits liabilities: Current	7,324	8,185

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

	2017 USD'000	2016 USD'000
Defined benefit schemes	7,722	6,617
Defined contribution schemes	11,664	10,215
Other employee benefits	1,545	11,623
Total	20,931	28,455

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

	2017 USD'000	2016 USD'000
Actuarial (gain)/loss recognised in the year	(51,610)	368,269
Return on plan assets greater/(lesser) than the discount rate	(58,045)	(150,722)
Change in share in multi-employer scheme	643	(270)
Movement in minimum funding liability	108,881	(12,290)
Total	(131)	204,987

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2017 by qualified independent actuaries. The principal assumptions are included in the table below. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK scheme 2017	MNOFP scheme 2017	Other schemes 2017	P&O UK scheme 2016	MNOFP scheme 2016	Other schemes 2016
Discount rates	2.50%	2.50%	2.50%	2.50%	2.50%	2.70%
Discount rates bulk annuity asset	2.30%	–	–	2.40%	–	–
Expected rates of salary increases	–*	–*	2.4%	–*	–*	3.00%
Pension increases:						
deferment	3.00%	2.45%	2.80%	3.00%	2.50%	3.20%
payment	3.00%	3.35%	3.10%	3.00%	3.40%	3.20%
Inflation	3.45%	3.45%	3.30%	3.50%	3.50%	3.30%

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

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Notes to the Consolidated Financial Statements continued

20. Pension and post-employment benefits (continued)

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

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

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2017				
P&O UK scheme	21.9	23.7	23.8	25.6
MNOFP scheme	23.0	26.0	26.4	29.3
2016				
P&O UK scheme	22.3	24.5	24.3	26.6
MNOFP scheme	23.0	25.9	26.4	29.2

At 31 December 2017, the weighted average duration of the defined benefit obligation was 15.6 years (2016: 17.3 years).

Reasonably possible changes to one of the actuarial assumptions, holding other assumptions constant (in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated), would have increased the net defined benefit liability as at 31 December 2017 by the amounts shown below:

	USD'000
0.1% reduction in discount rate	5,400
0.1% increase in inflation assumption and related assumptions	2,200
0.25% p.a. increase in the long term rate of mortality improvement	2,600

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

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

	P&O UK scheme USD'000	MNOFP scheme USD'000	Other schemes USD'000	Total group schemes fair value USD'000
2017				
Equities	260,221	89,400	66,002	415,623
Bonds	349,486	164,735	184,887	699,108
Other	190,432	–	38,005	228,437
Value of insured pensioner liability	1,033,581	–	2,840	1,036,421
Total	1,833,720	254,135	291,734	2,379,589
2016				
Equities	443,643	51,721	79,866	575,230
Bonds	188,987	74,928	144,424	408,339
Other	27,404	–	19,504	46,908
Value of insured pensioner liability	984,557	–	–	984,557
Total	1,644,591	126,649	243,794	2,015,034

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

20. Pension and post-employment benefits (continued)

Reconciliation of the opening and closing present value of defined benefit obligations for the period ended 31 December 2017 and 31 December 2016:

	P&O UK scheme 2017 USD'000	MNOFF scheme 2017 USD'000	Other schemes 2017 USD'000	Total group schemes 2017 USD'000	P&O UK scheme 2016 USD'000	MNOFF scheme 2016 USD'000	Other schemes 2016 USD'000	Total group schemes 2016 USD'000
Present value of obligation at 1 January	(1,763,587)	(223,797)	(317,436)	(2,304,820)	(1,871,200)	(220,700)	(304,389)	(2,396,289)
Employer's interest cost	(45,046)	(5,663)	(8,668)	(59,377)	(61,450)	(7,293)	(10,345)	(79,088)
Employer's current service cost	–	–	(4,118)	(4,118)	–	–	(2,836)	(2,836)
Contributions by scheme participants	–	–	(1,158)	(1,158)	–	–	(1,215)	(1,215)
Effect of movement in exchange rates	(164,505)	(20,534)	(30,484)	(215,523)	331,852	40,661	61,238	433,751
Benefits paid	92,022	10,811	10,167	113,000	91,298	9,994	11,210	112,502
Experience gains/(losses) on scheme liabilities	9,653	8,366	(1,287)	16,732	29,577	135	810	30,522
Change in share in multi-employer scheme	(7,979)	3,346	–	(4,633)	–	(3,376)	–	(3,376)
Actuarial gain on scheme liabilities due to change in demographic assumptions	33,977	–	2,574	36,551	70,046	1,891	–	71,937
Actuarial gains/(losses) on scheme liabilities due to change in financial assumptions	3,089	386	(5,148)	(1,673)	(353,710)	(45,109)	(71,909)	(470,728)
Present value of obligation at 31 December	(1,842,376)	(227,085)	(355,558)	(2,425,019)	(1,763,587)	(223,797)	(317,436)	(2,304,820)

Reconciliation of the opening and closing present value of fair value of scheme assets for the period ended 31 December 2017 and 31 December 2016:

	P&O UK scheme 2017 USD'000	MNOFF scheme 2017 USD'000	Other schemes 2017 USD'000	Total group schemes 2017 USD'000	P&O UK scheme 2016 USD'000	MNOFF scheme 2016 USD'000	Other schemes 2016 USD'000	Total group schemes 2016 USD'000
Fair value of scheme assets at 1 January	1,644,591	126,649	243,794	2,015,034	1,794,483	220,374	243,296	2,258,153
Interest income on assets	42,214	5,148	6,821	54,183	59,019	7,293	8,508	74,820
Return on plan assets greater/(lesser) than the discount rate	45,432	3,346	9,267	58,045	187,457	(68,338)	31,603	150,722
Contributions by employer	28,958	116,217	17,375	162,550	11,345	5,672	19,853	36,870
Contributions by scheme participants	–	–	1,158	1,158	–	–	1,215	1,215
Effect of movement in exchange rates	159,013	17,704	24,516	201,233	(314,254)	(31,464)	(48,391)	(394,109)
Benefits paid	(92,022)	(10,811)	(10,167)	(113,000)	(91,298)	(9,994)	(11,210)	(112,502)
Change in share in multi-employer scheme	7,722	(3,732)	–	3,990	–	3,646	–	3,646
Administration costs incurred during the year	(2,188)	(386)	(1,030)	(3,604)	(2,161)	(540)	(1,080)	(3,781)
Fair value of scheme assets at 31 December	1,833,720	254,135	291,734	2,379,589	1,644,591	126,649	243,794	2,015,034
Defined benefit schemes net liabilities	(8,656)	27,050	(63,824)	(45,430)	(118,996)	(97,148)	(73,642)	(289,786)
Minimum funding liability	(103,872)	(27,050)	(10,685)	(141,607)	–	(14,936)	(9,258)	(24,194)
Net liability recognised in the consolidated statement of financial position at 31 December	(112,528)	–	(74,509)	(187,037)	(118,996)	(112,084)*	(82,900)	(313,980)

* This includes reapportionment of pension fund deficit contribution from a related party at the reporting date.

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

The below table shows the movement in minimum funding liability:

	2017 USD'000	2016 USD'000
Minimum funding liability as on 1 January	(24,194)	(41,000)
Employer's interest cost	(643)	(1,350)
Actuarial (loss)/gain during the year	(108,881)	12,290
Effect of movement in exchange rates	(7,889)	5,866
Minimum funding liability as on 31 December	(141,607)	(24,194)

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20. Pension and post-employment benefits (continued)

It is anticipated that the Group will make the following contributions to the pension schemes in 2018:

	P&O UK scheme USD'000	MNOFF scheme USD'000	Other schemes USD'000	Total group schemes USD'000
Pension scheme contributions	12,173	–	12,443	24,616

21. Accounts payable and accruals

	2017 Non-current USD'000	2017 Current USD'000	2016 Non-current USD'000	2016 Current USD'000
Trade payables	–	197,946	–	170,181
Other payables and accruals	141,363	1,698,238	112,047	1,420,813
Provisions*	889	39,355	1,313	56,767
Fair value of derivative financial instruments	339,966	–	278,767	6,144
Amounts due to related parties (refer to note 25)	–	12,242	–	9,904
As at 31 December	482,218	1,947,781	392,127	1,663,809

* During the current year, additional provision of USD 21,227 thousand was made (2016: USD 43,269 thousand) and an amount of USD 39,063 thousand was utilised (2016: USD 81,470 thousand).

22. Non-controlling interests ('NCI')

The following table summarises the financial information for the material NCI of the Group:

	Middle East, Europe and Africa region 2017 USD'000	Asia Pacific and Indian subcontinent 2017 USD'000	Australia and Americas 2017 USD'000	Other individually immaterial subsidiaries* 2017 USD'000	Total 2017 USD'000	Middle East, Europe and Africa region 2016 USD'000	Asia Pacific and Indian subcontinent 2016 USD'000	Other individually immaterial subsidiaries* 2016 USD'000	Total 2016 USD'000
Balance sheet information:									
Non-current assets	292,405	531,769	939,020			302,327	472,361		
Current assets	117,453	155,497	393,979			320,003	113,765		
Non-current liabilities	(912)	(20,163)	(851,750)			(18,058)	(13,259)		
Current liabilities	(19,565)	(31,056)	(325,951)			(48,773)	(21,761)		
Net assets (100%)	389,381	636,047	155,298			555,499	551,106		
Carrying amount of fair value adjustments excluding goodwill	–	205,144	170,147			–	186,545		
Total	389,381	841,191	325,445			555,499	737,651		
Carrying amount of NCI as at 31 December	259,837	285,727	146,450	119,187	811,201	370,597	250,580	100,657	721,834
Statement of profit or loss information:									
Revenue	237,235	224,141	310,274			233,524	–		
Profit after tax	130,309	63,569	30,233			130,174	–		
Other comprehensive income, net of tax	546	95,976	32,318			2,994	–		
Total comprehensive income (100%), net of tax	130,855	159,545	62,551			133,168	–		
Profit allocated to NCI	86,903	21,594	13,605	31,929	154,031	86,798	–	44,015	130,813
Other comprehensive income attributable to NCI	364	32,603	14,543	556	48,066	1,996	–	(6,797)	(4,801)
Total comprehensive income attributable to NCI	87,267	54,197	28,148	32,485	202,097	88,794	–	37,218	126,012
Cash flow statement information:									
Cash flows from operating activities	(30,806)	105,407	49,291			149,437	–		
Cash flows from investing activities	(10,072)	(64,858)	(99,666)			(7,143)	–		
Cash flows from financing activities	(151,995)	(50,425)	55,902			(50,877)	–		
Dividends paid to NCI	198,375	17,332	–			–	–		

* There are no material subsidiaries with NCI in the other operating segments of the Group.

23. Business combinations

Acquisition of new subsidiaries

(a) On 26 July 2017, the Group acquired a 93% stake in Remolques y Servicios Maritimos, S.L. Group ("Reyser") Spanish business and a controlling stake in International business through an existing subsidiary Remolcadores de Puerto y Altura, S.A. ("Repasa"). The carrying value and fair value of the identifiable assets and liabilities on the date of the acquisition were as follows:

	Acquiree's carrying amount USD'000	Fair value recognised on acquisition USD'000
Assets		
Property, plant and equipment	10,398	44,719
Concession rights	308	145,684
Deferred tax assets	1,428	1,428
Investment in equity-accounted investees	14,273	36,625
Accounts receivables and prepayments	20,054	20,054
Inventory	890	890
Bank balances and cash	3,754	3,754
Liabilities		
Interest bearing loans and borrowings	(6,036)	(6,036)
Deferred tax liabilities	(49)	(50,561)
Accounts payable and accruals	(19,387)	(19,387)
Net assets	25,633	177,170
Less: Non-controlling interests		(3,388)
Total		173,782

From the date of acquisition, Reyser has contributed a loss of USD 3,359 thousand to the Group. If the acquisition had taken place at the beginning of the year, the profit of the Group would have decreased by USD 7,068 thousand and revenue would have increased by USD 56,333 thousand.

(b) On 30 November 2017, the Group acquired the remaining 66.67% stake in Empresa Brasileira de Terminais Portuarios S.A. ("Embraport") in Brazil from Odebrecht Transport S.A. increasing the shareholding in Embraport to 100%.

This acquisition has resulted in recognition of port concession rights of USD 219,603 thousand.

From the date of acquisition, Embraport has contributed revenue of USD 7,891 thousand and loss of USD 8,691 thousand. If the acquisition had taken place at the beginning of the year, the profit of the Group would have reduced by USD 28,218 thousand and revenue would have increased by USD 74,160 thousand.

24. Significant group entities

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

a) Significant holding companies

Legal Name	Ownership interest	Country of incorporation	Principal activities
DP World FZE	100%	United Arab Emirates	Development and management of international marine and inland terminal operations
Thunder FZE	100%	United Arab Emirates	Holding company
The Peninsular and Oriental Steam Navigation Company Limited	100%	United Kingdom	Management and operation of international marine terminal operations
Economic Zones World FZE	100%	United Arab Emirates	Development, management and operation of free zones, economic zones, industrial zones and logistics parks
DP World Australia (POSN) Pty Ltd	100%	Australia	Holding company
DPI Terminals Asia Holdings Limited	100%	British Virgin Islands	Holding company
DPI Terminals (BVI) Limited	100%	British Virgin Islands	Holding company
DPI Terminals Asia (BVI) Limited	100%	British Virgin Islands	Holding company
DP World Ports Cooperatieve U.A.	100%	Netherlands	Holding company
DP World Maritime Cooperatieve U.A.	100%	Netherlands	Holding company

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Notes to the Consolidated Financial Statements continued

24. Significant group entities (continued)

b) Significant subsidiaries – Ports

Legal Name	Ownership interest	Country of incorporation	Principal activities
Terminales Rio de la Plata SA	55.62%	Argentina	Container terminal operations
Empresa Brasileira de Terminais Portuarios S.A. (refer to note 23)	100%	Brazil	Container terminal operations
DP World (Canada) Inc.	55%*	Canada	Container terminal operations
DP World Prince Rupert Inc.	55%*	Canada	Container terminal operations
DP World Saint John, Inc.	100%	Canada	Container terminal operations
DP World Limassol Limited	75%	Cyprus	Multi-purpose and general cargo terminal operations
DP World Sokhna SAE	100%	Egypt	Container terminal operations
DP World Posorja S.A.	78%	Ecuador	Container terminal operations
Chennai Container Terminal Private Limited	100%	India	Container terminal operations
India Gateway Terminal Private Ltd	81.63%	India	Container terminal operations
Mundra International Container Terminal Private Limited	100%	India	Container terminal operations
Nhava Sheva International Container Terminal Private Limited	100%	India	Container terminal operations
Nhava Sheva (India) Gateway Terminal Private Limited	100%	India	Container terminal operations
DP World Middle East Limited	100%	Kingdom of Saudi Arabia	Container terminal operations
DP World Maputo S.A.	60%	Mozambique	Container terminal operations
Qasim International Container Terminal Pakistan Ltd	75%	Pakistan	Container terminal operations
DP World Callao S.R.L.	100%	Peru	Container terminal operations
Doraleh Container Terminal S.A.	33.34%**	Republic of Djibouti#	Container terminal operations
Integra Port Services N.V.	60%	Republic of Suriname	Container terminal operations
Suriname Port Services N.V.	60%	Republic of Suriname	General cargo terminal operations
Constanta South Container Terminal SRL	100%	Romania	Container terminal operations
DP World Dakar SA	90%	Senegal	Container terminal operations
DP World Berbera	65%	Somaliland	Container terminal operations
Pusan Newport Co., Ltd	66.03%	South Korea	Container terminal operations
DP World Tarragona SA	60%	Spain	Container terminal operations
DP World Yarımca Liman İşletmeleri AS	100%	Turkey	Container terminal operations
DP World UAE Region FZE	100%	United Arab Emirates	Container terminal operations
London Gateway Port Limited	100%	United Kingdom	Container terminal operations
Southampton Container Terminals Limited	100%	United Kingdom	Container terminal operations
Saigon Premier Container Terminal	80%	Vietnam	Container terminal operations

c) Associates and joint ventures – Ports

Legal Name	Ownership interest	Country of incorporation	Principal activities
Djazair Port World Spa	50%	Algeria	Container terminal operations
DP World DjenDjen Spa	50%	Algeria	Container terminal operations
DP World Australia (Holding) Pty Ltd	25%	Australia	Container terminal operations
Antwerp Gateway N.V.	60%***	Belgium	Container terminal operations
Caucedo Investments Inc.	50%	British Virgin Islands	Container terminal operations
Eurofos SARL	50%	France	Container terminal operations
Generale de Manutention Portuaire S.A	50%	France	Container terminal operations
Goodman DP World Hong Kong Limited	25%	Hong Kong	Container terminal operations and warehouse operations
Visakha Container Terminals Private Limited	26%	India	Container terminal operations
PT Terminal Petikemas Surabaya	49%	Indonesia	Container terminal operations
Rotterdam World Gateway B.V.	30%	Netherlands	Container terminal operations
Qingdao Qianwan Container Terminal Co., Ltd	29%	People's Republic of China	Container terminal operations
Tianjin Orient Container Terminals Co., Ltd	24.50%	People's Republic of China	Container terminal operations
Yantai International Container Terminals Ltd	12.50%	People's Republic of China	Container terminal operations
Asian Terminals Inc	50.54%****	Philippines	Container terminal operations
Laem Chabang International Terminal Co. Ltd	34.50%	Thailand	Container terminal operations

24. Significant group entities (continued)

d) Other non-port business

Legal Name	Ownership interest	Country of incorporation	Principal activities
P&O Maritime Services Pty Ltd	100%	Australia	Maritime services
DP World Antwerp Terminals N.V.	100%	Belgium	Ancillary container services
DP World GERMERSHEIM GmbH and Co. KG	100%	Germany	Inland container terminal operations
DP World Germany B.V.	100%	Netherlands	Inland container terminal operations
Container Rail Road Services Pvt Limited	100%	India	Container rail freight operations
Empresa de Dragagem do Porto de Maputo, SA	25.50%	Mozambique	Dredging services
Maputo Intermodal Container Depot, SA	50.00%	Mozambique	Inland container depot and warehousing
Sociedade de Desenvolvimento do Porto de Maputo, S.A.	24.74%	Mozambique	Port management and cargo handling
DP World Peru S.R.L.	100%	Peru	Terminal related activities
Port Secure FZCO	40%	Republic of Djibouti #	Port security services
Remolcadores de Puerto y Altura, S.A.	57.01%	Spain	Maritime services
Remolques y Servicios Marítimos, S.L.	93%	Spain	Maritime services
Dubai International Djibouti FZE	100%	United Arab Emirates	Port management and operation
Dubai Trade FZE	100%	United Arab Emirates	Trade facilitation through integrated electronic services
P&O Maritime FZE	100%	United Arab Emirates	Maritime services
World Security FZE	100%	United Arab Emirates	Security services
Jebel Ali Free Zone FZE	100%	United Arab Emirates	Management, operation and development of free zones, economic zones and industrial zones
LG Park Freehold Limited	100%	United Kingdom	Management and operation of industrial parks

* Ownership change from 100% to 55% effective 19 January 2017.

** Although the Group only has a 33.34% effective ownership interest in this entity, it is treated as a subsidiary, as the Group is able to govern the financial and operating policies of the company by virtue of an agreement with the other investor.

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

**** Although the Group has more than 50% effective ownership interest in this entity, it is not treated as a subsidiary, but instead treated as an equity-accounted investee. The underlying shareholder agreement does not provide control to the Group.

Refer note 34 (b).

25. Related party transactions

Other related party transactions

Transactions with related parties included in the consolidated financial statements are as follows:

	Ultimate Parent Company 2017 USD'000	Equity-accounted investees 2017 USD'000	Other related parties 2017 USD'000	Total 2017 USD'000	Ultimate Parent Company 2016 USD'000	Equity-accounted investees 2016 USD'000	Other related parties 2016 USD'000	Total 2016 USD'000
Expenses charged:								
Concession fee	–	–	49,517	49,517	–	–	47,292	47,292
Shared services	–	–	736	736	–	–	931	931
Other services	–	–	19,923	19,923	–	–	18,864	18,864
Revenue earned:								
Management fee income	–	19,366	30,659	50,025	–	25,855	27,540	53,395
Interest income	–	28,368	–	28,368	–	24,276	–	24,276

Balances with related parties included in the consolidated statement of financial position are as follows:

	Due from related parties		Due to related parties	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
Ultimate Parent Company	2,217	2,220	219	361
Parent Company	902	18,972	5	194
Equity-accounted investees	347,289	336,722	3,107	2,168
Other related parties	13,001	13,454	8,911	7,181
Total	363,409	371,368	12,242	9,904

The Group has also issued guarantees on behalf of equity-accounted investees which are disclosed in note 33(a).

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25. Related party transactions (continued)**Compensation of key management personnel**

The remuneration of directors and other key members of the management during the year were as follows:

	2017 USD'000	2016 USD'000
Short-term benefits and bonus	13,658	13,521
Post-retirement benefits	451	1,411
Total	14,109	14,932

26. Financial risk management**Overview**

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

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

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

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

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has exposure to the following risks arising from financial instruments:

a) Credit risk

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

Trade and other receivables

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

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

Other financial assets

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

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

26. Financial risk management (continued)**Financial guarantees**

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

i. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure as at 31 December:

	2017 USD'000	2016 USD'000
Other investments	72,759	60,644
Derivative assets	8,952	–
Trade and other receivables excluding prepayments	1,218,037	1,095,895
Cash and cash equivalents	1,483,679	1,299,391
Total	2,783,427	2,455,930

The maximum exposure to credit risk for trade receivables (net) at the reporting date by operating segments are as follows:

	2017 USD'000	2016 USD'000
Asia Pacific and Indian subcontinent	45,369	50,169
Australia and Americas	97,593	62,303
Middle East, Europe and Africa	311,090	297,862
Total	454,052	410,334

The ageing of trade receivables (net) at the reporting date was:

	2017 USD'000	2016 USD'000
Neither past due nor impaired on the reporting date:	247,923	221,685
Past due on the reporting date		
Past due 0-30 days	135,340	107,788
Past due 31-60 days	44,286	42,957
Past due 61-90 days	13,430	22,880
Past due > 90 days	13,073	15,024
Total	454,052	410,334

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on the historic collection trends.

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

	2017 USD'000	2016 USD'000
As at 1 January	108,435	67,032
Acquired through business combinations	976	340
Provision (reversed)/recognised during the year	(2,726)	41,063
As at 31 December	106,685	108,435

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due.

Trade receivables with the top ten customers represent 54% (2016: 59%) of the trade receivables.

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26. Financial risk management (continued)**b) Liquidity risk**

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

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

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

	Carrying amount USD'000	Contractual cash flows USD'000	Less than 1 year USD'000	1 – 2 years USD'000	2 – 5 years USD'000	More than 5 years USD'000
Non derivative financial liabilities						2016
Issued bonds	4,524,844	(7,551,859)	(642,102)	(230,727)	(1,703,519)	(4,975,511)
Convertible bonds	803,075	(1,131,250)	(17,500)	(17,500)	(52,500)	(1,043,750)
Bank loans	2,255,558	(3,186,388)	(452,062)	(397,504)	(648,790)	(1,688,032)
Loans from non-controlling shareholders	13,233	(13,233)	(13,233)	–	–	–
Finance lease liabilities	21,549	(28,728)	(8,551)	(6,227)	(4,311)	(9,639)
Trade and other payables	1,587,252	(1,587,543)	(1,495,597)	(55,064)	(22,562)	(14,320)
Financial guarantees and letters of credit*	–	(133,748)	–	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging	111,431	(152,685)	(27,804)	(27,400)	(69,377)	(28,104)
Embedded derivative option	173,480	–	–	–	–	–
Total	9,490,422	(13,785,434)	(2,656,849)	(734,422)	(2,501,059)	(7,759,356)
Non derivative financial liabilities						2017
Issued bonds	4,119,001	(6,903,324)	(230,552)	(857,756)	(1,014,968)	(4,800,048)
Convertible bonds	825,412	(1,113,750)	(17,500)	(17,500)	(52,500)	(1,026,250)
Bank loans	2,609,656	(3,977,590)	(400,133)	(198,386)	(645,307)	(2,733,764)
Loans from non-controlling shareholders	151,134	(151,134)	(151,134)	–	–	–
Finance lease liabilities	33,775	(41,794)	(11,437)	(7,344)	(15,441)	(7,572)
Trade and other payables	1,706,464	(1,711,148)	(1,589,903)	(26,387)	(30,119)	(64,739)
Financial guarantees and letters of credit*	–	(152,315)	–	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging	89,453	(124,302)	(26,180)	(25,528)	(60,886)	(11,708)
Embedded derivative option	250,513	–	–	–	–	–
Total	9,785,408	(14,175,357)	(2,426,839)	(1,132,901)	(1,819,221)	(8,644,081)

* Refer to note 33 for further details.

c) Market risk

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

The Group enters into derivative contracts, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors in the Group Treasury policy. Generally, the Group seeks to apply hedge accounting in order to manage the volatility in the consolidated statement of profit or loss.

i. Currency risk

The proportion of the Group's net operating assets denominated in foreign currencies (i.e. other than the functional currency of the Company, UAE Dirhams) is approximately 64.4% (2016: 63.5%) with the result that the Group's USD consolidated statement of financial position, and in particular shareholder's equity, can be affected by currency movements when it is retranslated at each year end rate. The Group partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying foreign operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. The impact of currency movements on operating profit is partially mitigated by interest costs being incurred in foreign currencies. The Group operates in some locations where the local currency is fixed to the Group's presentation currency of USD further reducing the risk of currency movements.

26. Financial risk management (continued)

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

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

Exposure to currency risk

The Group's financial instruments in different currencies were as follows:

	USD* USD'000	GBP USD'000	EUR USD'000	AUD USD'000	INR USD'000	CAD USD'000	KRW USD'000	Others USD'000	2016 Total USD'000
Cash and cash equivalents	855,526	122,232	114,908	14,059	49,519	33,589	69,918	39,640	1,299,391
Trade receivables	226,038	39,131	46,093	4,960	14,248	42,025	31,812	6,027	410,334
Secured bank loans and debenture stock	(228,192)	(791,195)	(34,802)	–	–	(337,626)	–	(48,040)	(1,439,855)
Unsecured bank loans and loan stock	(734,308)	–	–	–	(81,395)	–	–	–	(815,703)
Loan from non-controlling shareholders	(2,083)	–	(11,150)	–	–	–	–	–	(13,233)
Unsecured bonds	(5,327,919)	–	–	–	–	–	–	–	(5,327,919)
Finance lease liabilities	–	(2,022)	(9,735)	(5,076)	–	(3,487)	–	(1,229)	(21,549)
Trade payables	(81,987)	(15,716)	(27,799)	(2,439)	(19,434)	(4,774)	(9,285)	(8,747)	(170,181)
Net consolidated statement of financial position exposures	(5,292,925)	(647,570)	77,515	11,504	(37,062)	(270,273)	92,445	(12,349)	(6,078,715)

	USD* USD'000	GBP USD'000	EUR USD'000	AUD USD'000	INR USD'000	CAD USD'000	KRW USD'000	Others USD'000	2017 Total USD'000
Cash and cash equivalents	881,314	129,348	139,926	16,949	57,143	86,869	112,753	59,377	1,483,679
Trade receivables	207,503	49,201	72,528	4,589	13,635	61,282	27,629	17,685	454,052
Secured bank loans and debenture stock	(396,959)	(867,370)	(28,430)	–	–	(436,840)	–	(305,117)	(2,034,716)
Unsecured bank loans and loan stock	(475,907)	–	(242)	–	(98,791)	–	–	–	(574,940)
Loan from non-controlling shareholders	(1,491)	–	(21,399)	–	–	(128,244)	–	–	(151,134)
Unsecured bonds	(4,944,413)	–	–	–	–	–	–	–	(4,944,413)
Finance lease liabilities	(19,335)	(1,213)	(8,109)	(1,568)	–	(3,550)	–	–	(33,775)
Trade payables	(68,794)	(15,558)	(45,308)	(5,203)	(14,600)	(7,413)	(13,519)	(27,551)	(197,946)
Net consolidated statement of financial position exposures	(4,818,082)	(705,592)	108,966	14,767	(42,613)	(427,896)	126,863	(255,606)	(5,999,193)

* The functional currency of the Company is UAE Dirham. UAE Dirham is pegged to USD and therefore the Group has no foreign currency risk on these balances.

Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at 31 December would have increased/ (decreased) the consolidated statement of profit or loss and the consolidated statement of other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Furthermore, as each entity in the Group has its own functional currency, the effect of translating financial assets and liabilities of the respective entity would mainly impact the consolidated statement of other comprehensive income.

	Consolidated statement of profit or loss		Consolidated statement of other comprehensive income	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
GBP	4,657	3,745	(78,399)	(71,952)
EUR	7	46	12,107	8,614
AUD	(2)	(5)	1,641	1,278
INR	644	195	(4,735)	4,118
CAD	1,396	489	(47,544)	(30,030)
KRW	(139)	–	14,096	10,272

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26. Financial risk management (continued)

A 10 percent weakening of the USD against the above currencies at 31 December 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.

ii. Interest rate risk

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

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

At 31 December 2017, after taking into account the effect of interest rate swaps, approximately 91% (2016: 94%) of the Group's borrowings are at a fixed rate of interest.

Profile

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

	Carrying amounts	
	2017 USD'000	2016 USD'000
Fixed rate instruments		
Financial liabilities (loans and borrowings)	(5,410,891)	(5,570,832)
Interest rate swaps hedging floating rate debt	(1,612,491)	(1,611,585)
Total	(7,023,382)	(7,182,417)
Variable rate instruments		
Financial assets (short term deposits)	832,004	680,140
Financial liabilities (loans and borrowings)	(2,328,087)	(2,047,427)
Interest rate swaps hedging floating rate debt	1,612,491	1,611,585
Total	116,408	244,298

Cash flow sensitivity analysis for variable rate instruments

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

	Consolidated statement of profit or loss		Consolidated statement of other comprehensive income	
	100 bp increase USD'000	100 bp decrease USD'000	100 bp increase USD'000	100 bp decrease USD'000
2017				
Variable rate instruments	1,164	(1,164)	–	–
Interest rate swaps	(1,300)	1,300	14,825	(14,825)
Cash flow sensitivity (net)	(136)	136	14,825	(14,825)
2016				
Variable rate instruments	2,443	(2,443)	–	–
Interest rate swaps	–	–	16,116	(16,116)
Cash flow sensitivity (net)	2,443	(2,443)	16,116	(16,116)

26. Financial risk management (continued)

d) Fair value

Fair value versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follows:

	Fair value hierarchy	2017 Carrying amount USD'000	2017 Fair value USD'000	2016 Carrying amount USD'000	2016 Fair value USD'000
Assets carried at fair value					
Available-for-sale financial assets	2	70,452	70,452	57,339	57,339
Financial assets at fair value through profit or loss	2	2,307	2,307	3,305	3,305
Interest rate swaps used for hedging	2	8,952	8,952	–	–
Assets carried at amortised cost					
Trade and other receivables**		1,218,037	–	1,095,895	–
Cash and cash equivalents*		1,483,679	–	1,299,391	–
Liabilities carried at fair value					
Interest rate swaps used for hedging	2	(89,453)	(89,453)	(111,431)	(111,431)
Embedded derivative option	2	(250,513)	(250,513)	(173,480)	(173,480)
Liabilities carried at amortised cost					
Issued bonds	1	(4,119,001)	(4,618,701)	(4,524,844)	(4,783,315)
Convertible bonds	2	(825,412)	(796,170)	(803,075)	(814,013)
Bank loans*		(2,609,656)	–	(2,255,558)	–
Loans from non-controlling shareholders*		(151,134)	–	(13,233)	–
Finance lease liabilities*		(33,775)	–	(21,549)	–
Trade and other payables**		(1,706,464)	–	(1,587,252)	–

Fair value hierarchy

The table above analyses assets and liabilities that require or permits fair value measurements or disclosure about fair value measurements.

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

* These financial assets and liabilities carry a variable rate of interest and hence, the fair values reported approximate carrying values.

** These financial assets and liabilities have short term maturity and thus, the fair values reported approximate carrying values.

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

The fair value of trade and other receivables and trade and other payables approximates to their carrying values.

Embedded derivative option liability of convertible bond is fair valued based on a valuation model with market assumptions. The fair value of the host liability component in the convertible bond is arrived at after deducting the fair value of the embedded derivative option liability from the stock exchange quoted closing bid price of convertible bond as at the reporting date.

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

27. Share capital

The share capital of the Company as at 31 December was as follows:

	2017 USD'000	2016 USD'000
Authorised		
1,250,000,000 of USD 2.00 each	2,500,000	2,500,000
Issued and fully paid		
830,000,000 of USD 2.00 each	1,660,000	1,660,000

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Notes to the Consolidated Financial Statements continued

28. Reserves**Share premium**

Share premium represents surplus received over and above the nominal cost of the shares issued to the shareholders and forms part of the shareholder equity. The reserve is not available for distribution except in circumstances as stipulated by the law.

Shareholders' reserve

Shareholders' reserve forms part of the distributable reserves of the Group.

Other reserves

The following table shows a breakdown of 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Hedging and other reserves USD'000	Actuarial reserve USD'000	Total other reserves USD'000
Balance as at 1 January 2016	(83,320)	(411,541)	(494,861)
Other comprehensive income, net of tax	(11,815)	(199,288)	(211,103)
Balance as at 31 December 2016	(95,135)	(610,829)	(705,964)
Balance as at 1 January 2017	(95,135)	(610,829)	(705,964)
Other comprehensive income, net of tax	41,697	(895)	40,802
Pension obligation borne by Parent Company	91,281	–	91,281
Balance as at 31 December 2017	37,843	(611,724)	(573,881)

Hedging and other reserves

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

The other reserves mainly include statutory reserves of subsidiaries as required by applicable local legislations. This reserve also includes the unrealised fair value changes on available-for-sale investments.

Actuarial reserve

The actuarial reserve comprises the cumulative actuarial losses recognised in the consolidated statement of other comprehensive income.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It mainly includes foreign exchange translation differences arising from the translation of goodwill and purchase price adjustments which are denominated in foreign currencies at the Group level.

29. Interest bearing loans and borrowings

	2017 USD'000	2016 USD'000
Issued bonds*	4,119,001	4,524,844
Convertible bonds**	825,412	803,075
Bank loans	2,609,656	2,255,558
Loans from non-controlling shareholders	151,134	13,233
Finance lease liabilities	33,775	21,549
	7,738,978	7,618,259
of which:		
Classified as non-current	7,437,270	6,874,777
Classified as current	301,708	743,482
of which:		
Secured interest bearing loans and borrowings	2,068,490	1,461,405
Unsecured interest bearing loans and borrowings	5,670,488	6,156,854

29. Interest bearing loans and borrowings (continued)

The below table provides movement of interest bearing loans and borrowings:

	2017 USD'000	2016 USD'000
Balance at 1 January	7,618,259	7,670,278
Cash flow items		
Acquired through business combinations	615,861	–
Additional borrowings during the year	290,361	1,262,089
Proceeds from issue of bonds (2023 Sukuk)	–	1,200,000
Repayment of borrowings during the year	(504,809)	(1,287,412)
Redemption of issued bonds (2017 Sukuk)	(387,300)	(1,174,455)
Transaction cost paid on issuance of bonds (2023 Sukuk)	–	(10,505)
Other non-cash items		
Interest accretion on convertible bonds	21,066	20,110
Transaction cost on convertible bonds amortised during the year	1,271	1,166
Fair value adjustments and transaction cost on issued bonds amortised during the year	(18,543)	(20,280)
Translation adjustments	102,812	(42,732)
Balance at 31 December	7,738,978	7,618,259

* On 3 July 2017, the Group settled the remaining USD 387.3 million 6.25 percent 2017 Sukuk Trust Certificates.

** These 10 year USD 1 billion unsecured convertible bonds have an option of converting into 36.85 million ordinary shares of DP World Limited. These bonds are currently listed on the Frankfurt Stock Exchange with a coupon rate of 1.75% per annum. These bonds include an investor put option which can be exercised at par in June 2018 (Year 4) and in June 2021 (Year 7). There is also an issuer call option which can be exercised on or after July 2017 (Year 3), subject to a 130% trigger on the conversion price of USD 27.14.

Certain property, plant and equipment and port concession rights are pledged against the facilities obtained from the banks (refer to note 12 and note 14). The deposits under lien amounting to USD 16,150 thousand (2016: USD 65,522 thousand) are placed to collateralise some of the borrowings of the Company's subsidiaries (refer to note 18).

At 31 December 2017, the undrawn committed borrowing facilities of USD 2,055,686 thousand (2016: USD 2,101,827 thousand) were available to the Group, in respect of which all conditions precedent had been met.

Information about the Group's exposure to interest rate, foreign currency and liquidity risk are described in note 26.

30. Capital management

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

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

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Notes to the Consolidated Financial Statements continued

30. Capital management (continued)

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

	2017 USD'000	2016 USD'000
Total interest-bearing loans and borrowings (refer to note 29)	7,738,978	7,618,259
Less: cash and cash equivalents (refer to note 18)	(1,483,679)	(1,299,391)
Total net debt	6,255,299	6,318,868
Total equity	11,625,362	9,519,685
Adjusted EBITDA (refer to note 4)	2,469,034	2,263,077
Net finance cost before separately disclosed items	329,870	338,110
Net debt/equity	0.54	0.66
Net debt/adjusted EBITDA	2.53	2.79
Interest cover before separately disclosed items (Adjusted EBITDA/net finance cost before separately disclosed items)	7.48	6.69

31. Operating leases**Operating lease commitments – Group as a lessee**

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017 USD'000	2016 USD'000
Within one year	326,223	305,993
Between one to five years	1,273,277	1,168,634
Between five to ten years	1,195,744	1,218,846
Between ten to twenty years	1,833,876	1,746,874
Between twenty to thirty years	1,396,953	1,294,886
Between thirty to fifty years	1,134,517	1,143,660
Between fifty to seventy years	914,908	1,027,867
More than seventy years	800,551	846,290
Total	8,876,049	8,753,050

The above operating leases (Group as a lessee) mainly consist of terminal operating leases arising out of concession arrangements which are long term in nature. In addition, there are also leases of plant, equipment and vehicles included above.

Operating lease commitments – Group as a lessor

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2017 USD'000	2016 USD'000
Within one year	360,983	335,327
Between one to five years	816,391	696,737
More than five years	950,846	791,775
Total	2,128,220	1,823,839

The above operating leases (Group as a lessor) mainly consist of commercial properties leased consisting of land, office accommodation, warehouses and staff accommodation. Besides these, certain property, plant and equipment are also leased out by the Group. The leases contain renewal options for additional lease periods and at rental rates based on negotiations or prevailing market rates.

32. Capital commitments

	2017 USD'000	2016 USD'000
Estimated capital expenditure contracted for as at 31 December	661,305	732,378

33. Contingencies

a) The Group has the following contingent liabilities arising in the ordinary course of business at 31 December:

	2017 USD'000	2016 USD'000
Performance guarantees	86,920	83,276
Payment guarantees	36,533	23,000
Letters of credit	3,025	2,395
Guarantees issued on behalf of equity-accounted investees	25,837	25,077
Total	152,315	133,748

The Group has entered into certain agreements with landlords and port authorities which may contain specific volume or payment commitments that could result in minimum concession/lease fees being payable on failure to meet those targets.

b) Chennai Port Trust ("CPT") had raised a demand for an amount of USD 18,709 thousand (2016: 17,609 thousand), from Chennai Container Terminal Limited ("CCTL"), a subsidiary of the Company, on the basis that CCTL had failed to fulfil its obligations in respect of non-transshipment containers for a period of four consecutive years from 1 December 2003. CCTL had subsequently paid USD 9,996 thousand (2016: USD 9,408 thousand) under dispute in 2008. CCTL had initiated arbitration proceedings against CPT in this regard. The arbitral tribunal passed its award on November 26, 2012 ruling in favour of CCTL. However, CPT appealed against this order, which was upheld by Madras High Court on 8 January 2014 and accordingly a provision has been recognised against the above receivable. CCTL lodged an appeal before the Division Bench of Madras High Court along with a stay petition on 31 January 2014. The Appeal was taken up for hearing and admitted on 3 February 2014. CPT also made a statement before the Court that no further action would be taken by CPT against CCTL. The Court has admitted the matter and is pending for final hearing and disposal before the Division Bench of Madras High Court. During 2017, CPT raised further demands amounting to USD 35,615 thousand towards its obligations in respect of non-transshipment containers for the years 2008 to 2014. With this the cumulative demand as of 31 December 2017 amounts to USD 54,324 thousand. The Group is confident that the case will be in favour of CCTL.

34. Subsequent events

- a) On 11 January 2018, the Group acquired Maritime World LLC, the 100% owner of Dubai Maritime City (DMC), for a purchase consideration of USD 180,000 thousand and 100% of Drydocks World LLC (Drydocks) by means of a capital injection of USD 225,000 thousand from the ultimate parent company, Dubai World Corporation.
- b) On 22 February 2018, the Government of Djibouti illegally seized control of Doraleh Container Terminal S.A. The Group has commenced arbitration proceedings before the London Court of International Arbitration to protect its rights, or to secure damages and compensation for breach or expropriation.