DP WORLD

THE SMARTER TRADE REPORT

ANNUAL REPORT AND ACCOUNTS 2019

WE ARE IN THE BUSINESS OF ENABLING SMARTER TRADE ALONG THE SUPPLY CHAIN FROM POINTS OF MANUFACTURE TO POINTS OF CONSUMPTION

Read **What we do** on **page 5**

SMARTER SOLUTIONS

BOXBAY – The Future is Vertical.

Read **more** on **page 20**

SMARTER LOGISTICS

DP World welcomes Topaz Energy and Marine to the family.

Read **more** on **page 21**

SMARTER TRADE

From transforming a greenfield terminal into a fully integrated maritime and logistics hub, DP World has become a major player in South America.

Read **more** on **page 22**

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Read **Highlights of 2019** on **page 2**

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HIGHLIGHTS OF 2019

STRATEGIC

Enabling strategic growth

We made great progress this year in extending our core business, to play a wider role in the supply chain and provide technology led solutions to remove inefficiencies.

Enabling evolution to smarter trade

Smarter trade drives global economic growth and social progress. We are growing our business profitably and sustainably, providing end-to-end logistics solutions in a digital age.

Enabling sustainable value

Smarter trade helps nations grow, supports businesses, creates jobs and raises living standards. We conduct our business in an economically, socially and environmentally responsible way.

Enabling diversity

A Women's Council was set up, composed of senior leadership and management, to drive the women's empowerment agenda, including championing the DP World Gender Diversity Statement, which sets out a clear vision on how to drive progress globally.

Enabling emerging technological changes

Innovation is in our DNA, we aspire to be at the forefront of technological advances in the supply chain using digital applications to deliver value for our customers and the communities in which we operate.

Enabling Group transformation

Our cultural transformation to develop our leadership capability and improve our leadership culture is anchored to our Founder's Principles on leadership behaviour and business strategy.

Enabling transparency

Customers want to know where cargo is in real time in an efficient and clear way. Exploring digital applications, we facilitate the ability to track the journey through the supply chain.

OPERATIONAL

Gross capacity: +2.3%

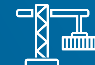
Global port handling volumes increased to 802.1m TEU in 2019.

Strategic investment: $1.2bn

In Ecuador, we are creating a major logistics hub connecting port, free zones and our logistics services, to enhance our range of assets along South America's west coast.

SafeTogether

With a zero harm approach, safety is embedded into our everyday. The pillars of our new Health, Safety and Environment Policy form a new parallel pathway to HSE Standards and management systems.



BOXBAY

Work is in progress to construct a pilot project at our Jebel Ali port, for a new and intelligent High Bay Storage (HBS) system that delivers the capacity of a conventional terminal in a third of the surface area.

Our World, Our Future

We launched a refreshed sustainability strategy to address our key material issues. Our World, Our Future now has seven responsible business priorities and three focus areas on which we will leave a lasting legacy.

Reportable Injury Frequency Rate: -4%

Our reportable injury frequency rate reduced by 4% from 5.1 in 2018 to 4.9 in 2019, this reflects a year on year improvement since 2015. This continuous improvement has been achieved along with significant growth in operations across the DP World global portfolio of businesses.

Investing in our people

DP World Hub, our centre of excellence for learning, leadership and talent enjoyed an impressive year of growth. Partnering with the business to provide relevant learning solutions and building on transformation initiatives aimed at developing and enhancing our leadership culture globally.

Global volunteer week

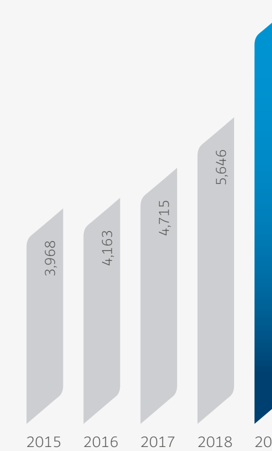
During our sixth annual global volunteer week, 1,824 employees across six continents devoted 4,795 hours to work with community organisations, including local schools, clubs and charities.

Read more about our **Year in Review** on **pages 10** and **11** →

FINANCIAL

Revenue (USD million)

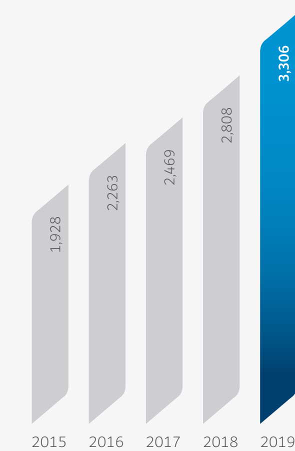
$7,686m



Revenue is in USD million before separately disclosed items. The results of the Group are set out in detail in the Consolidated Financial Statements and accompanying notes commencing on page 72.

Adjusted EBITDA (USD million)

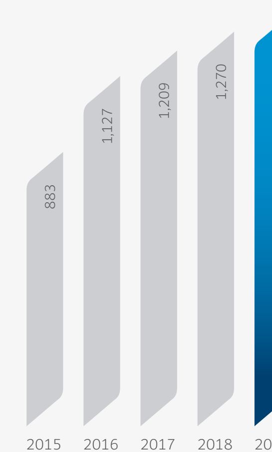
$3,306m



Growing adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is a key measure of value delivered to shareholders. Adjusted EBITDA is calculated including our share of profit from equity accounted investees before separately disclosed items.

Profit attributable to owners of the Company (USD million)

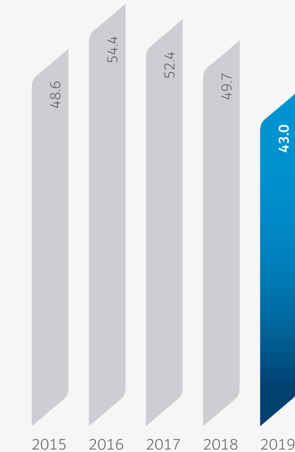
$1,328m



Profit attributable to owners of the Company is before taking separately disclosed items into account.

Adjusted EBITDA margin (%)

43%



The adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

AT A GLANCE

We want to make trade smarter, which means working to establish physical infrastructure where it's most needed and to harness the massive opportunities offered by digital technology to make the whole supply chain work better.

Read more on our **purpose and culture** on **page 9** and on **our business model** on **pages 16** to **17** →

WHAT WE DO

We are proud to be in a business where we can make such a positive difference to the world. Not just for our customers, our people and our shareholders but for all the communities in which we operate around the globe.

GROUP CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

In a global climate of trade wars, rising tariffs, geopolitical issues and changing customer demands, 2019 proved an eventful year, one in which the resilience of our business drove further growth across the Group.

In the face of these global issues our diverse geographical footprint, combination of land and marine based services and assets supported by our technological capability, are proving a winning mix in our operational performance.

Our continued focus on customer needs manifests in the development of our business – building further logistic capabilities. More than ever before, customers are demanding end to end solutions as we build our ability to connect with cargo owners and aggregators of demand. We aim to extend our core business to play a wider role in the supply chain and providing technology led solutions to remove inefficiencies.

Robust volumes

Our portfolio continued to deliver steady volume performance which was encouraging given the challenging global backdrop caused by disputes in global trade.

We handled 71.2 million TEU (twenty-foot equivalent units) with gross container volumes growing by 1.0% year on year on a like for like basis. Highlights included robust growth in key markets such as Asia Pacific and India while growth on the west coast of the Americas remains solid. In Europe, London Gateway continues to deliver strong growth due to market share gains. Jebel Ali (UAE) volumes declined due to a loss of low margin cargo as we remain focused on growing profitable origin and destination cargo.

Growing global logistics capabilities

We continued to integrate our recent acquisitions through the year to cement our position as the trade partner of choice and in pursuit of our goal to add value across multiple points of the supply chain.

We saw the return of P&O Ferries and P&O Ferrymasters to DP World with a $421 million acquisition. P&O Ferries is a pan-European integrated logistics business consisting of a market leading roll-on roll-off (Ro-Ro) ferries operation and a European transportation and logistics solutions provider, P&O Ferrymasters. It operates a fleet of 21 vessels on the Short Sea, North Sea and Irish Sea sectors across eleven ports whilst P&O Ferrymasters provides supply chain solutions in 19 European locations. It provides efficient European freight connectivity building on our acquisition of Unifeeder.

We also strengthened our marine services by completing the acquisition of Topaz Energy and Marine, an international logistics provider to the energy industry, and proceeded to combine it with our existing business P&O Maritime Services to form P&O Maritime Logistics. Through the synergies created by the merger of the two companies under the DP World umbrella, the POML business will build further scale and value for customers and investors alike. The new entity will provide services to offshore oil and gas industry together with the ownership and management of specialist vessels, offshore renewables, river barging, chartering and port services.

Meanwhile, our Unifeeder subsidiary announced a 77% stake in the Feedertech Group, the latest step in our vision to build logistics capability across the supply chain and to serve the needs of shipping lines and cargo owners. It will expand our feedering and short sea services to multiple geographies – from Europe to connect the fast-growing trade route of Asia to the Middle East via India. Unifeeder now has the capability to offer feedering and short sea connectivity in northern Europe, the Mediterranean, North Africa and now Asia and the Indian Subcontinent (see on map).

New tech, high tech – innovation in the digital age

Innovation continues to be at the heart of our business – as the digital age places increasing demand for solutions in real time from customers. Enhancing product and service and providing digital services in real time is now a reality, underlining the power of data and knowledge for business competitiveness.

To enhance transparency and make life easier for customers, we acquired Searates.com, a leading online freight shipping platform. This move aligns with our vision to take customer operations online and reduce paper-based complexities. It will also allow us to ship more containers through our ports, terminals and free zones around the world, providing an easy interface for customers, freight forwarders and ocean freight lines who can use it to move products via sea, land and air – from anyone to anywhere.

Other innovation included the launch of a new international joint venture that aims to change the way that containers are handled in ports has been launched by DP World and industrial engineering specialists, SMS Group. BOXBAY represents a new and intelligent High Bay Storage (HBS) system that will be ready in time for Expo 2020 Dubai with a pilot project scheduled at Jebel Ali Terminal 4. The patented design and rack structure of the system creates unique advantages with containers stored up to eleven storeys high, delivering the capacity of a conventional terminal in a third of the surface area.

Around the world – 150 operations in 50 countries

In the Middle East and Africa, we renewed our concession from the Saudi Ports Authority for the management and development of Jeddah South Container Terminal for another 30 years with an agreement to invest up to $500 million to improve and modernise Jeddah Islamic Port.

DP World Sokhna in Egypt celebrated its tenth anniversary by announcing the near completion of a major expansion project that will bring our total investment there to $1.6 billion. Basin 2 will be operational in 2020 nearly doubling capacity at the port to 1.75 million TEU cementing its position as a major gateway for Egypt's trade.

The expansion comes as UAE and Egypt agreed to support a $20 billion joint strategic platform to invest in a range of vital sectors with ports and economic zones being a driver for future economic prosperity.

In Rwanda, we inaugurated the Kigali Logistics Platform in the presence of the President of the Republic H.E. Paul Kagame, which connect the country to neighbouring nations linking railway routes and reducing business costs which could save companies up to $50 million a year.

In South America we expanded our operations by acquiring Puertos y Logistics S.A, (Pulogsa) in Chile which operates a long-term concession for Puerto Central (PCE) in San Antonio, in Chile's Central Region V as well as owning and operating Puerto Lirquen (PLQ) in the south of the country. These new assets will allow us to serve cargo owners and shipping lines at five key gateways on the west coast of South America in Posorja (Ecuador), Callao, Paita (Peru) and San Antonio and Lirquen (Chile).

In Peru, we realised a fully integrated maritime and logistics operations with logistics hubs, warehouses, bonded storage and trucking services to connect with our existing operations at the Port of Callao, the major gateway for the country's import and export container traffic.

Another highlight was the starting of operations at our new greenfield container port in Posorja, Ecuador, located near the approaches to Guayaquil. The new Port and Special Economic Zone will significantly improve Ecuador's global competitiveness and position the country as a dynamic business hub for the west coast of South America, following the model that has been tried and tested in Dubai and around the world.

At home in Dubai, we have also made good progress on the construction of one of the largest pavilions at Expo 2020 Dubai unveiling a design focused on trade flows and the vital role of smarter trade in the global economy as well as breaking ground as part of the build. The five-storey building is around 5,000 square metres and will feature a range of technologies designed to encourage smarter trade for cargo owners worldwide.

We are also developing a "smart" wholesale and retail traders' market in Dubai's Jebel Ali free zone. A joint venture with Zhejiang China Commodity City Group Company (CCC) in the Traders Market project with construction underway and expected to be completed within 24 months. It showcases our trade-enabling strategy as we look to enable trade and the movement of goods through removing inefficiencies and lowering supply chain costs. The Traders Market in Dubai will span 800,000 square metres once complete, with the first phase of development covering about 220,000 square metres.

GROUP CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

In tandem with our business operations, efforts to deliver sustainable growth progressed. We revised our sustainability strategy – incorporating external stakeholder feedback to better address their expectations and our focus over the coming years. On ten key material issues, addressing seven responsible business priorities, in three legacy areas of Oceans, Education and Women. On this latter issue, we created a women's council and rolled out a gender equality statement, as we strive to increase gender parity across the Group.

Corporate governance and Board
We continue to deliver best corporate governance practice improving our strategy and supporting how we operate our diverse business activities with an eye on global trends and issues that will affect our future. The Corporate Governance report can be found on page 48.

Our Board remains at the centre of our business and the world class mix of skills and experience is contributing to our future direction. The Board ensures that we deliver sustained long-term value for our shareholders and achieve our goals. I would like to thank our Board members for their continued support, dedication and contribution to our success.

The full biographies of our Board members and information on the roles and responsibilities of various Committees can be found in the Corporate Governance Report.

Dividend
The Board is recommending a final dividend of $332.0 million or 40.0 US cents per share. Subject to shareholder approval, the dividend will be paid on 29 April 2020 to shareholders on the register at the close of business on 26 March 2020.

It remains our ambition to be leaders in shaping the future of global trade and our goal is to become an agile business, growing both scale and profitability as we participate in a progressively higher proportion of the world's trade and exploit every significant disruptive technology today, and tomorrow.

A big thank you to all our employees, partners and customers for their contributions in 2019. We have made and are making major advances in our journey – to become a data driven global logistics business that delivers for our customers, nations and people around the world. It's a journey that we have embarked on for the long term – together.

SULTAN AHMED BIN SULAYEM
GROUP CHAIRMAN AND CEO
19 MARCH 2020

> "It remains our ambition to be leaders in shaping the future of global trade and our goal is to become an agile business, growing both scale and profitability as we participate in a progressively higher proportion of the world's trade and exploit every significant disruptive technology today, and tomorrow."

OUR PURPOSE AND CULTURE

Enabling smarter trade to make a better future for everyone
We want to make trade faster, safer, more controllable, more sustainable and more cost-efficient, through developments in infrastructure, logistics and innovative applications of digital technology. This is our business. Combining the promise of more business value for customers and shareholders with benefit for society through economic growth and social progress.

Build a legacy in society
Smarter trade helps nations grow, supports business, creates jobs and raises living standards. We are in business for the long term, conducting ourselves in ways which are economically, socially and environmentally responsible.

Our culture is defined by growth
We operate and live by values and behaviours that have been fundamental to the ongoing success of DP World. Our Founder's Principles define our culture, what we do and who we are. The shared values of our people centre around four pillars.

A YEAR IN REVIEW

January
Sultan Ahmed Bin Sulayem, Group Chairman and CEO started the new year by attending the Africa Emergence Conference in Senegal, not focusing on how Africa is a continent of opportunity and how the private sector could contribute to inclusive emergence in the region.

February
We were pleased to announce the return of P&O Ferries and P&O Ferrymasters into DP World Group.

March
Our Global Education programme for children aged 8-14 years old, was recognised for excellence in the implementation of the United Nations Sustainable Development Goals. The programme is being implemented across our international network of 50 countries and aims to engage 34,000 children by 2020.

April
Our people are our most valuable resource and as DP World grows and transforms, the need for highly skilled and capable leaders who thrive in and enable a vibrant and dynamic leadership culture is critical. In April, we launched Ignite, an advanced course focused on developing our leadership capability and enhancing our leadership culture globally.

May
Iconic golfer Ian Poulter joined DP World as our first global ambassador. This partnership created an extremely useful platform not only to communicate our truly global business operations but also our commitment to supporting grassroots development in sport, as well as creating opportunities for all abilities throughout life, echoing the longstanding work undertaken by Poulter, who works with two charities supporting children.

"Iconic golfer Ian Poulter joined DP World as our first global ambassador."

June
Our Group Chairman and CEO, Sultan Ahmed Bin Sulayem spoke at the St. Petersburg International Economic Forum supporting the development of the North Sea route, that would bring substantial infrastructure development and sea freight turnover in the north basin of Russia, as well as its potential link to the North-South corridor.

July
In July we acquired Topaz Energy and Marine, a leading international critical logistics and solutions provider to the global energy industry. The company operates a modern, versatile fleet of 117 vessels, predominantly in the Caspian Sea, MENA, and West Africa regions. Topaz's operations will sit under our P&O Maritime Logistics business, which maintains over 300 vessels globally.

August
We announced our partnership with Zhejiang China Commodity City Group Company LTD (CCC) to develop the 'Traders Market' in Jebel Ali Free Zone (JAFZA), with a 70/30 majority share in the joint venture. The 'Traders Market' will create the first smart free zone market place in the Middle East for the retail and wholesale industries and aims to serve the wider region, with a population base of over 2 billion. This investment showcases our trade-enabling strategy as we look to catalyse trade and the movement of goods through removing inefficiencies and lowering supply chain costs.

September
Saw the first phase completion of our $538 million project in Posorja, Ecuador. The deep-water port began successful operations and is part of an overall $1.2 billion project that looks to replicate Dubai's Jebel Ali port and free zone, making Ecuador a trade and logistics hub for South America's west coast.

October
In October we became a full logistics operator in Peru. Our operations evolved in the space of two years from a greenfield terminal into a fully integrated maritime and logistics hub for South America. We acquired Cosmos Agencia Maritima S.A.C. (CAM), which offers maritime services. Neptunia S.A and Triton Transport S.A, which run logistics hubs, warehouses, bonded storage and trucking. All of these have now been brought together under the brand DP World Logistics.

First phase of deep-water port in Posorja, Ecuador, completed, with a project investment value of

$538m

Total investment value in Egypt

$1.6bn

November
November marked the tenth anniversary of DP World Sokhna, we also announced the near completion of a major expansion project that will bring our total investment in Egypt to $1.6 billion. The expansion of the port cements its position as a major trade and logistics gateway with access to the world's busiest maritime trade routes.

December
Unifeeder, a 100% owned subsidiary of DP World, announced the acquisition of a 77% stake in the Feedertech Group. This was another step towards our vision to build an end-to-end logistics capability to serve the needs of shipping lines and cargo owners. The acquisition of Feedertech expands our feedering and short sea product offering, connecting the fast-growing trade route of Asia to the Middle East via the Indian Subcontinent.

MARKET OVERVIEW

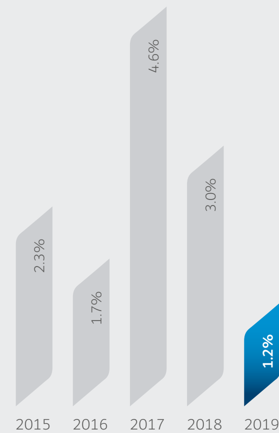
Trade tensions and a slowing global economy impacted trade growth in 2019, an uptick of activities is expected for 2020.

Growth trends
2019 global growth was at its lowest level in a decade, down sharply from the initial estimate by the IMF. The slowing growth was reflective of the weakening economic conditions across advanced and emerging markets and trade tension that impacted exports and industrial production. In addition, trade policy uncertainties affected investment and demand for capital goods.

Merchandise trade

1.2%[1]

Merchandise trade growth



The escalation of the US-China trade war during 2019 and rising tensions in other parts of the world, including Japan-Korea and US-Europe, where tariffs of $7.5 billion on goods were added in October in response to government subsidies to Airbus, had increasingly disruptive effects on world trade. Merchandise trade grew at 1.2% during the year – substantially below the 2.6% projected in the early part of 2019. The "Phase One" interim trade agreement between Trump and Xi, which removed and, in some cases, rewound tariffs between the US and China, is a positive development for trade and economic activities going into 2020.

World port handling

802.1m TEU[2]

Global port handling volumes increased by 2.3%[3] in 2019 with relatively steady growth in the first three quarters but softening volumes in Q4 – largely due to the lack of frontloading experienced at the end of 2018. A return to growth in the 3% range is forecast for 2020.

Sources:
1 WTO Sep'19 Press Release
2 Drewry Q4 2019 Container Forecaster
3 China General Administration of Customs

Key regions

Americas
North America's growth rate almost halved during 2019 as the transpacific route was hit hard by the US-China trade conflict and the expected frontloading volume surge in Q4 did not materialise. East Coast ports performed better than West and Gulf Coast terminals. Latin America was impacted by recession on the East Coast and social unrest on the West Coast, with container handling stalling to 0.8% growth after a stellar 7.4% in 2018[2]. Exports into the US and Europe grew at healthy levels and partially offset the decline in imports during the year.

Europe and Russia
Overall container handling was below the 2018 growth rate but above global average, albeit with significant differences within Europe. North West Europe saw an increased growth rate compared to 2018, West Mediterranean ports remained at previous growth levels, but East Mediterranean and Black Sea and Scandinavia and Baltic regions recorded a strong growth deceleration. With the exception of US-destined cargo, exports out of Europe declined for all trade partners but were balanced by strong import growth, particularly from the Far East, Middle East and South America.

Subcontinent
India's economy experienced a strong slowdown with falling consumer confidence and a contraction in industrial production to the lowest level in seven years. Container handling dropped sharply from 10.2% in 2018 to 3.9% in 2019[2].

Middle East and Africa
Middle Eastern ports regained growth in 2019, on the back of an economic recovery in the region and higher oil prices during the year. Economic struggles in South and West Africa pulled down the rest of the region with container handling reporting the sharpest decline of any region. An uptick in activity was visible in the last quarter of the year, which is expected to continue into 2020.

Asia Pacific
The move towards domestic consumption, a strengthening renminbi and the slowdown in Chinese exports – down to 0.5%[3] growth in dollar terms in 2019, significantly reduced container activity in the region from 4.7% in 2018 to 2.5% in 2019[2]. Despite the "Phase One" trade agreement, trade flows out of China are unlikely to resume at previous levels as supply chains have started to shift, with South East Asian economies like Vietnam and Indonesia benefitting the most.

Oceania
Slowdown in Chinese spending on infrastructure and raw materials, the subsequent slowdown in mining activities and soft consumer spending, due to weak household disposable income, hit container activity in 2019. Port handling during the year declined by 2.0%[2] but fiscal and monetary policies are expected to stimulate investment and support growth going forward.

MARKET OVERVIEW CONTINUED

2019 developments

Customers and competitors

Vertical integration gathered pace during 2019, with CMA CGM acquiring 100% of Ceva shares and Maersk Group further streamlining its business segments to enhance land-based service offerings. Acquisitions by the latter to build up its capabilities, particularly in supply chain management, trucking and warehouse operations, are on the cards in 2020. Terminal operators are also continuing to expand into the wider logistics sector, with focus on acquiring logistics providers and offering IT and digital initiatives to manage more parts of the supply chain. As with liner shipping, there is a divergence in strategy, with some operators continuing to focus on optimising their core business, instead of supply chain expansion.

Digital innovation and investment gained momentum with initiatives such as Maersk and IBM's TradeLens, carrier-founded Digital Container Shipping Association (DCSA) and multi-carrier and port operator platform, Global Shipping Business Network (GSBN). The overall goal is the creation of common standards to improve data transparency and visibility in the supply chain. Shipping line operators are also increasingly offering online booking tools to their customers and exploring digital trade finance, fleet planning and efficiency platforms to improve service offerings, network reliability and port call operations.

Whilst the orderbook is shrinking, with only 97 units of 784,000 TEU[4] commissioned during the year, focus remains on ULCSs, which will put further pressure on the main east-west trade lanes, particularly Far East-Europe. To manage rates and capacity on these trades, blank sailings are likely to become a more permanent feature in the future. Freight rates significantly increased towards the end of 2019, as idle capacity rose (blanked sailing and scrubber fitting) and carriers were broadly successful in recovering some of the new low-sulphur fuel costs they incurred as part of IMO2020 compliance. Additional cost for compliant low-sulphur fuel oil (LSFO) is expected in the region of $12-20 billion. If carriers can maintain rate discipline going forward, industry profitability should stabilise in 2020 – with differences depending on fuel strategy including scrubber installation.

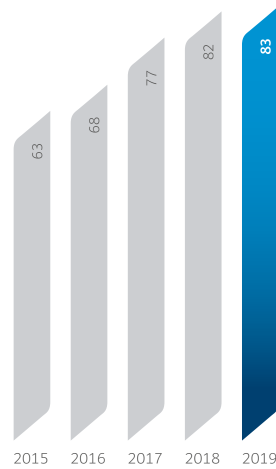
TEU vessels

Capacity additions outpaced demand growth during 2019 as over 1 million TEU[5] of new capacity entered the fleet and vessel scrapping remained at record-low rates (ca. 208,000 TEU) during the year. Capacity management towards the end of the year was supported by vessels entering ship yards to fit exhaust gas cleaning system (scrubbers) ahead of the IMO 2020 low-sulphur regulation, which pushed up the idle fleet significantly.

Top ten carriers[4]

83.0%

Top 10 carrier share evolution



Events	Opportunity/challenge	Response
Developed economies continue at low growth levels while emerging markets are expected to bounce back in 2020.	Emerging markets should see stronger merchandise trade growth led by recovery in Latin America, the Middle East and Africa.	DP World, with its strong focus on emerging markets, should benefit from the recovery in trade.
US-China trade war affected volumes in the Transpacific market, with losses in Chinese exports being partially offset by higher exports from South East Asia.	Reduced cargo flows on the transpacific, despite some re-routing via South East Asia, saw a 2%[4] decline in volumes for the full year – the first decline in a decade. South East Asian economies experienced significant growth in export container volumes due to some manufacturing shift and re-routing of Chinese cargo.	DP World has no assets in the US and is therefore not significantly affected by the declining volumes. Supply chain diversification seen during 2019 is anticipated to continue, which will create additional opportunities in DP World locations in Asia as well as India and Europe.
Port investment continues to be subdued, with average annual growth between 2018-2023 expected to only reach 1.9%[5] vs demand growth of 4.4%[5] during the period.	Utilisation levels are projected to rapidly increase in the short-term, to reach 79%[5] in 2023.	Higher utilisation should provide better returns on existing investments and is therefore a positive. In addition, reduced competition would benefit DP World acquiring new facilities at attractive valuations.
Vertical integration to expand into the broader supply chain is continuing in the liner and terminal operator sector.	Similar strategies between port operators and their liner shipping customers could intensify competition for existing business and new investments.	DP World continues to invest in complementary sectors such as feeder services, logistics centres and warehousing facilities to remove inefficiencies and offer high class connectivity to shipping lines and cargo owners. Such investments continue to be synergistic and beneficial for DP World customers.
Consolidation in the liner shipping industry has broadly come to an end but 2020 will see a change in alliance structures, when HMM leaves 2M and become a full member of The Alliance in April.	The Alliance will increase capacity on the mainline trades due to the addition of HMM and become a more evenly matched competitor to 2M and Ocean Alliance in terms of operated capacity.	DP World enjoys close collaboration with The Alliance and the inclusion of HMM and its new 23,000 TEU vessels should be positive and provide additional volumes in most locations.
As an alternative to low-sulphur fuel, carriers opted for scrubber installations, with around 300 vessels fitted by the end of 2019.	MSC and Evergreen are leading scrubber investment, allowing vessels to run on cheaper heavy fuel oil (HFO) and gain a financial advantage once scrubber investment is recouped (estimated around 16 months on a $175 price split). As the price difference between LSFO and HFO is expanding, an early decision to install scrubbers is likely to provide a competitive advantage for carriers.	This is likely to change the fundamentals of profitability as carriers without scrubbers will see a substantial increase in operating costs. To remain competitive, service providers might be pressured on rates. Diversifying our services and customer base is a step towards maintaining our pricing and negotiation power in an ever-changing environment.
Blank sailings have increasingly been used during 2019 to manage structural overcapacity, particularly on the main east-west trades.	Carriers are opting to blank sailings to manage capacity but also to halt freight rate deterioration. Blanked sailings have also allowed vessels to be taken out of rotation for scrubber fitting.	Significant volume and revenue shortfalls and operational interruptions have been observed in terminals with few calls. As blank sailing practices are likely to continue, better communication with carriers would help to plan terminal operations to smooth knock-on effects from larger volume peaks and troughs. DP World's significant exposure to Origin & Destination cargo, a strong port ecosystem and a close relationship with BCOs should help mitigate any loss.

Sources:
4 Alphaliner
5 Drewry Global Container Terminal Operators Annual Review and Forecast

SHAPING THE FUTURE OF GLOBAL TRADE – HARNESSING AGILITY

Our commitment to creating a sustainable future for our business and the world around us is achieved through finding new and innovative ways of working, using technology and the expertise of our people.

We lead our business by focusing on:

Customer relationships and operational excellence
Our customers are a central focus and to ensure they remain completely satisfied with our global portfolio, DP World continually strives to improve and enhance its services; this operational excellence provides industry-leading processes and systems to benefit all our customers.

People, culture and safety
The DP World Hub runs training and development programmes globally for employees and industry professionals across the supply chain. We have taken steps to further embed a culture that nourishes diversity and innovation and DP World is fully committed to zero harm to people and creating a safety culture throughout the Group.

Community and environment
DP World has made a major long-term investment, through our strategy Our World, Our Future, to drive best practice and foster innovation in sustainability around the world. We have commitments and action plans to protect our environment and take steps towards building a vibrant, secure and resilient society.

Finance, governance and risk
We adopt the highest standards of professionalism and ethical behaviour throughout the Group. As a global organisation, the corporate governance policies followed by DP World are compatible with international best practice. Our approach to understanding, measuring and managing risk and returns from our investments helps to maintain our status as an industry leader.

Technology and innovation
We invest in technology and innovation to provide our customers with the best experience, build differentiated capabilities, and optimise our operations. We focus on applying cutting-edge technologies that will transform performance such as big data and analytics, robotics, and artificial intelligence.

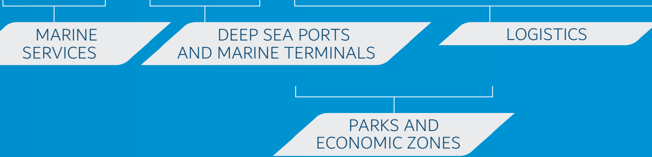
We seek to deliver value across the Group through:

Logistics

With global manufacturing operations looking to get closer to their customers, improve logistics and expand into new markets, we create production and distribution centres in attractive locations close to sea, air, road and rail connections. This multi-modal approach boosts cargo volumes for our customers and reduces transit times for their products. We focus on developing projects in diverse locations, that also have an economic impact on the wider community, bringing jobs to local people and encouraging further foreign direct investment. We also own, operate and invest in logistics services that move cargo and help keep trade flowing.

Deep Sea Ports and Marine Terminals

We focus on helping our customers handle their cargo movement in the most efficient way possible, managing their costs effectively as they consolidate gains in an established market or target growth in an emerging region. Since the 2000s, we have expanded our global network of ports and marine terminals and have developed a culture that's always ready to embrace change. We are deeply committed to investing in innovation to enhance our efficiency and maintain state-of-the-art safety and security practices.



TECHNOLOGY LED SOLUTIONS TO REDUCE INEFFICIENCIES

TECHNOLOGY LED SOLUTIONS TO REDUCE INEFFICIENCIES

Parks and Economic Zones

As the dynamics of global trade have changed, the need for focused zones of developed infrastructure, with ready access to international shipping, has increased. Global manufacturing operations have sought out such locations, looking for ways to get closer to their customers, improve their logistics, and expand into new markets. In response, we have taken our experience from the development and management of the massive Jebel Ali Free Zone (JAFZA) and looked to replicate it in key international locations. By expanding this successful model, we now own, develop and operate industrial parks, economic zones and specialist facilities around the world that help enable trade.

Marine Services

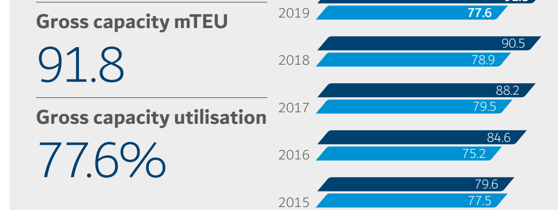
Through our wide portfolio of specialist vessels, bespoke maritime solutions, and port services we are a premier maritime services provider to governments, businesses and organisations across seven continents, delivering world-class logistics solutions and operating to the highest safety and environmental standards. Our specialist vessel management and operation skills have been deployed everywhere from cargo ports to specialised industry locations. They allow us to bring our collective global experience to bear in each location where we operate, helping to keep any maritime facility running smoothly and efficiently, while we also continue to enhance our provision of support services and develop several world-class marinas.

And create a better future:

Customers

Gross capacity mTEU
91.8

Gross capacity utilisation
77.6%



Employees

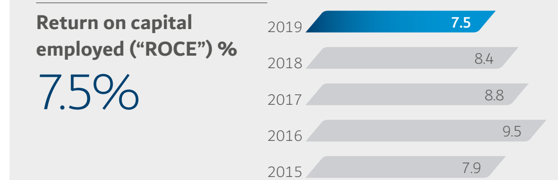
DP World Hub training programme participants in 2019
1,457

- Middle East, Europe and Africa
- Asia Pacific and India
- Australia and Americas

1 Middle East, Europe and Africa – leadership: 187, operation: 558
2 Asia Pacific and India – leadership: 48, operation: 160
3 Australia and Americas – leadership: 6, operation: 498

Investors

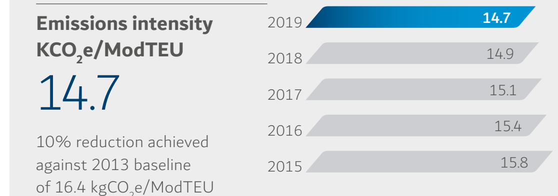
Return on capital employed ("ROCE") %
7.5%



Sustainability

Emissions intensity KCO_2e/ModTEU
14.7

10% reduction achieved against 2013 baseline of 16.4 $kgCO_2e$/ModTEU



SMARTER TRADE FOR A SUSTAINABLE FUTURE

Our objective is to keep surprising and delighting our customers, whilst we continue to increase our profitability, by investing in our people, technology and growing our business.

Our strategic objectives

Drive profitable and sustainable growth through a world-class portfolio of assets and services

- Focus on origin and destination cargo.
- Grow our value-adding services, encompassing marine and inland terminals and maritime services.
- Be known as a trusted brand that can be relied on by our customers globally.
- Leverage our global portfolio to bring about economies of scale on all fronts.
- Drive productivity, efficiency and safety improvements through continuous innovation.
- Recruit, retain and train the best employee talent globally.
- Enhance value through optimal acquisitions and divestments. Maintain a strong balance sheet with disciplined capital allocation to deliver the right capacity to meet customer requirements.

Develop new revenue streams through acquiring new customer segments and service portfolios

- Acquire new customers and cross-sell our portfolio of services.
- Forge strong partnerships with customers, governments and local communities.
- Expand our service portfolio around ports by providing services across industrial parks, economic zones, and logistics services.
- Target underserved growth markets.
- Balance operations in both growing and mature markets, diversifying geographical risks.

Maintain strategic advantage through investing in digital and innovative opportunities

- Invest in innovative ideas and businesses to maintain strategic advantage.
- Develop innovative businesses to generate new revenue streams.
- Harness cutting-edge technologies to develop our enterprise and operations.

Driving global transformation

It remains our ambition to lead in shaping the future of global trade, exploiting relevant disruptive technologies entering our world today and tomorrow to craft a more attractive value proposition for our customers.

We are diversifying beyond our traditionally perceived territory of port operations to become the leading data-driven logistics solutions provider to the world's largest cargo owners. To achieve this, we are building and acquiring substantial new business that will generate value for our stakeholders. Ultimately, our success will depend on making trade faster, more efficient and with greater control through innovations in infrastructure, logistics and digital technology.

As we single-mindedly position ourselves as a data-driven logistics solutions provider, we will offer our customers the services of a globally interconnected and integrated business, while challenging ourselves to deliver transformational innovation.

We are already a well-established, highly successful, multi-national business with a track record of growth, financial performance and leading-edge innovation. The foundation of this success has been our outstanding capability to design, construct and operate the infrastructure that enables cargo to move to all points of the compass.

While infrastructure development and our global network of physical assets remain central to our future, the world of trade and logistics is changing rapidly. Digital technology, in particular, increasingly makes knowledge and data management the critical factors in global supply chain management.

The requirements and expectations of the world's leading cargo producers – our customers – will influence the future of logistics. As they seek improved operational effectiveness and greater cost-efficiency in their supply chains, our customers are attracted by the transparency and control we can offer through our focus on data.

We believe technology can help tackle inefficiencies in trade and throughout supply chains by simplifying the flow of documentation required for moving goods around the world. We aim to deliver customised solutions that integrate technology and resolve these inefficiencies, as well as to diversify and optimise our services – adding value for our customers.

We've recognised the risks and opportunities of this evolution in trade. This is why we are investing in the development of our Digital Supply Chain Platform, deploying blockchain technology to optimise supply chain management and leveraging our interconnected global assets, products and services to add value for our customers' business.

Priorities for action

- Increase our agility in delivering solutions and outcomes
- Accelerate the marketing of our digital platform to cargo owners
- Drive significant improvements in 'networking' our global assets
- Re-shape our investment strategy around known and anticipated customer needs
- Improve our innovation hit-rate to maintain leadership
- Champion Dubai as a critical hub in the evolution of global trade

In parallel, we will continue to emphasise origin and destination cargo, while developing more and better marine and inland terminals as well as maritime services. For all of us, that means we will continue devoting ourselves to building a trusted brand that can be relied upon by our customers globally. To deliver this, we will also rely on our dedicated, diverse and professional team of employees from over 120 countries. We know that to deliver unrivalled value to our customers and partners, we must continue recruiting, retaining and training the best talent globally.

We will achieve all of this in a culture of financial probity, enhancing value through well-thought through acquisitions and divestments, and maintaining a strong balance sheet with disciplined capital allocation to deliver the right capacity to meet customer requirements.

Outlook for 2020

We have focused on delivering integrated supply chain solutions that will enable us to connect directly with end customers. The challenges of trade wars and regional geopolitics continue causing uncertainty in the market, yet our assets have delivered growth – once again demonstrating the resilience of our business.

We will continue to expand our global footprint and our core business – embedding our recent acquisitions through the year will also contribute substantially to our performance. These acquisitions offer strong growth opportunities as we continue to diversify our revenue base and seek opportunities to engage directly with cargo owners.

Building the capacity and capability to deliver added value to cargo owners will form a significant part of our focus. At the same time, we will maintain and cement the relationships we have built with other stakeholders groups – from shipping lines to governments and from the financial community to the communities where we live and work – always thinking about new ways to work together and build prosperity for all.

SMARTER **SOLUTIONS**

BOXBAY – The Future is Vertical.

BOXBAY is a container-based storing and handling solution that is all set to revolutionise the storage system at ports.

With the use of a disruptive technology – High Bay Systems (HBS), BOXBAY can significantly improve operations at container terminals. Containers can be stored eleven stories high, offering the same capacity as traditional terminals but with one third of the surface area.

Scalable to any location and fully automated with direct access to each container, BOXBAY eliminates unpaid and unproductive reshuffling. It also brings significant gains in handling speed, energy efficiency and safety.

BOXBAY is an international joint venture launched by DP World and SMS Group.

Throughput per hectare compared to an RTG yard

+300%

Strategic alignment

SMARTER **LOGISTICS**

DP World welcomes Topaz Energy and Marine to the family.

In July we acquired Topaz Energy and Marine, a leading international critical logistics and solutions provider to the global energy industry. The company operates a modern, versatile fleet of 117 vessels, predominantly in the Caspian Sea, MENA, and West Africa regions.

In recent years, we have been investing selectively in the marine logistics sector in companies with high revenue visibility, consistent track record and strong customer relationships. Much like DP World, Topaz has evolved its business, offering customers a range of logistics solutions and outperforming the industry.

Topaz's operations have now been integrated into our P&O Maritime Logistics business, which maintains over 300 vessels globally.

Topaz's operations have now been integrated into our P&O Maritime Logistics business

300 vessels

Strategic alignment

SMARTER **TRADE**

From transforming a greenfield terminal into a fully integrated maritime and logistics hub, DP World has become a major player in South America with a network of terminals in Peru, Argentina, Ecuador, Chile, Brazil and Suriname.

PERU

Since the building of the Port of Callao in 2010, we have continually increased investment in Peru including the acquisition of Cosmos Agencia Maritima S.A.C (CAM) which offers maritime services throughout the country. The purchase of Neptunia S.A and Triton S.A. – now known as DP World Logistics – added logistics hubs, warehouses, bonded storage and trucking advantage to our portfolio.

We offer an undisputed gateway for Peru's import and export container traffic as well as the central point for regional transhipments. This integration has enabled us to turn the country into a trade hub for the region.

ECUADOR

The first phase of a master project in Ecuador has seen the development of Posorja port, which will position the country as a prime trade and logistics hub for South America's west coast and a gateway for large container ships. Phase two of the project will see the development of a special economic zone (SEZ) for maritime, logistics and light industrial businesses.

CHILE

DP World has also acquired a major stake in Puerto y Logistica S.A (Pulogsa) in Chile. Pulogsa operates a long-term concession for Puerto Central (PCE) in San Antonio, one of Chile's largest container ports, in addition to owning and operating Puerto Lirquen (PLQ) in the south of the country.

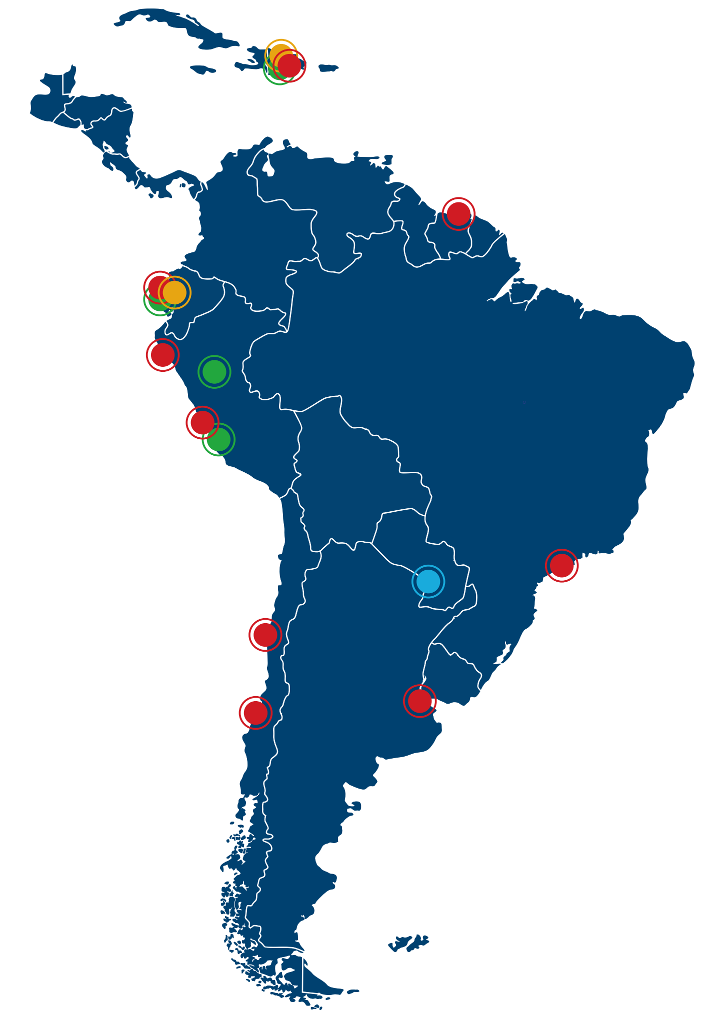
SURINAME

In Suriname, we have also invested in Integra Port Services (IPS) and Suriname Port Services (SPS). IPS is the largest terminal operator at Nieuwe Haven and SPS is a freehold break-bulk facility that specialises in handling mining and logging equipment, offshore supply and cement. These terminals have the potential to expand in line with future demand as trade continues to grow.

BRAZIL AND ARGENTINA

We also operate several container terminals in Brazil's Port of Santos and Argentina's Terminales Rio de la Plata.

Strategic alignment



- Deep Sea Ports and Marine Terminals
- Logistics
- Marine Services
- Parks and Economic Zones

GROUP CHIEF FINANCIAL, STRATEGY AND BUSINESS OFFICER'S REVIEW

DP World has delivered a solid set of financial results in 2019 despite challenging market conditions with continued strong cash generation as profit attributable to owners of the Company increased 4.6% to $1,328 million.

Our adjusted EBITDA increased by 17.7% to $3,306 million, resulting in an adjusted EBITDA margin 43.0% against an adjusted EBITDA margin of 49.7% in 2018. The year-on-year margin dilution is due to continued mix change effect as lower margin businesses have now been consolidated into our portfolio. This trend will continue as we add more asset-light logistics businesses such as Feedertech.

It has been another year of progress in building our end-to-end supply chain solutions capability as we acquired P&O Ferries and Topaz Energy and Marine. These assets will provide a platform to deliver smart solutions to cargo owners across key verticals and have been the key driver of the top line, with reported revenue growing by 36.1%. In contrast, the more modest like-for-like performance reflects the headwinds the industry is facing. Like-for-like revenues grew by 2.3% while consolidated volumes fell by 0.5%, resulting in a like-for-like adjusted EBITDA growth of 0.5% with like-for-like margins relatively steady at 49.6%. Overall, the business continued to show resilience.

Cash flow and balance sheet

The 2019 accounts are impacted by the adoption of IFRS 16. Gross debt has risen by $5.9 billion since the year-end to $16.5 billion, with lease liabilities accounting for $2.5 billion of the increase. The balance of the increase is mainly due to $2.3bn the issuance of bonds and debt acquired with acquisitions. During the year we exercised a liability management exercise on our 2024 convertible bond and redeemed $746 million. Cash on balance sheet stood at $2.9 billion resulting in adjusted net debt of $12.9 billion. Excluding IFRS lease liabilities, net debt stands at $10.3 billion. Our net leverage stands at 3.9 times post IFRS 16 and is 3.4 times on a pre-IFRS basis. Looking ahead, leverage will rise post successful de-listing but the business is committed to deleveraging below 4x Net Debt/ EBITDA (pre IFRS 16) and a strong investment grade rating. Cash generation from operations remains strong at $2,462 million.

Capital expenditure

In 2019, our capital expenditure reached $1,146 million across the portfolio compared to $908 million in 2018, as we invested in our assets in the UAE, Posorja (Ecuador), London Gateway (UK), Sokhna (Egypt), Berbera (Somaliland) and P&O Ferries (UK) amongst others. Maintenance capital expenditure stood at $196 million compared to $140 million in 2018.

The capital expenditure in 2019 was below our guidance of $1.4 billion as we maintain a disciplined approach to deploying capital. We expect 2020 capital expenditure to be up to $1.4 billion with investment planned mainly into UAE, Prince Rupert (Canada), London Gateway (UK), Jeddah (Saudi Arabia), Callao (Peru), Sokhna (Egypt), Berbera (Somaliland) and Maritime Logistics.

Regional review

Middle East, Europe and Africa

Results before separately disclosed items	2019	2018	% change	Like-for-like at constant currency % change
USD million				
Consolidated throughput (TEU '000)	23,246	23,794	-2.3%	-1.9%
Revenue	5,669	4,007	+41.5%	8.2%
Share of profit from equity-accounted investees	20	33	-40.8%	-34.1%
Adjusted EBITDA	2,726	2,104	+29.6%	12.2%
Adjusted EBITDA margin	48.1%	52.5%	–	57.4%

Market conditions in the Middle East, Europe and Africa (EMEA) region, excluding UAE, were positive, with volume growth driven by London Gateway (UK) and Yarimca (Turkey) while Berbera (Somaliland) and Jeddah (Saudi) also delivered strong performance. UAE volumes were softer due to the loss of lower margin throughput, with our main focus on profitable cargo.

Overall, revenue in the region grew 41.5% to $5,669 million on a reported basis, benefitting from acquisitions and land sale transactions. Adjusted EBITDA was $2,726 million, up 29.6% compared to 2018. On a like-for-like basis, revenue grew 8.2% and adjusted EBITDA was up 12.2%.

In 2019, we invested $731 million of capital expenditure in the region, which was mainly focused on the UAE, London Gateway (UK), Sokhna (Egypt), Berbera (Somaliland) and P&O Ferries (UK).

Asia Pacific and India

Results before separately disclosed items	2019	2018	% change	Like-for-like at constant currency % change
USD million				
Consolidated throughput (TEU '000)	9,316	8,810	5.7%	5.7%
Revenue	616	678	-9.3%	-14.7%
Share of profit from equity-accounted investees	108	129	-16.1%	10.1%
Adjusted EBITDA	348	502	-30.7%	-25.1%
Adjusted EBITDA margin	56.5%	73.9%	–	61.1%

Asia Pacific and India region market conditions were broadly positive despite the trade dispute. Container volumes in India continue to be driven by a positive macro environment and our logistics investments are driving revenue growth. The port of Pusan (South Korea) continues to deliver solid growth.

On a like-for-like basis, revenue and adjusted EBITDA decreased by 14.7% and 25.1% respectively mainly due to the non-recurrence of the release of provisions which boosted 2018 EBITDA.

Share of profit from equity-accounted investees (joint ventures) was lower by 16.1% to $108 million in 2019 mainly due to the concession expiry at Surabaya (Indonesia) in April 2019.

Capital expenditure in this region during the year was $69.4 million, which was invested in Pusan (South Korea) and Nhava Sheva (India).

Australia and Americas

Reported results before separately disclosed items	2019	2018	% change	Like-for-like at constant currency % change
USD million				
Consolidated throughput (TEU '000)	7,368	4,157	77.3%	-3.7%
Revenue	1,402	961	45.8%	-6.8%
Share of profit from equity-accounted investees	26	3	N/A	-10.6%
Adjusted EBITDA	437	340	28.5%	-14.3%
Adjusted EBITDA margin	31.2%	35.4%	–	33.8%

Market conditions in the Australia and Americas region were mixed, with strong volume growth in Prince Rupert (Canada) and Callao (Peru) offset by weakness in Buenos Aires (Argentina) and Sydney (Australia).

Revenue rose 45.8% to $1,402 million and adjusted EBITDA increased by 28.5% to $437 million due to the consolidation of Australia and the acquisition of two ports in Chile. On a like-for-like basis, revenue fell by 6.8% and adjusted EBITDA decreased by 14.3% year on year due to weakness in Argentina.

Profit from equity-accounted investees was $26 million compared to $3.0 million in 2018, driven by the consolidation of Australia which reported a net loss in the prior period.

We invested $301 million of capital expenditure in the region, mainly in our terminal in Posorja (Ecuador).

YUVRAJ NARAYAN
GROUP CHIEF FINANCIAL, STRATEGY AND BUSINESS OFFICER
19 MARCH 2020

EFFECTIVE RISK MANAGEMENT

We are exposed to a variety of uncertainties that could have a material adverse effect on the Company's financial condition, operational results and reputation.

As the global risk landscape continues to evolve, we are committed to ensure that we constantly monitor the potential threats and opportunities that we could face in order for us to remain resilient and thrive.

Our Board recognises that effective risk management is critical to enable us to meet our strategic objectives. The Board establishes the control environment, sets the risk appetite, approves the policies, and delegates responsibilities under our Enterprise Risk Management Framework (ERM). The Audit and Risk Committee, under delegation from the Board, monitors the nature and extent of risk exposure for our principal risks. Details of the activities of the Audit and Risk Committee are in the Corporate Governance section of this report commencing on page 48.

Our ERM framework incorporates a continuous exercise of "bottom up" risk review and reporting as well as "top down" risk review and oversight, designed to support the delivery of our vision and strategy as described on pages 18 and 19 of this report.

Bottom up risk management
The bottom up risk management exercise is performed by businesses across our Group. They identify significant risks to achieving their objectives and specify mitigation strategies to manage these risks.

The risks are assessed on the basis of impact and likelihood, enabling prioritisation of major and significant risks.

This is a continual process and may be associated with a variety of strategic, financial, operational and compliance matters, including business strategies, safety and protection, environment, operational disruptions, technology threats, competition, and regulatory requirements. These risks are collated in risk profiles and are reported at local, regional and Group levels.

Top down strategic risk management
The top down exercise includes interviews with Senior Management Executives to overlay the strategic considerations of DP World's global strategy. In addition to this, the Board defines the overall risk appetite for the Group and associated indicators to provide guidance on the Board's willingness to accept risk in pursuit of the strategic objectives of the Group.

The output from the aggregated results of the top down and bottom up exercises forms DP World's risk profile which is reported and discussed at the ERM Committee, Audit and Risk Committee and the Board. This culminates in a list of principal risks, which are agreed with the Group ERM Committee, prior to review by the Audit and Risk Committee.

Risk oversight and accountability
Ultimate accountability for risk management lies with the Board, which delegates the oversight of implementation and effectiveness to the Audit and Risk Committee, including policy setting and application of the framework. The timely flow of risk intelligence and reporting lines that we have in place across our three lines of defence enables more informed decisions to be made throughout DP World. DP World's Three Lines of Defence model and key risk responsibilities have been captured below:

Our risk management approach
DP World adopts a Group-wide approach to the identification, assessment and prioritisation of risks, including the way in which they are managed, monitored and reported. Management within our business units, regions and corporate functions constantly review, challenge and monitor risks on an ongoing basis in their day-to-day business activities. This is then formalised into our risk reporting cycle through allocated Risk Champions who capture and report on their risks through risk profiles.

Emerging risks
Emerging risks are potential events which present either positive or negative uncertainty. By continuing to monitor and evaluate emerging risks, DP World can be adequately prepared for the potential opportunities and threats they could present. With time, some of these emerging risks may be incorporated into the enterprise risk profile (new risk or a cause of an existing risk) to undergo much closer analysis and evaluation. A non-exhaustive list of some of our emerging risks of relevance to DP World can be seen below.

Risk	Explanation	Trigger	Forecast timeframe		
			Short	Medium	Long
Digitalisation	DP World is continuing to explore new digital solutions to improve internal activities as well as further expand our presence across the supply chain.	Internal			
Environmental supply chain targets	Organisations are placing greater focus on having an environmentally friendly supply chain and requiring their suppliers to support their carbon objectives, else risk losing business.	Internal and external			
Business integration	As DP World continues to grow and acquire new businesses, we need to ensure that the synergies continue to be maximised, and business disruption minimised.	Internal			
Manufacturing evolution	There continues to be advancement and evolution in manufacturing techniques (e.g. 3D printing). This could result in more 'localised' manufacturing within countries, potentially reducing the volume of container traffic.	External			
Changing/new shipping route	New shipping routes are being explored and starting to emerge with significant time savings (e.g. Arctic sea shipping). Whilst this could be a threat to some terminals, it will also be an opportunity for others.	External			

OUR PRINCIPAL RISKS

The nature of our business is long term, which means that many of our risks are enduring in nature. However, risks can develop and evolve over time and their potential impact or likelihood may vary in response to internal and external events.

Our ERM Framework and methodology is aimed at identifying the principal risks that could:
- Hinder the achievement of DP World's strategic objectives and financial targets;
- Adversely impact the safety or security of the Group's employees, customers, assets, and the surrounding ecosystem;
- Have a significant impact on the financial/operational performance of the Group; and/or
- Negatively impact the Group's reputation or stakeholder requirements.

While other risks exist outside those listed above, we have made a conscious effort to disclose those of greatest importance to our business. A summary of our principal risks and how these could affect our strategic objectives is included below. The nature and management of these risks is further described on pages 29 to 33.

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the principal risks we face in delivering our strategic objectives.

We employ controls and mitigation strategies to reduce these inherent risks to an acceptable level. Our principal risks will evolve as these controls and mitigating activities succeed in reducing the residual risk over time, or as new risks emerge.

Many risk factors remain beyond our direct control. The Enterprise Risk Management Framework can only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Strategic objectives

Enabling strategic growth

Drive profitable and sustainable growth through a world-class portfolio of assets and services.

Enabling new revenue streams

Develop new revenue streams through acquiring new customer segments and service portfolio.

Enabling evolution to smarter trade

Maintain strategic advantage through investing in digital and innovative opportunities.

2019 principal risks	Trend	Enabling strategic growth	Enabling new revenue streams	Enabling evolution to smarter trade
Macroeconomic instability	↗	●	●	
Financial risks	→	●	●	
Industry capacity and competition	→	●	●	●
Major projects – planning and project management	→	●	●	●
Geopolitical	↗	●	●	
IT systems and cyber threats	↗	●		●
Safety risks	↗	●		
Environmental	→	●	●	●
Compliance	→	●		
Leadership and talent	→	●	●	●
Labour unrest	→	●		●
Legal and regulatory	→	●	●	●

Linked strategic objectives

Macroeconomic instability

Nature and impact

Throughput correlates with GDP growth of the global economy. Market conditions in many of the geographies where we operate can be challenging due to macroeconomic or geopolitical issues, which can potentially impact our volume growth and profitability.

Trend ↗

The 2019 World Economic Growth rate was 3.0%, the lowest since 2009, according to the IMF. In addition, there continues to be uncertainty over the China-US trade war as well as the outcome of Brexit. As global growth has slowed down, the associated risk has increased.

How we manage our risk
- Our business remains focused on origin and destination cargo, which is less susceptible to economic instability. Although our focus on faster-growing emerging markets may result in volume volatility in the short term, we believe that the medium to long-term prospects remain robust. We aim to deliver high levels of service to meet our customers' expectations and continue to proactively manage costs. Despite the lower GDP growth, the container market continued to deliver volume growth in the range of 2-4% which demonstrates the resilience of the industry.
- Multiple sources of funding have been arranged through bank loans, revolving facilities, bonds, sukuks and private placements to help ensure that the Group is able to meet short and long-term liquidity requirements, facilitating our growth/diversification aspirations.
- We have a well-diversified global portfolio of investments across a number of jurisdictions, spreading our concentration risk due to a geographical spread of our business activity. Increasingly, we are investing in port-related assets, which further diversify our risks.

Financial risks

Nature and impact

Our Group operates in many geographies around the world. Within the scope of our normal business activities, we are exposed to financial risks that affect our access to liquidity, availability of capital to achieve our growth objectives, foreign currency and interest rate volatility.

Trend →

This risk has remained stable due to the Group's consistently strong balance sheet and available financing arrangements in place.

How we manage our risk
- Our balance sheet remains strong with a net debt to adjusted EBITDA of 3.4 times on a pre-IFRS 16 basis in 2019.
- The Group has a committed revolver credit facility of $2 billion, which remains undrawn as of 31 December 2019.
- Our tariffs are predominantly US dollar based, providing us with a natural hedge against foreign exchange risk. Our internal policy is to mitigate all asset-liability mismatch risk where possible and hedge against interest rate risk.

Industry capacity and competition

Nature and impact

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

Additionally, the Group's operations may be subject to increasing competition as a result of existing or new market entrants. This includes the introduction of new capacity, consolidation between ports, and vertical integration of international shipping lines. This could adversely affect the Group's financial condition and lead to downward pressure on tariffs.

Trend →

The risk has remained stable this year. There has been volatility in the US-China trade war which has shown signs of de-escalation. In addition, new port investments globally have been at a historic low.

How we manage our risk
- Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business.
- Our portfolio continues to have a focus towards emerging markets that continue to show resilience and growth. We continue to repurpose and refit our ports and terminals in line with market demand and use technology as much as possible to drive new revenue streams, increasing the return on investment in our existing assets.
- Where possible, DP World also invests in supporting infrastructure around the terminal such as free zone and logistics parks to drive origin destination cargo and continue to retain customers.
- We bring on capacity in line with demand with a view to avoiding overcapacity.
- The Group's investment in deep-sea capacity allows us to handle ultra-large vessels and offers a competitive advantage.
- In many jurisdictions where there are ramp-up risks associated with new capacity, we are able to seek terms with the port authorities to restrict the granting of additional capacity until a reasonable level of ramp-up has been achieved. This balances demand with supply.
- We focus on high levels of customer service and develop sustainable, high-value and trusted customer relationships throughout our portfolio.
- We have global contractual agreements with customers to leverage the global footprint that we have, enabling improved efficiencies for both parties.
- We operate customer engagement projects to improve and extend supply chain relationships. Senior executive sponsors are in constant dialogue with our customers and we maintain a watching brief on all markets. We partner with customers to identify efficiencies and optimise costs wherever possible.
- We remain focused on origin and destination cargo, which is less affected by competition than trans-shipment cargo.

OUR PRINCIPAL RISKS CONTINUED

Linked strategic objectives

Major projects planning and project management

Nature and impact

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

Trend

This risk has remained stable this year as our key projects continue to progress as planned.

How we manage our risk

- Vendor pre-qualification criteria and process continues to be enhanced, with comprehensive information being collected and managed to make sure our list of vendors is robust, and companies are categorised according to their actual skills and recent performance on other contracts.
- Procurement processes are in place to ensure contracts are rigorously negotiated to mitigate any identified project risks.
- Strategic equipment procurement and implementation controls are in place throughout the duration of projects and clear lines of responsibility are assigned to the project implementation team and the procurement performance team.
- Project risks are constantly assessed, mitigated, managed and reported by the Project Management Department (PMD) during the project planning and execution stage. This is supported with online project management and reporting tools.
- Several levels of approval are in place for large-scale contracts up to the level of our Board. Multi-discipline committees have been established to validate vendor selection and the awarding process for all large-scale projects.
- A revised global policy has been rolled out to ensure full oversight of all capital construction projects and programmes for all Group companies. The Project Implementation Manual continues to be enhanced to reflect latest process, procedures, tools and techniques in project management.

Geopolitical

Nature and impact

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

Trend

This risk has increased due to the recent geopolitical tensions and escalations in the Middle East as well as civil unrest across Latin America and Asia.

How we manage our risk

- We have a well-diversified global portfolio of investments across a number of geographical jurisdictions, which spreads our risk. We also actively maintain a mix in investments between emerging markets and developed markets to balance our risk return profile.
- We are also increasingly investing in port-related assets across the wider supply chain which further diversifies our potential risk exposure should undesired geopolitical events occur. As of end of June 2019, 50% of our revenues were generated from non-container operations compared to 20% in 2014.
- Our focus on the more resilient origin and destination cargo also lowers the risk of volatility.
- Our experienced business development team undertakes initial due diligence and we analyse current and emerging issues.
- Business continuity plans are in place to respond to threats and safeguard our operations and assets.
- Authoritative and timely intervention is made at both national and international levels in response to legislative, fiscal and regulatory proposals that we feel are disproportionate and not in our interests.
- Ongoing security assessments and continuous monitoring of geopolitical developments along with engagement with local authorities and joint venture partners, ensure we are well positioned to respond to changes in political environments.

Linked strategic objectives

IT systems and cyber threat

Nature and impact

Our business and operations are increasingly dependent on information technology to drive efficiencies, ensure integrity of information and business workflows, integration to stakeholders, including customers and regulatory authorities, ensuring that port operations and machinery operate continuously. As a Group, the use of IT applications is core to our competitive advantage.

As we continue to embed greater digitalisation into the DP World strategy, we continue to realise significant advantages with regard to customer experience, revenue, and cost. This will enable DP World to achieve growth targets in an evolving landscape.

However, this, coupled with the increased use of mobile devices, IOT, cloud applications, social media and the evolving sophistication of cyber threats, lead to corporations being targets for malicious and unauthorised attempts to access their IT systems for information and intelligence. Our Group could be compromised by an incident that breaches our IT security. This could result in liabilities, including claims, loss of revenue, litigation and harm to the Group's reputation.

Trend

The sophistication and frequency at which cyber-attacks and information security incidents are occurring within global organisations continues to increase. As such this requires us to remain constantly vigilant and prepared.

How we manage our risk

- We have developed IT strategies that are aligned with business objectives.
- Our Group IT governance framework is based on COBIT5, ISO 27001, TOGAF, PMI and ITIL.
- Our information security policies, procedures and frameworks are frequently reviewed to mitigate risks and ensure compliance.
- We regularly review, update and evaluate all software, applications, systems, infrastructure and security. This includes regular vulnerability assessment and penetration testing.
- All software and systems are upgraded or patched regularly to ensure that we minimise our vulnerabilities.
- Data backup practices are in place across business units to ensure data availability during unforeseen events.
- Each of our business units has IT disaster recovery plans to support business continuity.
- Our IT infrastructure is regularly updated or refreshed to keep pace with changing and growing threats and support business applications.
- We have online training and awareness courses for our employees to ensure they remain aware of proper use of our computer systems and on cyber security.

Safety risks

Nature and impact

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

These impacts are compounded in emerging markets where fundamental safety cultures do not exist nor regulatory enforcement.

Trend

As we continue to diversify and grow our business, this risk will increase and as such requires a high amount of prioritisation and focus to achieve our 'zero harm' target. Further details can be seen on page 40.

How we manage our risk

- Our Board of Directors is fully committed to creating a safety culture throughout the Group. We regularly monitor the implementation of our safety strategy within our business units, which includes employee training, regular audits and management objectives in relation to the safety of our people.
- We continue to record and report on all safety impacts within our businesses to the Board and senior management. This includes collecting, analysing, reporting and monitoring data on a monthly basis in order to measure the safety performance of our business units.
- We investigate all incidents and have a working group in place to highlight trends, reduce risk factors and identify and implement measures aimed at eliminating future incidents.
- Business unit management is responsible for local terminal safety risks and is supported by safety guides, operational manuals, procedures and oversight from our local, regional and global safety teams, which coordinate consistent approaches to safety risks.
- A vendor code of conduct has been established to ensure contractor selection criteria is aligned with our safety policies prior to commencing work at our business units.

OUR PRINCIPAL RISKS CONTINUED

Linked strategic objectives

Environmental

Nature and impact

There is a growing portfolio of legislation and government regulations aimed at tackling climate change, which could have consequences on our operations at national or regional level. New legislation and other evolving practices could impact our operations and increase the cost of compliance. A breach in any of these regulations may result in the Group facing regulatory action and legal liability, including considerable financial penalties, disruption to business, personal and corporate liability and damage to our reputation.

Environmental assessments required by external parties now commonly require the business to meet international standards that exceed local requirements, particularly in emerging markets.

Similarly, any spillage or release of a harmful substance may have devastating consequences on the environment and numerous implications for our business. Major incidents related to oil or chemical release may result in the Group being held liable to financial compensation, clean-up costs and potentially have our corporate image permanently damaged.

Trend This risk has remained stable in 2019 as we continue to focus on reducing our carbon footprint. Further details can be seen on page 43.

How we manage our risk

- We have a dedicated team responsible for continually reviewing environmental regulatory risks, which actively engages with policymakers and governments to assist in managing and mitigating any risks associated with regulatory changes.
- We are constantly reviewing and updating our standards to ensure leading and best practices are applied.
- Operational terminals, executives, managers and technical leaders play an important role in developing strategies and actions to combat the adverse potential effects of climate change through planning, modification of infrastructure and retrofitting, etc.
- We continue to monitor and report our carbon emissions to the Board, senior management, and globally to stakeholders.
- DP World Purchasing procedures for new equipment is geared to eco-friendly equipment. All new RTGs purchased are Eco-RTG and all terminal tractors are energy efficient.
- Further information on our environmental initiatives and performance is in the Sustainability and Impact section of this report commencing on page 38.
- We review the cargo and chemicals that we handle prior to their arrival and take appropriate action and care when handling dangerous materials to prevent incidents.
- We have developed targeted controls, guidance and training to prepare our terminals for response to any release, large or small, should an incident occur.
- We investigate all environmental incidents and have a working group in place to highlight trends, reduce risk factors and identify and implement measures aimed at eliminating future incidents.

Compliance

Nature and impact

DP World demonstrates high standards of business integrity and ensures compliance with a wide range of internal, local and international laws; for example, anti-corruption and bribery laws or the UK's Modern Slavery Act. As our business spreads geographically, we are increasingly operating in countries identified as having a higher risk of exposure to these laws. We also have to ensure compliance with trade sanctions and import and export controls. Failure by our employees, or agents to comply with these regulations could result in substantial penalties, criminal prosecution and significant damage to our reputation. This could in turn impact our future revenue and cash flow. Allegations of corruption or bribery or violation of sanctions regulations could also lead to reputation and brand damage with investors, regulators and customers.

Trend Although we operate in higher risk countries, we have continued to enforce our high standards of business integrity and as such our compliance risk has remained stable.

How we manage our risk

- DP World has a code of ethics, anti-bribery policy and modern slavery policy in place, with a zero-tolerance approach to bribery and fraud. Online training and fraud risk awareness workshops have been rolled out across the Group to raise awareness and promote compliance.
- We have an anti-fraud framework in place for preventing, detecting and responding to fraud to meet the stringent requirements of the UK Bribery Act. This is particularly focused on higher risk regions to ensure the Group's policies are understood and enforced.
- We have an externally administered whistleblowing hotline for reporting any concerns. These are investigated and reported to the Audit and Risk Committee on a quarterly basis.
- We provide new starters and existing employees with training on anti-bribery and corruption as part of the induction process.
- We have a vendor code of conduct to ensure vendors comply with these laws as well as a gift and hospitality policy for all employees.

Linked strategic objectives

Leadership and talent

Nature and impact

The leadership and talent risk is inherent to all businesses and failure to effectively attract, develop and retain talent in key areas could impact our ability to achieve growth ambitions and operate effectively.

DP World's People strategy strives to mitigate these risks by creating an environment where people can thrive and grow as part of a dynamic business.

Trend This risk continues to remain stable due to the continued efforts and focus that we place on developing our people.

How we manage our risk

- Attraction and retention strategies are in place for identified scarce skills.
- We promote a safe working environment for our employees and operate a global health and wellbeing programme.
- We continuously monitor and benchmark our remuneration packages in order to attract and retain employees of a suitable calibre and skill set.
- The DP World Hub develops and delivers training programmes across all levels, focused on improving operational and managerial competencies.
- We partner with some of the most reputable learning institutions, such as London Business School, Harvard, Erasmus and MIT for the development of our leaders.
- We have entered into agreements with leading global recruitment and executive search firms to support us when needed and are currently enhancing our social media sourcing channels.
- Effective performance management remains a high priority. Our global approach and tools are evolving to drive optimal performance, from aligning strategic goals to recognising and developing our talent.
- We have in place a succession planning strategy for critical roles in the business, which forms part of our talent management process.

Labour unrest

Nature and impact

Labour strikes and unrest or other industrial disputes pose a risk to our operational and financial results.

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

Trend This risk continues to remain stable due to the positive relationships that we maintain with unions and employees to minimise the threat of disruptions.

How we manage our risk

- We have an engagement strategy with unions and employees in those areas most affected by disputes. This includes multi-year agreements and clearly assigned responsibilities for maintaining close relationships with unions locally, nationally, and internationally.
- We are proactive and timely in our responses to the needs of the unions. A senior management representative holds a membership role on the European Works Council, which provides a forum to interact directly with union representatives on a timely and continuous basis.
- We continue to monitor operational downtime arising from local disputes.
- We conduct employee engagement surveys with a formal process for following up on employee concerns.
- We continue to develop a response capability to address and offset the impact of work stoppages as a result of labour disputes within the local regulatory and legal framework we operate under.

Legal and regulatory

Nature and impact

Our Group is subject to local, regional and global laws and regulations across different jurisdictions. These laws and regulations are becoming more complex, increasingly stringent and are subject to various legal and regulatory obligations. We are expanding geographically and therefore we are exposed to an increasing number of laws and regulations when operating our businesses.

New legislation and other evolving practices could impact our operations and increase the cost of compliance, for example the introduction of the EU GDPR. We need to constantly monitor compliance in our existing operations and business development opportunities. Another example is competition law and merger control rules which are applicable in almost all jurisdictions. We must ensure that we operate in compliance with these rules. This is even more critical in our industry that has few players, few competitors, and few customers. Regulators across the world exchange data and scrutinise companies on a global level. Failure to comply with legislation could lead to substantial financial penalties, disruption to business, personal and corporate liability and loss of reputation.

Trend This risk has remained stable as we continue to monitor and comply with our legal and regulatory requirements in the countries where we operate.

How we manage our risk

- The Group monitors changes to regulations across its portfolio to ensure that the effect of any changes is minimised and compliance is continually managed.
- Comprehensive policies, procedures and training are in place to promote legal and regulatory compliance.
- Our legal team has ongoing dialogue with external lawyers to maintain knowledge of relevant legal developments in the markets where we operate.
- There are regular discussions with regions and businesses to pro-actively be aware of changes in the legal and regulatory environment and be in a position to advise accordingly.
- A Group Compliance Function has been established to further consolidate compliance with laws and regulations.

Key to strategic linkage

- Drive profitable and sustainable growth through a world-class portfolio of assets and services
- Develop new revenue streams through acquiring new customer segments and service portfolio
- Maintain strategic advantage through investing in digital and innovative opportunities

KEY PERFORMANCE INDICATORS

FINANCIAL

Return on Capital Employed ("ROCE") %

7.5

Definition

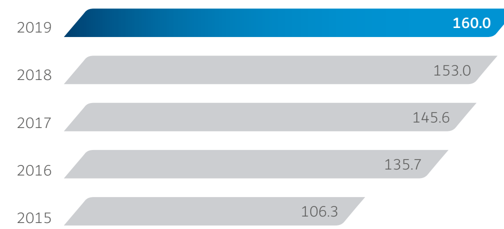
ROCE is earnings before interest and tax and before separately disclosed items ("SDI"), as a percentage of total assets less current liabilities.

Comment

Return on capital employed (ROCE) is a key measure of how well our investment strategy is delivering value to shareholders and in 2019 our ROCE was at 7.5 % from 8.4% in 2018. The year-on-year decline in ROCE is mostly explained by impact of IFRS16 and the timing of acquisitions which increased the asset base. We expect our ROCE to continue to increase as our portfolio matures. Currently, the average life of our port concession stands at 36 years.

Earnings per share (excluding SDI) ("EPS" in US cents)

160.0



Definition

EPS is calculated by dividing the profit after tax attributable to the owners of the Company (before separately disclosed items) by the weighted average number of shares outstanding.

Comment

In 2019, our EPS grew by 4.6%. This was driven mainly by acquisitions.

CUSTOMERS

Gross Capacity mTEU/Gross Capacity Utilisation %

91.8 77.6%

Definition

Gross capacity is the total capacity of our global portfolio of terminals. Gross capacity utilisation is the total throughput in the year divided by the total capacity.

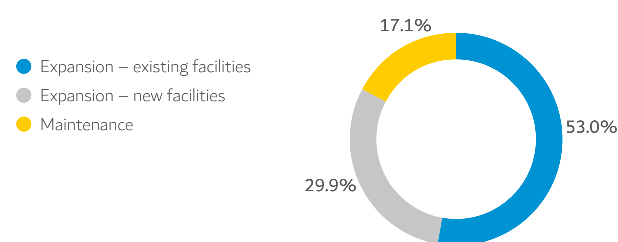
Comment

Gross capacity increased by 1.3 million TEU to 91.8 million TEU at the year end, reflecting our continued investment in additional capacity across the Group. Our utilisation remains high and above the industry average.

Capital expenditure in 2019

Total: $1,146.4m

- Expansion – existing facilities
- Expansion – new facilities
- Maintenance



Definition

Capital expenditure is the total cost of property, plant, equipment, investment property and port concession rights added during the year.

Comment

Capital expenditure totalled $1,146.4 million during the year and was predominantly related to the expansion of existing facilities and their maintenance.

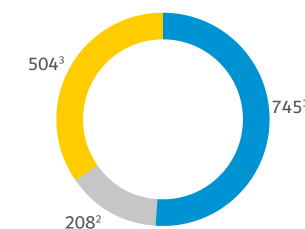
PEOPLE

DP World Hub training programme participants in 2019

Total: 1,457

- Middle East, Europe and Africa
- Asia Pacific and India
- Australia and Americas

1 Middle East, Europe and Africa – leadership: 187, operation: 558
2 Asia Pacific and India – leadership: 48, operation: 160
3 Australia and Americas – leadership: 6, operation: 498



Definition

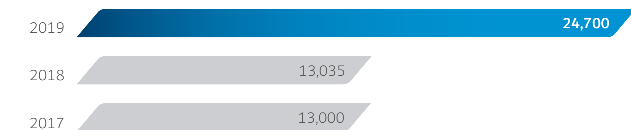
The number of participants who took part in face to face training programmes run by the DP World Hub across the Group.

Comment

The DP World Hub continued to deliver a wide range of operational and leadership training with high levels of engagement across the Group.

DP World Hub e-learning module completion in 2019

Total: 24,700



Definition

The number of modules completed on the DP World e-learning platform during 2019.

Comment

The DP World Hub continues to deliver a wide range of programmes via our e-learning platform. We expect this trend to continue as further e-learning programmes are developed and released.

OPERATIONS

Increase in berth productivity "BMPH" %

11%

Definition

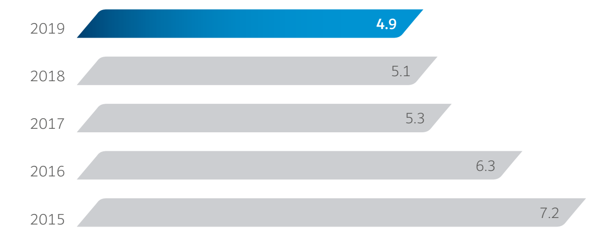
Berth moves per hour "BMPH" is measured as the actual number of containers moved over the quay wall from and to vessels divided by gross berth hours for all vessels from first line to last line.

Comment

The graph shows our BMPH improvement as a percentage against our 2016 baseline.

Reportable injury frequency rate ("RIFR")

4.9



Definition

RIFR is the sum total of Employee and Contractor Fatalities, Lost Time and Medical Treatment Injuries divided by the total hours worked and then multiplied by 1 million.

Comment

DP World operates in a high-risk environment. Our goal is to make sure everyone goes home safe and this is accomplished with a zero harm approach. This downward trend is achieved through our risk reduction programmes and continually increasing safety awareness with our people and across our businesses. In 2019, our reportable injury frequency rate reduced by 4% from 5.1 in 2018 to 4.9 in 2019.

ENGAGING WITH OUR STAKEHOLDERS

At DP World, we are committed to conducting our business in ways which are responsible and sustainable, in economic, social and environmental terms.

Consistent delivery on this commitment demands effective policies and processes of engagement with the full range of stakeholders who influence, and are impacted by, our business operations.

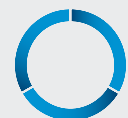
By 'engagement' we mean the two-way dialogue which enables us to listen and respond to stakeholder views and concerns on issues which are important to them. The central goal of our stakeholder engagement strategy and related activities is to generate and maintain a positive climate of stakeholder opinion and interaction, based on a sense of involvement and a shared belief in mutually-beneficial outcomes.

As a growing global business, operating in a fast-changing marketplace, we face the challenges of an ever more diverse range of stakeholder groups.

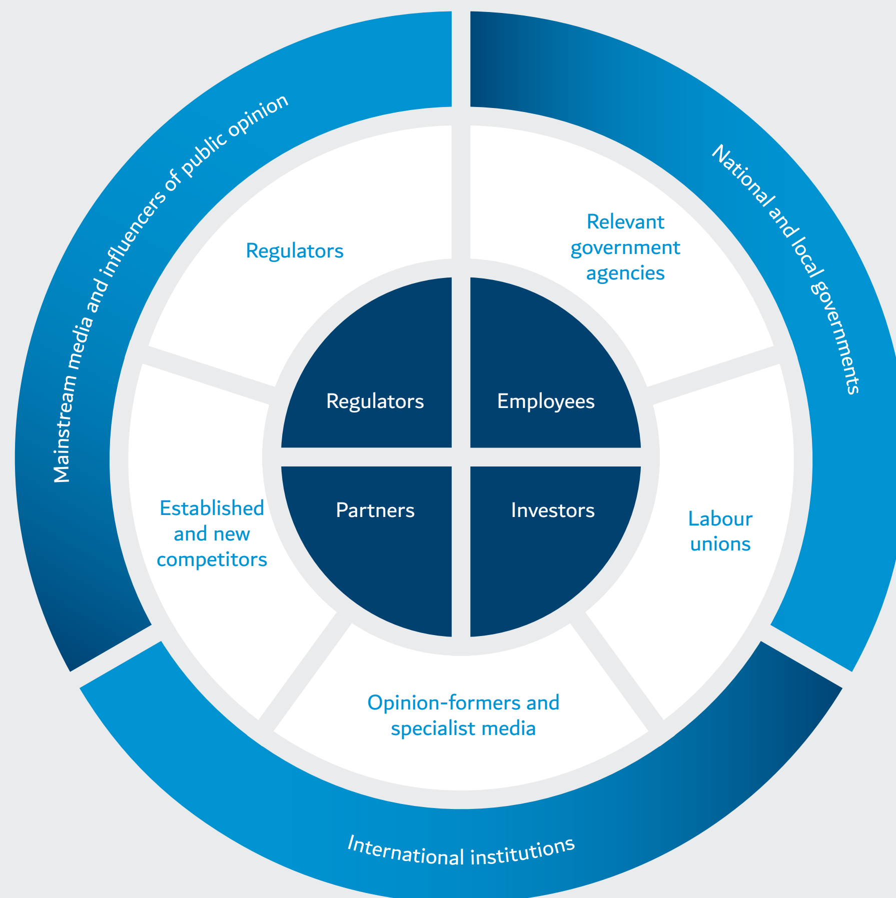
Our stakeholder groups

At the very heart of our stakeholder map, we have those groups who are directly involved in our business.

At the next level, we have the broader group of parties who comprise our industry sector.



At the broadest level, we have the communities and societies within which our businesses operate.



International, regional and local considerations add to the complexity. Crucially, the emergence and proliferation of digital and social media have brought significant new dimensions to the challenges of building and sustaining stakeholder dialogues.

Meeting these challenges demands both organisational discipline and innovation in adopting well-proven best practices in stakeholder engagement. The articulation of the DP World brand purpose reached a significant milestone in encouraging and enabling our employees to speak with 'one voice' and deliver a shared sense of what our organisation stands for. Critically, we have designed our emerging global framework of brand and communications strategies, structures and processes to enhance our success in building and maintaining key stakeholder relationships.

Our approach is delineated within our stakeholder framework. This approach is based on regular interactions with essential stakeholder groups to understand and respond to legitimate concerns and inputs. It is designed to be pro-active, rather than reactive. It is learning-oriented to cope with the dynamic pace of trade generally and our industry in particular. It will exploit professional methodologies and specialist skill-sets. Finally, it will increasingly involve objective metrics to enhance robustness and credibility, using relevant Key Performance Indicators to establish a benchmark for assessing our progress.

Importantly, as a business operating around the world, we do not adopt a one-size-fits-all approach. While adhering to an overarching strategy in line with the global policy, we strive to be sensitive to the varying needs, interests and engagement styles of our stakeholder groups, taking into account local custom, practice and culture. This approach ensures that we adapt our engagement style and method to the particular audience.

The ownership of the policy and all related activities reflects the importance of stakeholder engagement to the company. The Chief Communications Officer is directly accountable to the Chairman and Chief Executive Officer for stakeholder engagement.

In summary, we are dedicated to connecting more closely with our customers; to harnessing the innovation and energy of our employees and partners; to respond to the needs, wants and expectations of the broader communities in which we operate; and to engage constructively with all those with whom we share the responsibility of acting for the good of our planet.

SUSTAINABILITY AND IMPACT

As a global logistics leader, DP World enables smarter trade to create a better future for everyone. DP World's 'Our World, Our Future' sustainability strategy guides our approach. It helps us to work in a responsible way that prioritises sustainability and impact on the people, communities and environment in which we operate.

New decade, new sustainability strategy

In 2014, we developed the first version of our 'Our World, Our Future' sustainability strategy. While fit-for-purpose at the time, developments and changes in our business model, strategic positioning and a changing global landscape meant we needed to build a more far-reaching and ambitious strategy.

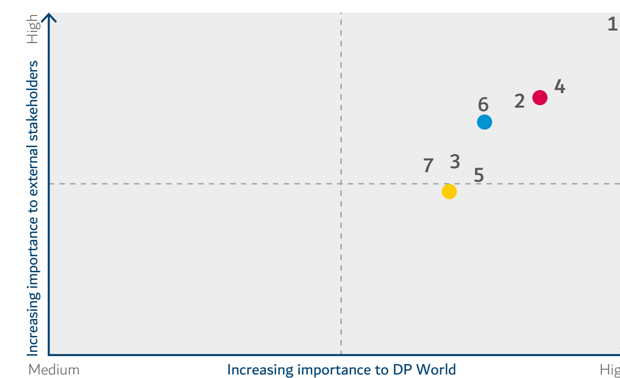
Over the past year we have developed a robust, refreshed strategic framework for our sustainability activities. The revised strategy will enable us to spend the next decade delivering against the UN Sustainable Development Goals (SDGs) and using our business to drive positive change for people and planet. In response to feedback from stakeholders, we will be more transparent about the topics our customers, employees, suppliers and communities want to hear about.

Global trade has been an enormous force for good in recent decades. But it's increasingly clear that this growth is not without consequence – from the scale of energy required to make, move and use goods to the resource intensity of logistics and the risk of human rights challenges in global supply chains.

As a leading enabler of global trade, we believe we have the tools, ingenuity and drive to lead a revolution in logistics. We will do this by using new smart technologies to make our operations more sustainable. In doing so, we will cut energy and resource use, and create a fairer and more connected planet.

The 'Our World, Our Future' strategy is designed to deliver responsible operations. At the same time, it prepares us for a radical shift in how business in general, and logistics in particular, respond to the great challenges of climate change, education and social inequality.

Materiality matrix



DP World
1. Safety
2. Security
3. Wellbeing
4. Ethics
5. People development
6. Climate change
7. Community engagement

Our Future
- Education
- Women
- Oceans

During our materiality analysis, we identified an initial list of over 500 sustainability issues. These were refined through stakeholder engagement to ten key areas. They are now presented in a materiality matrix and our new 'Our World, Our Future' wheel.

The strategy is split into two components. The first, 'Our World', focuses on the efforts we are making today to operate as a responsible business across seven priority areas. It is delivered through ambitious commitments, to be achieved by 2030.

The second part of the strategy, 'Our Future', looks at the lasting legacy we will leave on our industry and society. It focuses on three areas where we can make a positive difference for future generations: Education, Women and Oceans. We have set out a series of pledges to be delivered by 2030. These are aligned with the UN SDGs.

Partnerships

To deliver our new strategy, we will work with leading organisations, partners, individuals and institutions. We recognise that while we are experts in global logistics and trade, when we address sustainability issues we are stronger together. In 2019, we were pleased to join the UN Global Compact. We also committed to platforms at the World Economic Forum to drive collaborative steps for growth and development. And we created new initiatives with our existing partners Blue Marine Foundation, Logistics Emergency Team and Impact2030.

OUR WORLD
RESPONSIBLE BUSINESS PRIORITIES

As a global business, having strong foundations to ensure we are operating responsibly is vital to our long-term success. To achieve this, 'Our World' focuses on efforts to operate as a responsible business across seven priority areas. These are outlined below.

Safety

The logistics industry exposes us to a wide range of health and safety risks. These include people and heavy loads interacting, as well as moving equipment. Our goal is to make sure everyone goes home safe by adopting a zero harm approach. This is part of our Group-wide shift in culture where safety is naturally ingrained into our everyday actions and mind-set. We care and constantly push ourselves to be better.

This is reflected in our new Health, Safety and Environment (HSE) Policy, which was endorsed by our Chairman and CEO in August 2019. Our new Policy sets out HSE Pillars. These form a new, but parallel, pathway to traditional HSE Standards and management systems. HSE Pillars are designed to bring about a Company-wide change in our approach to HSE. They cover:

1. **Leadership and engagement:** Our management leads the creation of a Company-wide culture that values HSE as a core part of our business. We engage our people on HSE issues and solutions. We must create a culture that empowers everyone to address HSE matters.
2. **Risk reduction and improvement:** Through proactive identification, planning and innovative controls, we eliminate and/or minimise all things that make our workplace unsafe or place the environment at risk.
3. **Commitments we live by:** We all take personal responsibility for HSE in our workplace as a core value. We all must follow fundamental behaviours that we live by every day to cut and/or reduce our critical risks.

SafeTogether is our tagline aligned with our HSE Policy. We understand that we are stronger when we work together. This is what SafeTogether represents.

The risk baseline process that identifies infrequent high consequence risks continued in 2019. A total of 18 risk baseline assessments were performed under the operational control of DP World. These risk baseline assessments were completed using criteria that focused on risk levels and leadership performance.

The Global Executive Safety and Environment Committee (GESEC) is made up of the most senior leaders of the organisation with direct line operation responsibility. The primary objective of the GESEC is to ensure the accountability, effectiveness, and continual development of the Company's HSE programs to ensure a culture of zero harm. GESEC does not replace nor supersede the responsibilities and duties of the corporate HSE department. GESEC operates in accordance with the GESEC Charter and the first meeting was held in November 2019.

We record, report and monitor all safety incidents within the Group where we have operational control. This includes measurement of Lost Time Injuries (LTIs); Lost Time Injury Frequency Rate (LTIFR); Reportable Injuries (RIs) and Reported Injury Frequency Rate (RIFR).

Despite our approach, progress in reducing risk and improvements in performance measurement, we tragically suffered four operating fatalities in our business in 2019. Any loss of life is unacceptable, and we have been exhaustive in ensuring the key learnings from these incidents have been shared across the Group to reduce this number to zero.

In 2019, our lost time injuries increased by 24% and lost time injury frequency rate increased by 15% from 2.9 in 2018 to 3.4 in 2019.

In 2019, our reportable injuries increased by 4% while our reportable injury frequency rate reduced by 4% from 5.1 in 2018 to 4.9 in 2019.

Security

As a leading global logistics provider, securing our supply chain is critical in keeping our people and trade operations safe and secure. Our robust and proactive approach to security ensures that we are managing, reviewing and updating our physical and digital security solutions enabling risk mitigation and long-term resilience. Our focus remains on security compliance, risk management and enhancing security awareness, which is highlighted in our Group security policy and endorsed by the Senior Management.

We comply with all international and local security compliance requirements. In addition, going beyond compliance requirements, we have implemented a security management system accredited to ISO 28000:2007 (Standard for Security of the Supply Chain), which is focused on risk management and continuous improvement of our security operations. We are also part of various global security initiatives including Customs-Trade Partnership Against Terrorism (C-TPAT), Authorized Economic Operator (AEO), Container Security Initiative (CSI) and Megaports, all of which further support us to secure our business and supply chain in general.

Our ongoing risk management programmes ensure that our risk assessment proactively identify all our threats, and all necessary mitigation strategies are in place. Ongoing engagement programmes with global and local security agencies and our partners supports us to collaborate and contribute at various levels to keep the supply chain secure. Our risk mitigation strategies are dynamic and tailor-made to the challenging risk environment in which we operate. We scale up or down the security measures, based on risk and compliance requirements, never dipping below our established security standards. The success of our approach is reflected in our continued low or no security incident reporting on drug trafficking or major security breaches, which is benchmarked against our competitors and global trends.

Furthermore, our focus on digitisation and smart trade requires us to adopt a rigorous approach to cyber security and data protection. Our information security infrastructure is updated regularly and employs multiple layers of defence and our policies and infrastructure tools are updated and replaced regularly to keep pace with changing and growing threats.

Wellbeing

We believe in promoting the emotional, financial, social and physical wellbeing of our people to help them thrive. Our business units offer effective local wellbeing programmes. But the revision of the 'Our World, Our Future' strategy was the perfect time to focus on this area by developing a global approach to wellbeing. In 2019, we started building this global approach with a cross-departmental group of People, Safety and Sustainability and Impact teams. The work was based on employee feedback and leadership perspectives.

From a physical perspective, we operate the highest standards of health and safety. This is centred around our SafeTogether programme. We also provide opportunities for physical activity, promote nutritional education and offer our employees health-screening and regular medical check-ups. We also recognise that prioritising mental health is crucial for positive wellbeing. To help achieve this, we run initiatives focused on preventing stress and burnout.

Socially, we encourage our people to interact and pursue their interests. From Group projects and clubs to corporate volunteering opportunities and family-friendly policies, we ensure our people feel connected and balanced. We also focus on helping our employees with financial planning by offering benefits such as life and health insurance.

In the coming year, there will be a dedicated resource to further develop a global strategy and standards that we will regularly measure and report on. The aim is to develop a culture that prioritises wellness in all aspects of work and life.

Ethics

We are a multi-national business with over 53,000 employees working in regions around the world. For us, being a responsible business relies on the foundations and the strong Founders Principles on which our Company was built. We focus on creating an honest and open culture to build trust and foster strong relationships.

Our approach is guided by DP World's Code of Ethics. This sets out how we maintain international best practice in preventing conflicts of interest, fraud, insider trading, misuse of information and modern slavery. To ensure adherence and alignment, we offer dedicated training to our employees. Areas covered include anti-bribery and corruption. We also have effective internal controls. These include a dedicated whistleblowing programme, clear policies and procedures, management reporting and self-certification, and risk management mechanisms.

In 2019, we joined the United Nations Global Compact (UNGC). This further demonstrated our commitment to operating responsibly and working collaboratively. The stakeholder expectations from our materiality analysis cited business ethics and integrity as the second most important issue. In response, we established a cross-departmental Human Rights Working Group. It is developing a Human Rights Policy Statement and due diligence process, aligned with the International Declaration of Human Rights. These will be rolled out across our global operations in 2020.

OUR WORLD RESPONSIBLE BUSINESS PRIORITIES CONTINUED

Community engagement

We use our strong relationship with communities to improve social outcomes. From direct community investment to employee volunteering and charitable giving, we invest in and improve the communities in which we operate.

Since 2014, we have grown the breadth and scope of our global community investment. We have used the LBG framework to measure our input, output and impact. LBG is the global standard for measuring corporate community investment and philanthropy. LBG's measurement framework is used by organisations around the world to effectively measure, report and communicate their social contributions and investments.

In 2019, we grew our community investment and impact across our global communities.

We continued to focus on driving integrity in our measurement processes by training 23 of our global sustainability champions in the LBG framework. We were the first company to offer certified community investment training for staff across its global operations. We now have 31 employees trained as certified community investment practitioners.

"It's great to support over 30 people from across the DP World Group and equip them to better measure their community investment activities by using the LBG framework. This training marks the largest that we have conducted for one single company on this scale, to date. More and more, we see companies wanting to understand their place in the world, and DP World has both the ambition and commitment to maximise its wider impact."

CLODAGH CONNOLLY
DIRECTOR AT CORPORATE CITIZENSHIP AND GLOBAL HEAD OF LONDON BENCHMARKING GROUP

In 2019, we refreshed our community investment strategy to better align it with our new sustainability strategy. Our new approach to community investment identified new focus areas: oceans, education, health, emergency relief and wildlife protection.

We decided gender equality would not be an independent topic but would be fully integrated into the strategy. Champions will be trained to apply a gender lens to all projects being supported to ensure we have an equal split of males/females benefiting from our programmes. We have updated our measurement systems so we can measure beneficiaries by gender. We have identified the following 2030 goals to ensure females are a key beneficiary of our community strategy:

- One million girls and women supported by our community investment programmes.
- A total of 100,000 hours of employee volunteering on women empowerment initiatives.

Climate change

From the scale of energy required to make and move goods to the resource intensity of logistics, we focus on measuring and managing our direct environmental impacts. Our aim is to proactively contribute to the pressing issue of global climate change.

Limiting industry reliance on high-carbon fossil fuels is a priority. To play our part, we have been putting in place a low-carbon transition plan. We have also invested heavily in low-carbon fuel projects and digital solutions to power the 21st century. These efforts tie in with our focus on promoting the use of renewable energy. From implementing green technology solutions (such as our Solar Power Programme) to zero-waste solutions, recycling initiatives and low-carbon innovation, we are closing the loop on logistics. Our business units continue to reduce their energy consumption, conserve energy and maximise energy efficiency by:

- buying eco-equipment;
- eliminating wastage (e.g. idling machinery unnecessarily or lighting areas that are not being worked);
- improving green energy procurement (e.g. zero-emission electricity); and
- purchasing and/or retrofitting equipment with lower-carbon technologies.

We have focused on reducing the energy output per unit of movement across our operations. We have achieved this by increasing efficiency and promoting clean energy. Our goal is to create a zero-emission supply chain across our networks. This will help the communities we serve and create a cleaner society. In 2019, we were able to offset more than 65,909 tonnes of CO_2e emissions. We did this by promoting renewable energy sources and investing in low-emission solutions.

Our long-term commitment is to continue our efforts to reduce our carbon emission and energy use through new programmes and initiatives. These will include developing renewable energy strategies, such as on-site renewable energy projects and green energy procurement. We continually review our regulatory risks and engage with policymakers and governments to help manage and mitigate any risks associated with regulatory changes.

Innovation and developing advanced technologies are central to our strategy. Cleaner, more efficient technologies will be crucial as we explore and develop resources in ever more challenging environments. In line with this, investment in new terminals based on low-carbon emission technology was our most substantial business decision. Investing in technology is central to our dynamic and innovative approach to global business.

In 2019, we established and issued Group Environmental Management Standards. They are based on, and benchmarked to, the principles of ISO 14001: Environmental Management Systems, referring to our highest environmental risks. The standards clearly describe the key tasks, measures and actions that our teams in business units and facilities are required to implement in relation to environmental management.

Carbon emissions

DP World Group carbon dioxide equivalent emissions in tonnes by scope:

Emission scope	2018	2019
Scope 1	563,112	621,725
Scope 2	541,362	617,302
Biodiesel	1,745	21,646
Total emissions	**1,106,229**	**1,260,673**

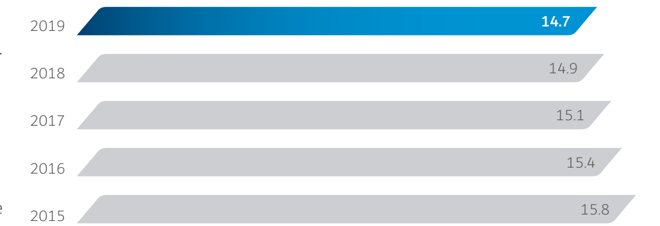
Energy consumption

DP World Group energy consumption in gigajoules by division and source:

Energy source	2018	2019
Diesel	6,204,581	6,618,120
Electricity	3,345,730	3,774,937
Total energy	**9,550,311**	**10,393,057**

Ports and terminals performance

Emissions intensity



From 2015 to 2019, our carbon intensity per Modified TEU (kilograms of carbon dioxide equivalent per 20-foot equivalent unit) has decreased by 7%.

Green sources of energy, London and Caucedo

In 2019, London Gateway terminal moved to a green source of energy to power its operation. This is equivalent to 10,574,140kg of carbon emissions saved. In Caucedo, we doubled our on-site solar generation to reach approximately 2.7 million KWh/year. We will also be installing a further 300-400KwP in the coming year in the form of solar car ports.

OUR WORLD
RESPONSIBLE BUSINESS PRIORITIES
CONTINUED

People development

Our goal is to attract, retain and develop the best talent. Offering continuous development opportunities enables our colleagues to achieve strong business success and personal growth. We provide targeted learning and development experiences to give us a competitive advantage in smart trade.

To grow and develop our people, the DP World Hub brings together the core functions of Business Learning, Leadership Development and Talent Management. We promote operational, functional and digital learning in partnership with our business. Our Business Learning team continues to design and develop business enabling programmes with experts across our organisation, as well as universities and technical schools. Leadership development is about fuelling 'Ignite' our cultural transformation initiative. Our flagship Lead@DPWorld programmes equip leaders at all levels with the knowledge and skills to live and breathe our Founder's Principles and act as role models. Furthermore, our approach to talent development is focused on identifying and investing in our talent, ensuring they have business impact. Through Evolve we are developing our organisational capabilities to lead business units and Regional Functional leadership roles, while Grow is supporting the influx of graduate students to our organisation.

DP World Hub is at the core of our Global People Strategy, by offering best in class development opportunities to support our business and people.

Ignite

In 2019 we started a cultural transformation initiative aimed at developing our leadership capability and improving our leadership culture globally.

Ignite is about anchoring our Founder's Principles to DP World leadership behaviours and our business strategy. DP World Hub has created bespoke and thought-provoking learning (Lead@DPWorld) and development experiences for our leaders at all levels. A robust partnership with regional, business unit and Head Office teams is working to implement Ignite throughout 2019 and beyond.

Regional leadership teams are now assessed, so that bespoke development can be provided. Ignite will also include a robust executive development portfolio and experiences in the form of learning journeys for our senior, middle and junior leaders.

As we continue to expand and bring new companies into our portfolio, Ignite will help create a common language of what great leadership looks like at DP World.

OUR FUTURE
LEAVING A LASTING LEGACY

'Our Future' looks beyond our business to address the lasting legacy we can create for our industry and society. Our vision for a better, more equitable world focuses on bringing positive change across the three legacy areas of Education, Women and Oceans.

Education

Our Global Education Programme continues to engage 8-14-year-olds across all the regions we operate in. It teaches and inspires them on the topic of global trade and logistics. The programme has run for five years with great success:

- Over 26,500 students have taken part in the programme.
- 98% of teachers said the programme provided something the school couldn't.
- 97% of students said they learned something new.
- Over 850 volunteers in 25 countries have completed the modules.
- 87% of employees say their job satisfaction has increased after taking part.

As we came to the end of our five-year target for our Global Education Programme, we took the opportunity to revisit our current education strategy. We wanted to see what more we could do to support the transformational trends in the logistics and trade industry, and build the sector's talent pipeline. The workplace is changing, with the need for digital and technological skills on the rise.

A 55% growth is expected in the demand for technological skills by 2030, while 65% of children today will work in jobs that do not currently exist. Against that backdrop, we need to invest in education. We need to give young minds the knowledge and skillsets for the workplace of the future.

To that end, we carried out a strategic review of labour market forecasting. Our aim was to identify the key skills, behaviours and mindsets that our future workforce needs. This review included analysing studies and documents from innovation think tanks, business reports and literature from the fields of education, psychology, policy guidance and current practice in the sector. We also conducted interviews with our senior global teams. Our new education strategy will be rolled out in 2020.

Key achievements

Refresh the Education strategy

We carried out extensive research and have developed a new strategy. It focuses on education infrastructure, industry exposure and logistics opportunities. Its aim is to inspire and equip the future workforce to follow a career in logistics. We will target young people aged 16-25 and develop more university links to support our talent pipeline. We will also focus on three key skills required in our future workforce: data literacy, supply chain skills and customer-centred design skills. The following 2030 targets were established:

- $40 million investment in education infrastructure (SDG 4a and 4c).
- 2 million students benefiting from our Education projects.
- 90% of students citing improving their human and digital skills.

Develop an education programme for Expo 2020 Dubai

We have developed a multi-faceted education programme as part of our support for Expo 2020 Dubai as a premier partner. During 2020, we will host education workshops at the Expo Visitor Centre. We will also launch our global education challenge to engage 16-18 year-olds globally in trade and we will offer a chance to come to the Expo 2020 Dubai as part of a team to take part in a Global Challenge final in April 2021. We have also created interactive tours and workshops for our DP World Pavilion. We look forward to engaging with over 100,000 students.

Digital Education, India

Kal ki Kaksha (Classroom of Tomorrow), our digital education programme in India, ended 2019 on a high note having enrolled 8,313 students from 54 schools across the country. It has, on average, enrolled 8,451 students a year since its start in 2017.

Developed in association with the Pratham Infotech Foundation, Kal ki Kaksha is an initiative that provides primary and middle school students computer-based education. It aims to promote digital literacy and provide students with a platform that encourages collaborative learning that can lead to sustainable paths for better learning experiences.

A November 2019 impact assessment study of 20 schools showed positive improvements in student performance, especially in maths and science. The study also showed an increase in student interest for computer-based learning over traditional methods.

OUR FUTURE LEAVING A LASTING LEGACY CONTINUED

Women

With a correlation between more diverse companies and better financial returns, there is a strong business, as well as moral, case for encouraging greater gender diversity within the industry. Alongside this, the trade and logistics industry is facing an annual skills shortage, particularly in the face of rapid technological development. With women accounting for 8% of our workforce, there is a highly talented and skilled proportion of the workforce not being fully utilised. We are committed to increasing female representation to bring much needed skills and talent into the workforce.

Gender Equality Roadshow, Asia

To celebrate Global Diversity and Inclusion month, colleagues in the Asia Pacific region organised a roadshow across Asia.

With an overarching theme of 'Empowering Women in the Ports and Logistics Industry', business units in South Korea, Thailand and the Philippines organised workshops and public forums to promote workforce diversity and encouraged women to become more actively involved in what has traditionally been a male-dominated industry.

Key achievements

Ensure senior level support

We set up a Women's Council. It is made up of our Senior Leadership Team and management, including our Chief People Officer and our Chief Operating Officer of Ports & Terminals. The Council is driving the women's empowerment agenda. This includes writing the Gender Diversity Statement, which the Chairman communicated to all employees globally. The statement sets out a clear vision for every business unit on how to approach gender equality and drive progress globally.

Grow the MentorHer programme

In 2018, we launched a global mentoring programme – #MentorHer. The aim was to give all our female employees the opportunity to be mentored by a senior member of our business. Group 1 mentored 47 women.

In 2019, Group 2 was launched; 121 women are being mentored, which is a huge rise in numbers. We are closely monitoring impact with surveys at months three and six of the mentoring relationship. The feedback is overwhelmingly positive. We aim to have 1,000 female employees complete the #MentorHer programme by 2030.

94% said the programme enhanced knowledge and skills to apply in current or future roles.

100% would recommend the programme to colleagues.

Make women a focus of Diversity & Inclusion Month (D&I)

The primary aim for D&I Month 2019 was to set up local DP World Women's Networking Groups. A total of 21 business units set up a women's group across our global network.

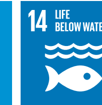
Review leadership assessment and identify key women to support in the business

The identification of high potential women has been incorporated into global programmes. For example, the LEAD@DPWorld programme currently being rolled out and during business unit talent reviews.

Increase stories of women at DP World

In September, we launched a 'Day in the life of ....' on our intranet. The aim was to showcase the women in our business and give role models for colleagues.

Oceans



It is vital we not only protect but enhance the oceans, to safeguard blue carbon ecosystems and combat climate change through carbon capture, preservation and resilience-building.

The ocean is the largest long-term carbon sink on the planet. It stores and recycles 93% of the earth's CO_2. But the rate of loss of these blue carbon ecosystems is the highest among all ecosystems. For example, 50% of coral reefs have already been lost. The ocean is also vital to our business and an important economic driver – generating $3 trillion in economic value globally each year. What's more, three billion people rely on marine and coastal biodiversity for their livelihoods.

With this much at stake, it is important we restore our oceans and natural ecosystems. We are committed to making ocean enhancement a part of our legacy. Our focus will be on blue carbon initiatives, particularly mangrove planting. This will safeguard our oceans and planet by combating climate change through carbon capture, preservation and resilience-building.

As we developed our new ocean strategy during 2019, we also continued to work with our partners such as the World Ocean Council (WOC) and Blue Marine Foundation to support ocean health and the communities around the world.

Key achievements

Develop a global approach to oceans enhancement in line with the UN Decade on ecosystem restoration

In 2019, an ocean enhancement framework was developed to align our efforts globally around a common goal. The framework will focus on blue carbon and restoration efforts. It will help align operations and climate change adaptation and mitigation strategies with UN Sustainable Development Goals (SDGs). It will also give a detailed plan so that all locations where we have operations and influence can begin to maintain, restore and enhance ocean resources.

Make oceans the focus of Global Goals Week

Global Goals Week is an annual time of action, awareness, and accountability for the SDGs. This year the goal was to engage students on SDG 14 – Life Below Water.

Our aim was to conduct the 'Protecting our Oceans' Global Education Programme module and get 5,000 young people from around the world to sign an oceans protection pledge card.

We were delighted that the campaign was run in 22 business units and we nearly doubled our target, with over 9,000 pledges signed around the world.

Red Mangrove Planting, Posorja

In DP World Posorja, more than 140,000 red mangroves were planted (between 2017 and 2019). This has been supported by colleagues in DP World Posorja with a 100-strong team planting 1,000 red mangroves over two days in Puná Island, the community in front of the Port of Posorja. Looking forward, 40,000 plants are planned for 2020 and 2021.

BOARD OF DIRECTORS

Committee Membership Key

- A – Audit and Risk Committee
- N – Nominations and Governance Committee
- R – Remuneration Committee
- Indicates Committee Chair

Sultan Ahmed Bin Sulayem
Group Chairman and Chief Executive Officer

Skills and experience

With a career spanning three decades across a wide range of industries, Sultan Ahmed Bin Sulayem brings a wealth of leadership experience to the Boardroom. In his previous role as Chairman of Dubai World, he established and led diverse businesses, including Nakheel, a real estate and tourism property development firm; and Istithmar World, a major global private equity investment house.

He oversaw the rapid development of the Jebel Ali Free Zone into an unrivalled business park of more than 7,500 companies and pioneered the Dubai Multi Commodities Centre.

As Chairman of DP World, he has been at the forefront of the Company's international expansion, including the $6.85 billion acquisition of P&O Group. Mr Bin Sulayem holds a BS in Economics from Temple University, United States.

Date of appointment

Appointed to the Board as Chairman on 30 May 2007. Appointed as Group Chairman and Chief Executive Officer on 8 February 2016.

External appointments

Member of the Executive Council of Dubai, Member of the UAE Federal Tax Authority Board, Member of the Dubai Free Zones Council, Chairman of Ports, Customs and Free Zone Corporation (PCFC), Non-Executive Chairman of Virgin Hyperloop One, Board member of Nakheel PJSC.

Committee membership

N

Yuvraj Narayan
Group Chief Financial, Strategy and Business Officer

Skills and experience

Mr Narayan has an extensive Senior Executive career with more than 24 years of experience in ports and international banking sectors. Prior to joining DP World he held executive positions with ANZ Group, as Head of Corporate and Project Finance for South Asia and Salalah Port Services in Oman, as Chief Financial Officer. He has also served as Non-Executive Director of Istithmar World and IDFC Securities. As Group Chief Financial, Strategy and Business Officer of DP World he has been instrumental in ensuring the success of a number of Group's strategic and transformational initiatives. He is qualified Chartered Accountant.

Date of appointment

Served as Group Chief Financial Officer since 2005 and appointed to the Board as an Executive Director on 9 August 2006.

Appointed as Group Chief Financial, Strategy and Business Officer in February 2020.

External appointments

Non-Executive Director of HDFC International Life and Re Company Limited, Director of Virgin Hyperloop One, Director of Through Transport Mutual Insurance Association Ltd, Audit Committee Chairman of International Cricket Council.

Committee membership

Deepak Parekh
Senior Independent Non-Executive Director

Skills and experience

Mr Parekh has an extensive and highly commended executive career, including serving on the Boards of several Indian and international corporations. He has been a member of Indian Government-appointed advisory committees and task forces on matters ranging from infrastructure reform to capital markets and financial services. His contributions to business have been recognised on numerous occasions and he was the first international recipient of the Outstanding Achievement Award from the Institute of Chartered Accountants in England and Wales, in 2010.

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 22 March 2011.

Appointed to the Board as a Senior Independent Non-Executive Director on 1 July 2015.

External appointments

Non-Executive Chairman of HDFC Ltd and its group companies i.e. HDFC Life Insurance Co Ltd, HDFC Asset Management Company Ltd, HDFC Ergo General Insurance Co Ltd., Non-Executive Chairman of Siemens India, Director of Vedanta Resources PLC and Fairfax India Holdings Corporation, Canada.

Committee membership

R A

Nadya Kamali
Independent Non-Executive Director

Skills and experience

Mrs Kamali has an extensive experience in information technology, corporate management, IT governance, compliance and risk management.

She is currently the Chairperson and Managing Director of Dutech, a leading ICT company, this is in addition to her role as CEO of Customs World, a Ports Customs and Free Zone Corporation ("PCFC") entity.

She holds an MBA from American University of Sharjah and a BS degree from the College of Engineering at Michigan State University.

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 28 April 2016.

External appointments

Chief Executive Officer of Customs World FZE, Chairperson and Managing Director of Dutech.

Committee membership

N

Abdulla Ghobash
Independent Non-Executive Director

Skills and experience

Mr Ghobash has over 30 years' experience in the international finance and banking industry. He is a former State Minister of the Federal Government and is currently a Director General of Financial Audit Authority of the Government of Dubai. He has worked for the Central Bank and held the position of regional manager of National Bank of Abu Dhabi. He has served on various Boards in the region, including Etisalat, DFM, Nasdaq Dubai, Emaar, Awqaf, Minors Affairs Foundation of Dubai and Noor Bank. He holds a Bachelor's degree from UAE University, Banking (corporate finance analysis) diploma from The Wharton Business School (of the University of Pennsylvania), banking diploma in corporate finance and international investments from Citibank NA in Athens, Greece and banking certificate in International Capital Market from Bankers Trust in London, Executive Program in Decision Making (IMD).

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 28 April 2016.

External appointments

Director General of Financial Audit Authority of the Government of Dubai, member of the Executive Council of Dubai and member of the higher board of Dubai International Financial Centre.

Committee membership

N

Mohamed Al Suwaidi
Independent Non-Executive Director

Skills and experience

Mr Al Suwaidi has extensive experience working across a diverse range of industries, including agriculture, banking and construction. He holds a number of Executive and Non-Executive positions across the United Arab Emirates. He holds a BSc in Business Administration from California Baptist University.

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 28 April 2016.

External appointments

Director General of Abu Dhabi Fund for Development, Chairman of Al Ain Farms for Livestock Production, Vice Chairman of Arab Bank for Investment and Foreign Trade, Board member of First Abu Dhabi Bank, Raysut Cement (SAOG), UAE Red Crescent, Centre of Food Security of Abu Dhabi and Al Jazira Sport & Cultural Club.

Committee membership

A R

Mark Russell
Independent Non-Executive Director

Skills and experience

Mr Russell has had an extensive career in corporate finance, including as Partner in the corporate finance departments of KPMG in London and Frankfurt, and held senior positions at PwC Corporate Finance, Robert Fleming, Lazard Brothers and A.T. Kearney.

He was appointed Chair of Defence Equipment and Support ("DE&S"), the procurement body of the UK's Ministry of Defence and Vice Chair of UK Government Investments ("UKGI") in November 2019, having been Chief Executive of UKGI (and its predecessor body, the Shareholder Executive) since 2013. Mr Russell joined the Shareholder Executive as head of its Corporate Finance Practice in November 2004 and was appointed Deputy Chief Executive in April 2008. He was also formerly a Non-Executive Director of the Submarine Delivery Agency, Non-Executive Director and Chairman of the Audit Committee of Eurostar International Limited and Senior Independent Director of LCR.

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 11 August 2014.

External appointments

Chair of Defence Equipment and Support ("DE&S") and Vice Chair of UK Government Investments ("UKGI").

Committee membership

A R

Robert Woods
Independent Non-Executive Director

Skills and experience

Mr Woods has over 40 years' experience in the shipping and port industry. He is the Chairman of P&O Ferries, and Chairman of the UK Boards comprising DP World Southampton and DP World London Gateway.

He was formerly the Chief Executive of The Peninsular and Oriental Steam Navigation Company, and a Non-Executive Director of Cathay Pacific Airways, Tilbury Container Services Limited and John Swire & Sons. In 2012, he was appointed President of the Chartered Institute of Shipbrokers and he is an Honorary Captain of the Royal Naval Reserve.

Date of appointment

Appointed to the Board as an Independent Non-Executive Director on 1 January 2014.

External appointments

Director at the Chamber of Shipping of the United Kingdom, the Greenham Common Trust, and St. George's House Trust (Windsor Castle), Chairman of the Navy League, Chairman of the Sea Cadet Association.

Committee membership

N R

REPORT OF THE DIRECTORS

The Directors present their report and accounts for the year ended 31 December 2019.

The Corporate Governance section, commencing on page 48, and the Audit and Risk Committee Report, commencing on page 63, form part of this Directors' Report. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, they fulfil disclosure requirements as discussed in the Corporate Governance section, commencing on page 48.

The Strategic Report, commencing on page 2, describes the principal activities, operations, performance and financial position of DP World PLC (the "Company") and its subsidiaries (collectively, the "Group"). The results of the Group are set out in detail in the Consolidated Financial Statements and accompanying notes, commencing on page 72.

The principal subsidiaries, joint ventures and associates are listed on pages 118 to 120.

Directors

The Directors of the Company as at 31 December 2019 are detailed on pages 48 to 49.

These pages contain their biographical details along with the details of their Board Committee memberships.

The Corporate Governance Report, which commences on page 48, includes details of the Board and Committee membership changes that occurred during the financial year ending 31 December 2019.

In accordance with the Company's Articles of Association, all Directors offer themselves annually for re-election at the Annual General Meeting ("AGM"). The Corporate Governance section of this report contains details of the Directors' remuneration and their interests in the Company's shares; this information can be found on page 70.

Financial instruments

Details regarding the use of financial instruments and financial risk management are included in the Notes to Consolidated Financial Statements commencing on page 81.

Results

The Group's Consolidated Financial Statements for the year ending 31 December 2019 are shown on pages 76 to 80.

Dividend

The Directors recommend a final dividend of $332.0 million or 40.0 US cents per share. Subject to approval by shareholders, the dividend will be paid on 29 April 2020 to shareholders on the Register at the close of business on 26 March 2020.

Events after the reporting period

On 6 January 2020, the Group completed the acquisition of 77% stake in Feedertech Group in Singapore. The transaction value is less than 1% of the Group's net asset value. Feedertech is a container feeder and shortsea network operator connecting the fast-growing trade route of Asia to the Middle East via the Indian Subcontinent.

On 17 February 2020, the boards of directors of Port & Free Zone World FZE ("PFZW") and DP World PLC announced that they have reached agreement on the terms of a recommended cash offer ("the Offer") by PFZW for the entire issued and to be issued ordinary share capital of the Company, other than the shares already owned by or on behalf of the PFZW. (PFZW currently holds 667,735,000 DP World PLC shares, representing 80.45% of the existing issued ordinary share capital of the Company). It is intended that the Offer will be implemented by way of a scheme of arrangement under Part 9 of the DIFC Companies Law. Successful implementation of the Offer will give PFZW the opportunity to

have 100% ownership of the Company. On or shortly after the completion (or lapse) of the Offer, the Company plans to apply to delist from Nasdaq Dubai.

On 20 February 2020, the Group completed the 100% acquisition of Fraser Surrey Docks from Macquarie Infrastructure Partners. Fraser Surrey Docks is a large, multi-purpose marine terminal located in the greater Vancouver area of British Columbia, Canada. The acquisition has been effected through the investment alliance with Caisse de dépot et placement du Québec (CDPQ), with the Group holding 55% share while CDPQ holding the remaining 45%.

See note 38 to the Consolidated Financial Statements.

Sustainability

The Group is committed to integrating responsible business practices in all aspects of our operations. Further information regarding our approach to sustainability is contained in the Sustainability and Impact section of this report commencing on page 38. This section of the report outlines our commitment to invest in our people, protect our environment, ensure the highest safety standards and build a vibrant, secure and resilient society.

Board diversity

The Company recognises and embraces the benefits of having a diverse Board, and seeks to increase diversity at Board level which it sees as an essential element in maintaining the Company's competitive advantage. A Diversity Policy was developed for the Board, which recognises that a truly diverse board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences are considered in determining the optimum composition of the Board. The Board considered its diversity as part of the annual evaluation of the performance and effectiveness of the Board and Board Committees.

The Nominations and Governance Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition, the Nominations and Governance Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the Nominations and Governance Committee considers candidates on merit against objective criteria and with due regard to the benefits of maintaining a balanced and diverse board.

Substantial shareholdings

As at the date of this report, the Company has been notified that the following entity has an interest in the Company's shares amounting to 5% or more.

	Class	Shares	Percentage of class
Port & Free Zone World FZE	Ordinary	667,735,000	80.45%

Going concern

The Directors, having made enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore they consider it appropriate to adopt the going concern basis in preparing the accounts. Further details can be found under note 2 to the Consolidated Financial Statements.

Audit information

Having made the required enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Articles of Association

The Articles set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment and removal of Directors and the conduct of the Board and general meetings. Subject to DIFC Companies Law and the Articles, the Directors may exercise all the powers of the Company and may delegate authorities to Committees and day-to-day management and decision making to individual Executive Directors. Details of the main Board Committees can be found on pages 63 to 67.

Indemnity

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

Authority to purchase shares

At the Company's AGM on 25 April 2019, the Company was authorised to make market purchases of up to 29,050,000 ordinary shares (representing approximately 3.5% of the Company's issued shares). No such purchases were made during 2019. Shareholders will be asked to approve the renewal of a similar authority at the Company's AGM to be held on 23 April 2020.

Auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the AGM to be held on 23 April 2020.

Share capital

As at 31 December 2019, the Company's issued share capital was $1,660,000,000 comprising 830,000,000 ordinary shares of $2.00 each.

Annual General Meeting

This year the Company will conduct its AGM on 23 April 2020. Full details are set out in the Notice of AGM which is available on the Company's website, **www.dpworld.com**.

By order of the Board

MOHAMMAD AL HASHIMY
DEPUTY GROUP GENERAL COUNSEL & COMPANY SECRETARY
19 MARCH 2020

CHAIRMAN'S INTRODUCTION

"The implementation of good governance practices adds value to our performance, improves our strategic thinking, and allows us to run our business more effectively and better monitor the risks we face."

Good governance and risk management are core to our business achieving its objectives. The DP World business model integrates best practice in these areas and is the blueprint to achieving our vision as a Group: to lead the future of world trade.

The implementation of good governance practices adds value to our performance, improves our strategic thinking, and allows us to run our business more effectively and better monitor the risks we face.

The Corporate Governance Report has been structured to align with the principles set out in the Corporate Governance Best Practice Standards as detailed in the Dubai Financial Services Authority (the "DFSA") Markets Rules. It sets out the actions that we have taken in 2019 to implement these practices.

Leadership

A balanced Board with the necessary skills, knowledge and industry experience to lead our Group is key to achieving our strategic objectives and long term goals. Details of the role of the Board, the Directors' responsibilities, the Board composition and activities during the year are given in the Corporate Governance section on pages 54 to 58. The membership and work of the principal Board Committees are included on pages 63 to 67.

The Board remains committed to effectively leading the Company, ensuring that our business is managed prudently and soundly to drive sustained long term value for our shareholders. The balance of skills and expertise on our Board will allow us to continue creating value as we expand our horizons and lead the future of world trade.

Accountability

Our Corporate Governance practices lay down the framework for creating long term trust between us and all our stakeholders – our shareholders, customers, employees, suppliers, governments and communities. We will continue to engage with our stakeholders and encourage effective dialogue with our shareholders.

As the Board, we are ultimately responsible for determining the Group's risk appetite and its willingness to accept certain risks in pursuit of achieving the Group's strategic objectives. The Board is also responsible for maintaining appropriate risk management and internal control systems. During 2019, we continued to review the Group's principal risks that could have material effects on our business, financial condition and reputation. The principal risks and our approach to managing them are discussed on pages 26 to 33 of the Strategic Report and an outline of our internal controls and compliance procedures is contained on pages 59 to 61 in this Corporate Governance section.

We also report on the remuneration structures and their alignment with the long term interests of the Group on pages 68 to 69 in the Remuneration Committee Report.

We look forward to another prosperous year as we strive to be leaders in world trade by undertaking our business with the highest standards of good governance.

SULTAN AHMED BIN SULAYEM
GROUP CHAIRMAN AND CHIEF EXECUTIVE OFFICER
19 MARCH 2020

OVERVIEW

DP World PLC (the "Company") is incorporated in the Dubai International Financial Centre (the "DIFC") and was admitted in 2007 to the official list of securities on Nasdaq Dubai.

The Company must therefore comply with the regulatory obligations of the DIFC Markets Law and the various rules made by the DFSA thereunder (together with DIFC Markets Law, the "Nasdaq Dubai Rules"). The Board reviewed and monitored the policies and procedures in place during the year to ensure compliance with the Corporate Governance principles of the Nasdaq Dubai Rules as briefly summarised below.

The Directors believe that these rules, including the mandatory Corporate Governance principles enshrined in them and the best practice standards which support the principles, provide a robust basis on which to maintain corporate governance best practice for the benefit of the Company's shareholders.

Board Committees' reports

A separate section of a company's Annual Report should, under the Nasdaq Dubai Rules, describe the work carried out by each of the Audit and Risk, the Remuneration and the Nominations and Governance Committees in discharging their responsibilities.

See **page 63** for the **Audit and Risk Committee** report →

See **page 66** for the **Nominations and Governance Committee** report →

See **page 67** for the **Remuneration Committee** report →

Leadership

Principle 1
Requires an effective Board of Directors which is collectively accountable for ensuring that the Reporting Entity's business is managed prudently and soundly.

Principle 2
Requires a clear division between the responsibilities of the Board and senior management.

Principle 3
The Board and its committees must have an appropriate balance of knowledge, experience and adequate resources.

To read more about our **Board's Leadership** see **page 54** →

Accountability

Principle 4
The Board must ensure that there is an adequate, effective, well-defined and well-integrated risk management, internal control and compliance framework.

Principle 5
The Board must ensure that the rights of shareholders are properly safeguarded and that there is effective dialogue between the Board and the Company's shareholders.

To read more about our **internal controls** and **compliance framework,** see **pages 59 to 61**

To read more about our **shareholder engagement**, see **page 62** →

Position and prospects

Principle 6
The Board must ensure that any reports present an accurate, balanced and understandable assessment of the Company's financial position and prospects.

To read more see our **Statement of Directors' Responsibilities** on **page 71** →

Remuneration

Principle 7
The Board must ensure that the Company's remuneration structures and strategies are well aligned with the long term interests of the Company.

To read more see our **Remuneration Committee report** on **page 67** →

LEADERSHIP

The Company's Board of Directors ensures that the business of the Company and its subsidiaries (the "Group") is managed prudently and soundly. The Board's primary responsibility is to foster the long term success of the Group.

Effective Board leadership requires a clear division between the Board's responsibilities and those responsibilities which the Board has delegated to management.

The matters reserved for Board decision include:

- setting the strategic objectives of the Group;
- declaring dividends;
- approving major transactions;
- setting the annual budget for the Group;
- approving safety and environment policies; and
- insurance, risk management and internal controls.

The Board has delegated the following responsibilities to management:

- the development and recommendation of strategic plans for consideration by the Board that reflect the long term objectives and priorities established by the Board;
- implementation of the Group's strategies and policies as determined by the Board;
- monitoring the operating and financial results against plans and budgets;
- monitoring the quality of the investment process against objectives, prioritising the allocation of capital and technical resources; and
- developing and implementing risk management systems, subject to the continued oversight of the Board and the Audit and Risk Committee as set out on page 59.

A full description of the matters reserved for Board decision are available on the Company's website, **www.dpworld.com**.

In accordance with the Company's Articles of Association (the "Articles"), all Directors offer themselves annually for re-election.

Details of the Directors of the Company are given on pages 48 to 49.

Roles and responsibilities of the Directors and officers of the Company

Role	Responsibilities
Group Chairman and Chief Executive Officer	The roles of Group Chairman and Chief Executive Officer are held by the same individual. The Group Chairman and Chief Executive Officer is responsible for the leadership of the Board, in conjunction with the Senior Independent Non-Executive Director. As leader of the executive team, he is also responsible for the day-to-day management of the Group and the execution of its strategy as approved by the Board, and facilitates the flow of information to and from the Board and the management committees of the Group. He is also Chairman of the Executive Committee. When acting as Chairman of the Board, the Group Chairman and Chief Executive Officer ensures, with the support of the Senior Independent Non-Executive Director and the Deputy Group General Counsel & Company Secretary, that the agendas are forward-looking; that relevant business is brought to the Board for consideration in accordance with the schedule of matters reserved for the Board; and that each Director has the opportunity to consider the matters brought to the meeting and to contribute accordingly.
Group Chief Financial, Strategy and Business Officer	The Group Chief Financial, Strategy and Business Officer is responsible for ensuring that objective financial, statutory and management information is provided to the Board and that the accounts and accounting principles of the Company are of the highest standards and integrity. Reporting responsibilities also include updating the Board on the progress made by the Company in achieving its financial objectives. The Group Chief Financial, Strategy and Business Officer's operational responsibilities include working closely with the Company's auditors, financial advisers and banks to manage the financial planning and risks of the Company.
Senior Independent Non-Executive Director	The Senior Independent Non-Executive Director (the "SID") is a Non-Executive Director appointed by the Board to provide support for the Chairman in leading the Board and serves as an intermediary for the other Directors where this is required to help them challenge and contribute effectively. In addition, the SID is required to work closely with the Chairman to ensure effective communication with shareholders and meet with the Independent Non-Executive Directors at least once a year to appraise the Chairman's performance. Together with the Chairman, Deepak Parekh leads the Board on governance matters and the annual performance review of the Board and its Committees. The Board believes that the support of the SID ensures that robust governance is maintained and that appropriate challenge to the Executive Directors is in place.
Independent Non-Executive Director	An Independent Non-Executive Director is a member of the Board who is not an employee of the Company or affiliated with it such that they bring to the Board qualities of independence and impartiality. They are often appointed due to their wide executive and industry experience, special knowledge and personal attributes that add value to the effectiveness of the Board. In compliance with the Corporate Governance Best Practice Standards in the Nasdaq Dubai Rules, at least one third of the Board was comprised of Non-Executive Directors and more than the required minimum of two were considered by the Company to be independent. The independence of the Independent Non-Executive Directors is considered annually and the Board believes that they have retained their independent character and judgement. The Board considers that the varied and relevant experience of all the Independent Non-Executive Directors provides an exceptional balance of skills and knowledge which is of great benefit to the Group. The Board increased the number of Independent Non-Executive Directors during 2016 and believes that the Group continues to benefit from the breadth of experience represented by its existing balance of Independent and Non-Independent Directors. The Company will continue to review the composition of the Board from time to time to ensure that an appropriate balance of Independent and Non-Independent Directors is maintained.
Deputy Group General Counsel & Company Secretary	The Deputy Group General Counsel & Company Secretary advises the Board, through the Group Chairman and Chief Executive Officer and Senior Independent Non-Executive Director, on all governance matters affecting the Company. He is responsible for supporting the Group Chairman and Chief Executive Officer with the setting of the Board's agenda and facilitating the flow of information to and from the Board. He is also responsible for the efficient administration of the Company, particularly with regards to ensuring compliance with statutory and regulatory requirements, and for ensuring that decisions of the Board of Directors are implemented. All Directors have access to the Deputy Group General Counsel & Company Secretary, and independent professional advice at the Company's expense, if required.

LEADERSHIP CONTINUED

Corporate governance framework

The Board is at the centre of our Corporate Governance Framework.

It is supported by a number of committees to which certain Board responsibilities are delegated. These committees, in turn, formally report to the Board following each meeting to ensure that the Board remains fully updated on their activities. The principal Board Committees include the Remuneration, Audit and Risk, and Nominations and Governance Committees, with formally delegated duties and responsibilities and written terms of reference. From time to time, the Board may set up additional committees to consider specific issues when the need arises. Reports on the activities of the principal Board Committees can be found on the following pages of this report and their terms of reference are available on the Company's website, www.dpworld.com. The Deputy Group General Counsel & Company Secretary provides support as the secretary for the principal Board Committees.

The Board considers that the Corporate Governance Framework promotes the prudent and sound management of the Company in the long term interest of the Company and its shareholders, and is effective in promoting compliance with the Corporate Governance principles of the Nasdaq Dubai Rules.

Board meetings

Although there is a prescribed pattern of presentation to the Board, including matters specifically reserved for the Board's decision, all Board meetings tend to have further subjects for discussion and decision taking. Board papers, including an agenda, are sent out in advance of the meetings. Board meetings are discursive in style and all Directors are encouraged to offer their opinions.

The Board met seven times during the year either in person or via telephone or video conference. In addition, written resolutions (as permitted by the Company's Articles of Association) were used as required for the approval of decisions that exceeded the delegated authorities provided to Executive Directors and Committees.

The table below sets out the attendance of the Directors at the Board and Committee meetings during the year.

Director	Board	Audit and Risk	Nominations and Governance	Remuneration
Sultan Ahmed Bin Sulayem	7(7)	–	2(2)	–
Yuvraj Narayan	7(7)	–	–	–
Deepak Parekh	6(7)	3(4)	–	1(2)
Robert Woods	7(7)	–	2(2)	2(2)
Mark Russell	6(7)	3(4)	–	2(2)
Nadya Kamali	7(7)	_	2(2)	–
Mohamed Al Suwaidi	7(7)	4(4)	_	2(2)
Abdulla Ghobash	7(7)	–	2(2)	–

Figures in brackets denote the total number of meetings held during the year.

2019 Board activities

Matters considered at all Board meetings

- Report on safety and environment performance and developments.
- Report on strategic and business developments from the Group Chairman and Chief Executive Officer.
- Report on the financial performance of the Group, including budgeting and financing updates.
- Report on corporate governance, including governance developments across the Group and regulatory updates.

Matters considered during the year

Leadership

- Reviewed and approved the structure, size and composition of the Board's Committees.
- Approved the formation of the Group Executive Safety and Environment Committee.

Financial reporting and controls

- Considered results and declared dividends.
- Approved Group Budget.
- Considered and approved major capital projects including new acquisitions and increases in the Company's holdings.
- The new acquisitions included an additional controlling stake in DP World Australia (Holding) Pty Ltd, 99.2% stake in Puertos y Logistica S.A. (Pulogsa) in Chile, the acquisition of the holding company of P&O Ferries and P&O Ferrymasters, and the acquisition of Topaz Energy and Marine Limited.

Strategy and management

- Received detailed regional presentations on performance against strategic objectives and key performance.
- Received reports outlining projects under current consideration of the Group.

Risk management

- Received the risk reviews, as considered by the Audit and Risk Committee.
- Monitored the status of legal claims.
- Received updates on insurance matters and approved the renewal of the Directors' and Officers' insurance.

Corporate governance

- Reviewed and re-affirmed the terms of reference of the Board Committees.
- Approved a revised Modern Slavery and Human Trafficking Statement.

Shareholders

- Reviewed and approved throughput announcements released during the year.
- Reviewed and approved preliminary, full and half-year results announcements.
- Approved the Company's Annual Report and Accounts.
- Received Annual General Meeting briefing, approved the notice and ancillary documents to be sent to shareholders and attended the meeting.

LEADERSHIP CONTINUED

Board evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation of the Board and its Committees is a key component of effective corporate governance. It is a vital tool to ensure that the Board discharges its responsibilities effectively and assists in identifying possible ways for improving the performance of the Board. For the financial year ended 31 December 2019, the Board evaluation was facilitated internally by the Deputy Group General Counsel & Company Secretary in accordance with the opposite process.

The evaluation process covered a wide range of issues including leadership, Board meeting dynamics, competency of Board members, succession planning, information quality and flow, relationship with senior management, quality of Board supervision and decision-making with emphasis on the Board's role in strategic decisions.

The Committee evaluations focused on the following areas:
- Assessing the balance and skills within each Committee.
- Identifying attributes required for any new appointments.
- Reviewing practice and process to improve efficiency and effectiveness.
- Considering the effectiveness of each Committee's decision-making processes.
- Recognising each Committee's outputs and achievements.

Evaluation process

STEP 1
Self-evaluation
Questionnaire completed by each Director to review Board and Committee performance.

STEP 2
Interview with Senior Independent Non-Executive Director and Chairman
Individual meetings held with Chairman and Senior Independent Non-Executive Director to review responses.

STEP 3
Consolidate and report
Deputy Group General Counsel & Company Secretary consolidates responses and presents results to the Board for its consideration.

STEP 4
Review and plan
Board reviews the evaluation results and prepares an action plan for the following year.

Tracking from previous evaluation and action for 2020

As a result of the evaluation of the Board's performance in December 2018 and the action plan that was subsequently developed, the Company reviewed the Board composition to ensure that it included the optimum balance of skills, experience and diversity and reviewed the succession planning and Board training programme.

The table below illustrates the findings from the December 2018 performance review, the actions taken by the Board and principal Committees during 2019, and the actions identified for 2020 as a result of the December 2019 performance review.

Findings in December 2018	**The following were identified during the review as areas for potential improvement:** • Review the Board composition to ensure the Board has the optimum balance of skills, experience and diversity. • Review the Company's succession planning and improve the Board's interaction with members of senior management. • Continue to focus on communication with institutional investors.
Progress in 2019	• Board members attended the Global Strategy Meeting in February 2019. • The location of Board meetings was rotated to give Board members the opportunity to visit DP World's global operations and meet with local senior management. • The Company has an ongoing commitment to open communications with institutional investors and shareholders – see the "Relations with shareholders" section starting on page 62.
Actions for 2020	• Continue to optimise the Board's exposure to and familiarity with senior management. • Enhance the succession planning and talent development to build a generation of future leaders and Directors. • Optimise the strategic and market review to gain further competitive advantage.

During the year, and as part of the Performance Evaluation Cycle, the composition of each of the Board's main Committees was reviewed. For further details about the membership and activities of each Committee please refer to the Committees' report.

See **page 63** for the **Audit and Risk Committee** report
See **page 66** for the **Nominations and Governance Committee** report
See **page 67** for the **Remuneration Committee** report

ACCOUNTABILITY

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management framework

Risk management is the responsibility of the Board and is integral to the achievement of our strategic objectives. The Board is responsible for establishing the system of risk management, setting the risk appetite of the Group and for maintaining a sound internal control system. Certain elements of this responsibility are overseen on behalf of the Board by the Audit and Risk Committee and the Enterprise Risk Management Committee.

The Group's risk management and internal control processes, which have been in place throughout the period under review, identify, measure, manage, monitor and report the key risks facing the Group. The risks which are considered to be material are reviewed by the Audit and Risk Committee and Enterprise Risk Management Committee then, together with their associated controls, are summarised in the risk profile and presented to the Board for review.

At the year-end, regional management certifies that the risk management process is in place, that an assessment has been conducted throughout their businesses and that appropriate internal control procedures are in place or in hand to manage the risks identified.

During the year the Enterprise Risk Management Committee met to provide a greater degree of oversight on the principal risks that may impact our Group. Recommendations arising from these meetings are presented to the Audit and Risk Committee for their review and consideration. A description of the process for managing enterprise risk, together with a summary of risks that could have a material impact on the Group and actions in place to mitigate those risks, are given on pages 26 to 33.

Internal controls

The Board is responsible for establishing and maintaining an effective system of internal control and has established a control framework within which the Group operates. This system of internal control is embedded in all key operations and is designed to provide reasonable assurance that the Group's business objectives will be achieved. The Audit and Risk Committee has reviewed the effectiveness of the system of internal controls and the risk management framework in accordance with its remit.

ACCOUNTABILITY CONTINUED

The risk management process and the system of internal controls are subject to continuous improvement

Organisational structure	A clearly defined organisational structure that provides clear roles, responsibilities and delegated levels of authority to enable effective decision making across the Group.
Code of Conduct	A Code of Conduct that sets out how the Group expects its employees to act.
Whistleblowing policy	A whistleblowing programme for employees to report complaints and concerns about conduct which is considered to be contrary to DP World's values. The programme is monitored by the Audit and Risk Committee.
Anti-bribery and corruption policy	An anti-bribery and corruption policy implemented by DP World, supported by online training that is directed and proportionate to the identified areas of risk.
Strategy and financial management	Clear strategy and financial management which is consistent throughout the organisation and can be actively translated into practical measures. Comprehensive reporting systems include monthly results, annual budgets and periodic forecasts, monitored by the Board, with key performance indicators produced to summarise and monitor business activity. Annual budgeting and strategic planning processes are in place, along with evaluation and approval procedures for major capital expenditure and significant treasury transactions.
Policies and procedures	Documented policies and procedures which are communicated to all Group functions and terminals.
Management reporting and self-certification	The Board receives regular management reporting and annual management self-certification which provides a balanced assessment of key risks and controls and is an important component of the Board's assurance.
Risk management and performance	Risk-profiling is completed for all terminals and the Group to identify, monitor and manage significant risks which could affect the achievement of the Group's objectives.
Information and communication	Board meetings take place regularly throughout the year and include a review of Group performance against budget and Group strategy and a review of monthly management accounts and financial reports. Financial forecasts are prepared every quarter. Actual performance is compared to budget, latest forecast and prior year on a monthly basis. Significant variances are investigated and explained through normal monthly reporting channels.
Assurance	The Group's assurance activities cover key business risks and contribute to the overall assurance framework. They include an independent Group Internal Audit function responsible for reporting to the Audit and Risk Committee on the evaluation of the adequacy of the internal control systems in place. The Board receives updates from the Audit and Risk Committee, based on regular information provided by both internal and external audit reports on the Group's risks and internal controls. Other assurance functions include Safety, Operations, Legal, and Company Secretariat.

Guidelines regarding insider trading
The Group takes all reasonable steps to avoid the risk of insider trading. It has adopted processes to keep all members of staff informed about their duties with respect to the handling of inside information, as well as dealings in the Company's securities.

The Group has a share dealing code which sets out the restrictions and "close" periods applicable to trading in securities. Memoranda and guidelines regarding dealings in shares (either selling or buying) have been circulated within the Group.

Anti-fraud
DP World has an anti-fraud policy and has introduced a comprehensive fraud management framework which includes a dedicated Fraud Risk Services team and a Fraud Supervisory Panel with members from executive management which takes effect in the event of serious incidents to oversee case management and to ensure appropriate actions are taken. Fraud risk assessments are conducted across various business units across the Group to identify potential fraud risk scenarios in core business processes and to monitor the internal controls in place to mitigate such risks.

The Audit and Risk Committee receives an update at each meeting on all reported allegations. The Audit and Risk Committee has reviewed the Group's whistleblowing procedures to ensure that arrangements are in place to enable employees to confidentially raise concerns about possible improprieties.

Anti-bribery and corruption
DP World has an anti-bribery and corruption policy with supporting processes and procedures that implement the requirements of the UK Bribery Act 2010 and underpin its commitment to preventing, detecting and responding to fraud, bribery and all other corrupt practices. The Group promotes and expects from its team the highest standards of personal and professional ethical behaviour.

To strengthen the Group's zero tolerance to fraud, bribery and corrupt practices, an online anti-bribery and corruption training course is rolled out to targeted employees, Directors and new joiners. The course provides an overview of the Group's anti-corruption policies and procedures, the importance of having an anti-bribery culture and its place in the Group's business practices, the consequences of breaching anti-bribery legislation, and how employees can report any suspicions of fraud and breaches of anti-bribery legislation.

DP World will continue to review its policies, processes and procedures and is networking with other international businesses to share best practice in this area.

Modern Slavery Act
DP World does not tolerate modern slavery or human trafficking in any part of our business. The Board has approved a Modern Slavery Act Transparency Statement in compliance with section 54 of the UK's Modern Slavery Act 2015, which is available to view on the Company's website, **www.dpworld.com**.

Compliance Statement
DP World PLC (the "Company") is incorporated in the Dubai International Financial Centre ("DIFC") and was admitted in 2007 to the official list of securities on Nasdaq Dubai. During the Financial Year, the Company was subject solely to the regulatory obligations of the DIFC Markets Law and the various rules made by the Dubai Financial Services Authority thereunder (together with DIFC Markets Law, the "Nasdaq Dubai Rules"). The Board reviewed and monitored the policies and procedures that were in place during the year to ensure compliance with the Corporate Governance principles of the Nasdaq Dubai Rules.

For the year ended 31 December 2019, the Company complied with the provisions of the Nasdaq Dubai Rules other than:

- Paragraph 16 of App 4 to the Nasdaq Dubai Rules ("App 4") – the roles of Chairman and of Chief Executive Officer were held by the same individual. The appointment of the Chairman, Sultan Ahmed Bin Sulayem, as Chief Executive Officer was approved by the shareholders at the Company's Annual General Meeting in April 2016. Furthermore, in accordance with paragraph 17 of App 4, the Board has established measures to ensure that it can properly discharge its function of providing effective oversight of the management of the Company:
  - the Board is comprised of a majority of Independent Non-Executive Directors;
  - the Executive Directors and senior managers have objectives and their performance against these objectives is reviewed by the Remuneration Committee, which is entirely comprised of Independent Non-Executive Directors.

RELATIONS WITH SHAREHOLDERS

The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relations activities.

Shareholder engagement calendar for 2019

January to March

- Full Year 2018 Throughput Announcement with Investor Call (Dubai, UAE)
- EFG Hermes – 15th Annual One on One Conference (Dubai, UAE)
- Full Year 2018 Results Announcement with Investor Call (Dubai, UAE)
- Full Year 2018 Post Results Roadshow (US, UK)
- Bonds, Loans & Sukuk Middle East (Dubai, UAE)

July to September

- 2019 Half-Year Throughput Announcement (Dubai, UAE)
- Fixed Income Roadshow (London, UK, Singapore, Hong Kong)
- 2019 Half-Year Results Announcement with Investor Call (Dubai, UAE)
- 2019 Half-Year Post Results Roadshow (US, UK, Europe)
- Citi's GEM Conference New York 2019 (New York, USA)
- EFG Hermes 9th Annual London Conference (London, UK)
- Arqaam Capital MENA Investors Conference 2019 (Dubai, UAE)
- 2019 MEIRA Annual Conference & Awards – 11th Edition (Dubai, UAE)

April to June

- DFM International Investor Roadshow 2019 (New York, USA)

October to December

- 9M 2019 Throughput Announcement with Investor Call (Dubai, UAE)
- AML MENA Conference 2019 (Dubai, UAE)

The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relations activities.

In 2019, we held over 275 meetings and met over 200 institutions, attended four international roadshows, participated at three local conferences and two international conferences and organised over 30 port tours for investors at Jebel Ali.

The Company's full and half-year results and quarterly throughput announcements are reported to investors through a combination of presentations and conference calls. The full and half-year reporting is then followed by investor meetings in major cities where the Company has or is targeting institutional shareholders. These locations may include Asia, Europe, the Americas and the UAE.

Regular attendance at industry and regional investor conferences provides opportunities to meet with existing and prospective shareholders in order to update them on performance or to introduce them to the Group. In addition, the Group frequently hosts investor and analyst visits to its ports around the world, offering analysts and shareholders a better understanding of the day-to-day business and the opportunity to meet regional and port management teams.

The Board receives regular updates on shareholders' views through briefings from the Group Chairman and Chief Executive Officer and Group Chief Financial, Strategy and Business Officer as well as reports from the Company's corporate brokers and Investor Relations team. In 2019, the Company maintained corporate broking relationships with Citigroup Global Markets Limited and HSBC Middle East Limited.

The Group Chairman and Chief Executive Officer, the Senior Independent Non-Executive Director and the chairs of the Board's Committees are available to meet major investors on request. The Senior Independent Non-Executive Director has a specific responsibility to be available to shareholders who have concerns, and for whom contact with the Group Chairman and Chief Executive Officer or Group Chief Financial, Strategy and Business Officer has either failed to resolve their concerns, or for whom such contact is inappropriate.

Visit our dedicated Investors page on our corporate website, **www.dpworld.com/investors**

Contact our Investor Relations team:
Redwan Ahmed, Director – Investor Relations
Email: Investor.Relations@dpworld.com
Phone: +971 (0)4 881 1110

Share and dividend enquiries:
Link Market Services (EMEA) Limited
Email: dpworld@linkmarketservices.com
Phone: +971 (0)4 401 9983

AUDIT AND RISK COMMITTEE

Members

- Mark Russell (Committee Chair)
- Deepak Parekh
- Mohamed Al Suwaidi

During 2019, the Audit and Risk Committee was comprised of three members, all of whom are Independent Non-Executive Directors. The secretary to the Audit and Risk Committee is Mohammad Al Hashimy, Deputy Group General Counsel & Company Secretary.

Committee meetings
The Audit and Risk Committee meets formally at least four times a year and as otherwise required.

Attendance at the Audit and Risk Committee meetings is set out in the table on page 57.

2019 activities
See page 64 for detailed activities of the Audit and Risk Committee during the year.

Role of the Committee
The primary role of the Audit and Risk Committee is to ensure the integrity of the financial reporting and audit process and to oversee the maintenance of sound internal control and risk management systems. This includes the responsibility to:

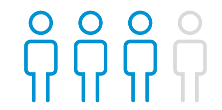
- make recommendations to the Board on the appointment and remuneration of the external auditors, review and monitor the external auditors' performance, expertise, independence and objectivity along with the effectiveness of the audit process and its scope;
- review and monitor the integrity of the Group's financial statements and the significant reporting judgements contained in them;
- monitor the appropriateness of accounting policies and practices;
- review the adequacy and effectiveness of financial reporting and internal control policies and procedures and risk management systems;
- monitor and review the activities and effectiveness of the Internal Audit function;
- review the effectiveness of the Group's whistleblowing policies; and
- monitor risks and compliance procedures across the Group.

External and internal auditors are invited to attend the Audit and Risk Committee meetings, along with any other Director or member of staff considered necessary by the Committee to complete its work. The Committee meets with external auditors and internal auditors without Executive Directors or members of staff present at least once a year, and additionally as it considers appropriate.

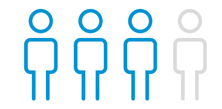
The full terms of reference of the Audit and Risk Committee can be found on DP World's website, **www.dpworld.com.**

Meetings attended

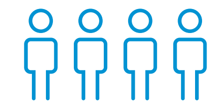
Mark Russell (Committee Chair)



Deepak Parekh



Mohamed Al Suwaidi



AUDIT AND RISK COMMITTEE
CONTINUED

Significant issues

We identified the issues below as significant in the context of the 2019 financial statements. We consider these areas to be significant, taking into account the level of materiality and the degree of judgement exercised by management. We debated the issues in detail to ensure that the approaches taken were appropriate.

IMPAIRMENT TESTING (SEE NOTE 17 TO THE FINANCIAL STATEMENTS)

Area of focus

An impairment review is carried out annually by management to identify cash generating units (CGU – operating port or group of ports) in which the recoverable amount of the CGU is less than the value of the assets carried in the Group's accounts. Impairment results in a charge to the Group income statement.

Key judgements and assumptions need to be made when valuing the assets of the cash generating units and the quantum of potential future cash flows arising from those assets.

Committee action

We considered the significant judgements, assumptions and estimates made by management in preparing the impairment review to ensure that they were appropriate. In particular, the cash flow projections, budgeted margins, discount rates, inflation, perpetuity growth rates and sensitivity analysis were reviewed. We obtained the external auditors' view in relation to the appropriateness of the approach, the key sensitivities in determining the recoverable amount and outcome of the review. Taking this into account, together with the documentation presented and the explanations given by management, we were satisfied with the thoroughness of the approach and judgements taken. The review did not result in any impairment during the year.

BUSINESS ACQUISITION & DISPOSAL ACCOUNTING

Area of focus

During the year, the Group acquired the following entities which are consolidated in the Group's financial statements:

- On 28 February 2019, the Group acquired additional 35.25% ownership in DP World Australia (Holding) Pty Ltd. As a result of this transaction, the Group's equity interest increased from 25% to 60.25%, obtaining control of this entity. Further, effective 20 December 2019, the Group sold 45% of its existing ownership in DP World Australia whilst maintaining control through retaining the majority of the voting rights.
- On 5 April 2019, the Group acquired 99.2% stake in Puertos y Logistica S.A. (Pulogsa) in Chile. On 8 May 2019, the Group sold 45% of its stake whilst retaining control.
- Effective 1 July 2019, the Group acquired 100% ownership in the holding company of P&O Ferries and P&O Ferrymasters (together P&O Ferries).
- Effective 18 September 2019, the Group acquired of 100% of Topaz Energy and Marine Limited ("Topaz").

Acquisition and disposal accounting involves estimating the fair value of assets and liabilities at the acquisition/disposal date, including the identification and valuation of intangible assets and goodwill and calculating the profit/loss on disposal. Significant judgement is involved in relation to the assumptions used in the valuation and purchase price allocation process. The Group engages independent third party specialists to prepare valuation reports which are then subject to external auditors' review. We also considered the accounting for the disposal of the Group's interests for Australia and Pulogsa and were satisfied that the Group continued to exercise control over these investments.

Committee action

We considered the significant judgements made by management in concluding the classification of DP World Australia (Holding) Pty Ltd as a subsidiary of the Group. We reviewed management's assumptions as well as obtaining external auditors' comments with respect to the key areas outlined in the third party valuation reports in relation to the valuation and allocation of purchase price on the above acquisitions, based on valuation reports and were satisfied with the assumptions, judgements and conclusions reached.

CONTINGENCIES (SEE NOTE 37 TO THE FINANCIAL STATEMENTS)

Area of focus

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

Committee action

We focused on the potential liabilities arising from litigation claims. To determine whether the level of provisioning in the balance sheet or disclosure in the financial statements was appropriate, we considered inputs from the Group's legal counsel and external lawyers. We obtained external auditors' comments on this area and concluded that the approach taken in respect of provisioning and disclosure continued to be appropriate.

TAX PROVISION

Area of focus

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes.

Committee action

We reviewed the updates from the Tax Director and reports from the external auditors' tax specialists. We considered the appropriateness of tax provisions in relation to the updates and reports received and concluded that the treatment adopted was fair and reasonable.

POST-EMPLOYMENT OBLIGATIONS (PENSIONS)

Area of focus

Determining the current value of the Group's future pension obligations requires a number of assumptions. These assumptions relate principally to life expectancy, discount rates applied to future cash flows and rates of inflation and future salary increases.

Committee action

Valuation assumptions, prepared by external actuaries and adopted by management, were considered in light of prevailing economic indicators and the view of the external auditors. These were accepted as appropriate.

Financial reporting

The Audit and Risk Committee reviewed the annual update to the Group's Accounting Policies. The significant accounting judgements and policies adopted in respect of the Group's financial statements were agreed and considered appropriate. The appropriateness of the transactions separately identified as Separately Disclosed Items ("SDI") in the financial statements in order to highlight the underlying performance for the period were discussed and approved. The Committee also reviewed external auditors' reports and documentation prepared to support the going concern judgement.

Internal audit

The scope of activity of Group Internal Audit is monitored and reviewed at each Audit and Risk Committee meeting. An annual plan was agreed by the Audit and Risk Committee in December 2018 which covers the activities performed by the function during the year ended 31 December 2019.

During the year, the Chief Internal Auditor attended all Audit and Risk Committee meetings and provided the Committee with a detailed report on internal audit activities, which the Committee reviewed and discussed in detail. The Audit and Risk Committee considered the matters raised and the adequacy of management's response to them, including the time taken to resolve any such matters. The Chair of the Audit and Risk Committee met with the Chief Internal Auditor on a periodic basis to discuss progress and received reports on the function's work on a monthly basis.

The Audit and Risk Committee discussed and reviewed the Chief Internal Auditor's plans for continuing to improve the effectiveness of the function including digital transformation initiatives: introducing digital bots to perform routine and repetitive audit tasks; developing an audit intelligence data tool to identify risk insights; delivering remote and faster IT security testing; and using advanced data analytics to further enhance audits. The Chief Internal Auditor focused on a proposed training plan to upskill Internal Audit team members in new and emerging technologies to ensure its continued ability to provide effective assurance in these areas. The Global Guest Auditor Programme ("GAP"), run by Group Internal Audit, will continue to invite employees with subject matter expertise from the Group to join the Internal Audit team on assignments overseas to promote mutual exchange of expertise, ideas and best practices across the business. Based on its ongoing review, the Committee was satisfied with the effectiveness of the Group's Internal Audit function.

Risk management

The Enterprise Risk Management Framework is designed to identify, measure, manage, monitor and report the principal risks to the Group in achieving its business objectives and is embedded throughout the Group.

During 2019, we continued to monitor and review the principal risks relating to the Group's business performance that could materially affect our business, financial performance and reputation. A summary of our principal risks can be found on pages 28 to 33. The principle committees that oversee risk management are the Enterprise Risk Management Committee and the Audit and Risk Committee. The Audit and Risk Committee works closely with the Enterprise Risk Management Committee and is responsible for assisting the Board in its oversight of risk and risk management across the Group.

Risk management reports, prepared by the Group Head of Enterprise Risk & Resilience, were submitted to the Audit and Risk Committee in March 2019, June 2019, August 2019 and December 2019. These reports summarise submissions from all areas of the Group and were also reviewed by senior management. The reports highlight the risk mitigation strategies that are employed to reduce potential risk exposure to the acceptable risk tolerance levels.

In December 2019, the Audit and Risk Committee reviewed the effectiveness of the Group's overall Enterprise Risk Management ("ERM") Policy and Framework, including the Group-wide approach to the identification, assessment, mitigation, monitoring and reporting of risks for the year ended 31 December 2019.

Internal controls

During the year, the Audit and Risk Committee monitored and reviewed the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls, as well as the Company's statements on internal controls, before they were agreed by the Board for this Annual Report.

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss. Such systems are necessary to safeguard shareholders' investment and the Company's assets and depend on regular evaluation of the extent of the risks to which the Company is exposed.

The Audit and Risk Committee can confirm that the Company's systems and their effectiveness have been in place for the full financial year and up to the date on which the financial statements were approved, and are regularly reviewed by the Board. The Audit and Risk Committee is of the view that the Company has a well-designed system of internal control. The Chairperson of the Audit and Risk Committee reports any matters arising from the Audit and Risk Committee's review to the Board following each meeting. This update covers the way in which the risk management and internal control processes are applied and on any breakdowns in, or exceptions to, these processes. There were no significant failings or weaknesses identified. These processes have been in place throughout the year ended 31 December 2018 and have continued to the date of this report.

Whistleblowing and fraud

DP World's Whistleblowing policy, which supports the Group-wide Code of Conduct, is monitored by the Audit and Risk Committee. A copy of the Group's Code of Conduct is available on DP World's website **www.dpworld.com**.

The Audit and Risk Committee received and considered, at each Audit and Risk Committee meeting, all matters reported through the Group's international confidential whistleblowing reporting mechanism (telephone, email, web application) which is operated on its behalf by an independent third party. All matters reported are investigated by DP World's Fraud Risk Services team and, where appropriate, reported to the Committee, together with details of any corrective action taken. The Committee also received reports at each meeting providing details of fraud losses in each quarter.

External audit

Throughout the year, the Audit and Risk Committee monitored the cost and nature of non-audit work undertaken by the auditors and was in a position to take action if it believed that there was a threat to the auditors' independence through the award of this work.

KPMG LLP are the Company's external auditors. The Audit and Risk Committee's Chairperson meets the lead audit partner before each meeting and the whole Audit and Risk Committee meets with KPMG in private at least once a year.

The Audit and Risk Committee has undertaken an annual review of the independence and objectivity of the auditors and an assessment of the effectiveness of the audit process, which included a report from the external auditors of their own internal quality procedures. It also received assurances from the auditors regarding their independence. On the basis of this review, the Audit and Risk Committee recommended to the Board that it recommends to the shareholders that they support the re-appointment of the auditors at the AGM on 23 April 2020.

NOMINATIONS AND GOVERNANCE COMMITTEE

Members

Nadya Kamali (Committee Chair)

Robert Woods

Abdulla Ghobash

Sultan Ahmed Bin Sulayem

During 2019, the Nominations and Governance Committee was comprised of four members, three of whom are Independent Non-Executive Directors. The secretary to the Committee is Mohammad Al Hashimy, Deputy Group General Counsel & Company Secretary.

Committee meetings
The Nominations and Governance Committee meets formally at least twice a year and as otherwise required. Attendance at the Nominations and Governance Committee meetings is set out in the table on page 57.

2019 activities
During the year, the Nominations and Governance Committee:
- considered the current composition of the Board and the mix of skills, knowledge and experience.

Role of the Committee
The Nominations and Governance Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity of the Board and, in particular:
- recommending individuals to be considered for election at the next AGM of the Company or to fill vacancies; and
- preparing a description of the role and capabilities required for a particular appointment.

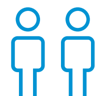
The Nominations and Governance Committee is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors.

As an initial stage in the Director appointment process, the Company collects and reviews potential candidates' CVs against an established set of appointment criteria, following which the chosen candidate meets with the Company's Senior Independent Non-Executive Director, the Chair of the Nominations and Governance Committee, as well as with other Board members as appropriate. Alongside this, the Company collects detailed background information regarding the chosen candidate, including their professional experience and qualifications, through the completion of a pre-appointment questionnaire.

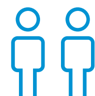
Following the completion of this process, the candidate is put forward to the Nominations and Governance Committee for consideration. If the Nominations and Governance Committee recommends the candidate's appointment, the appointment is put to the Board for consideration and, if appropriate, approval.

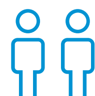
The full terms of reference of the Nominations and Governance Committee can be found on DP World's website, **www.dpworld.com**.

Meetings attended

Nadya Kamali (Committee Chair) 

Robert Woods

Abdulla Ghobash 

Sultan Ahmed Bin Sulayem 

REMUNERATION COMMITTEE

Members

Deepak Parekh (Committee Chair)

Mark Russell

Robert Woods

Mohamed Al Suwaidi

During 2019, the Remuneration Committee was comprised of four members all of whom are Independent Non-Executive Directors. The secretary to the Committee is Mohammad Al Hashimy, Deputy Group General Counsel & Company Secretary.

Committee meetings
The Remuneration Committee meets formally at least twice a year and otherwise as required. Attendance at the Remuneration Committee meetings is set out in the table on page 57.

2019 activities
During the year, the Remuneration Committee:
- reviewed the cash allowances, salary structures and total remuneration competitiveness of DP World's Executive Directors and senior management;
- reviewed the Company's Performance Delivery Plan and Long Term Incentive Plan design and rules; and
- reviewed the performance against objectives of Executive Directors and senior managers.

Role of the Committee
The Remuneration Committee determines and agrees with the Board the framework and broad policy for the remuneration of the Group Chief Executive Officer and Group Chief Financial, Strategy and Business Officer and other members of senior management.

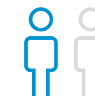
The Remuneration Committee's policy is to review remuneration based on independent assessment and market practice.

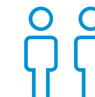
The remuneration of Independent Non-Executive Directors is a matter for the Chairman and executive members of the Board. No Director is involved in any decisions as to their own remuneration.

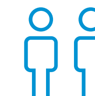
The Remuneration Committee's responsibilities include:
- reviewing and providing the Board with a recommendation for a suitable remuneration framework for the Company;
- monitoring the level and structure of remuneration for senior management and recommending adjustments where appropriate;
- keeping under review its own performance, constitution and terms of reference; and
- considering other matters as referred to it by the Board.

The full terms of reference of the Remuneration Committee can be found on DP World's website, **www.dpworld.com**.

Meetings attended

Deepak Parekh (Committee Chair) 

Mark Russell 

Robert Woods 

Mohamed Al Suwaidi

REMUNERATION

Executive reward policy

The reward policy for Executive Directors and senior management (Executive Committee and other experienced managers) is guided by the following key principles:

- business strategy support: aligned with our business strategy with focus on both short term goals and the creation of long term value ensuring alignment to shareholders' interests;
- competitive pay: ensures competitiveness against our target market;
- fair pay: ensures consistent, equitable and fair treatment within the organisation; and
- performance-related pay: linked to performance targets via short and long term incentive plans and the pay review process.

The reward policy for Executive Directors and senior management consists of the following key components:

1. Market benchmark:

- the target market position is between median and upper quartile on a total remuneration basis;
- for Executive Directors and senior management based in Dubai, practice and policy reflect the structure of the Dubai pay market, whilst at the same time ensuring competitiveness on an international basis. Variable pay is also reviewed and balanced against the total remuneration package; and
- DP World engages the services of Korn Ferry Hay Group as the main provider of market information and as advisers on particular remuneration matters. This is subject to periodic review.

2. Base salary:

- fixed cash compensation based on level of responsibility as determined by applying a formal job evaluation methodology;
- reflects local practice in each of the geographies in which DP World operates, but is also set against common market policy positions; and
- reviewed annually on 1 April to take into account market pay movements, individual performance, relativity to market on an individual basis and DP World's ability to pay.

Allowances and benefits

- Can either be cash or non-cash elements based on level of responsibility as determined by applying a formal job evaluation methodology;
- Reflect local practice in each of the geographies in which DP World operates, but are also set against common market policy positions;
- For Executive Directors and senior management based in Dubai, cash allowances are a normal component of the package and typically cover accommodation, utility, transport and club elements in line with Dubai market practice. Benefits include providing children's education assistance, travel assistance, medical and dental insurance and post-retirement benefits; and
- Reviewed annually to ensure that DP World remains competitive within the market place and that it continues to provide the reward mechanisms to aid retention in line with its ability to pay.

Incentive plans

The Company has adopted a short term Performance Delivery Plan and a Long Term Incentive Plan for its Executive Directors and senior managers. Details of these plans are outlined below.

	Description	2019 Implementation
Performance Delivery Plan ("PDP")	Cash-based incentive plan to motivate, drive and reward performance over an operating cycle of one year. The PDP combines business financial performance and individual performance objectives. Levels of awards, financial and personal measures and weightings will vary depending on the individual's role, geography and level of responsibility. For individuals outside the Executive Directors and senior management category, the principle is then typically cascaded throughout the terminals' organisational levels in line with local policies. Appropriateness of the levels of awards, financial and personal measures and weightings are reviewed on an annual basis to ensure they continue to support our business strategy. Payment is in cash and is expected to be made in April each year for performance over the previous financial year, subject to review and sign-off by the Remuneration Committee.	The PDP for the financial year ended 2019 (award to be paid in 2020) and 2018 (award paid in 2019) is worth a maximum of 150% of annual base salary. It is made up of two components: a financial component worth 70% of the overall award value and a personal component worth 30% of the overall award value. The financial component is based on performance assessed against a budgeted Profit After Tax ("PAT") measure. Payout on the financial component is triggered if the Company achieves 95% of its target. Maximum payout on the financial component will occur if the Company achieves 105% of its target. The payout for performance between 95% and 105% of target is on a straight-line basis. The personal component is based on performance assessed against Specific, Measurable, Attainable, Relevant and Timebound ("SMART") objectives for 70% of the personal award and against the Founder's Principles for 30% of the personal award. The objectives are particular to each individual role and can include financial based objectives and more qualitative ones.
Long Term Incentive Plan ("LTIP")	Cash-based rolling incentive plan to motivate, drive and reward sustained performance over the long term operating cycle of three years. The LTIP reflects business financial performance only. Levels of awards, financial measures and weightings will vary depending on the individual's role, geography and levels of responsibility. In addition to the Executive Directors and senior managers, employees performing the top 100 jobs (as determined by job size) are also eligible to participate in the LTIP in line with the same financial metrics as described for Executive Directors and senior managers with varying levels of award in line with their job size. Appropriateness of the levels of awards, financial measures and weightings are reviewed on an annual basis to ensure they continue to support our business strategy. Payment is in cash and is expected to be made in April each year for performance over the previous three financial years, subject to review and sign-off by the Remuneration Committee.	The LTIP for the 2017-2019 (award to be paid in 2020) and 2018-2020 (award to be paid in 2021) and 2019-2021 (award to be paid in 2022) performance cycles is based on performance over three years assessed against two budgeted measures with 70% of the award linked to a Return On Capital Employed measure and 30% linked to an Earnings Per Share measure. The LTIP for the cycles described above is worth a maximum of 100% of average annual base salary for the Executive Directors and a maximum of 75% of average annual base salary for other senior managers.

REMUNERATION CONTINUED

Executive Directors' service contracts and remuneration as at 31 December 2019

As mentioned above, the Executive Directors' remuneration structure follows the market practice in the UAE, and all payments are made tax-free reflecting the UAE's status.

Each of the Executive Directors is employed pursuant to a service agreement.

Sultan Ahmed Bin Sulayem

Sultan Ahmed Bin Sulayem's service agreement is with DP World FZE. It can be terminated on six months' notice by either party. In addition, DP World FZE can terminate the agreement, without notice, on payment of six months' base salary.

Sultan Ahmed Bin Sulayem is entitled to receive a base salary and certain other benefits under his service agreement.

He was also granted a Performance Delivery Plan award of 150% (out of a maximum of 150%) for performance linked to the 2018 financial year and a Long Term Incentive Plan award of 146.3% (out of a maximum of 150%) for performance linked to the 2016-2018 cycle.

His total remuneration for the year ended 31 December 2019 (which includes his base salary and these other benefits) was $6,792,991.00.

Yuvraj Narayan

Yuvraj Narayan's service agreement is with DP World FZE. It can be terminated on six months' notice by either party. In addition, DP World FZE can terminate the agreement, without notice, on payment of six months' base salary.

Yuvraj Narayan is entitled to receive a base salary and certain other benefits under his service agreement.

He was also granted a Performance Delivery Plan award of 100% (out of a maximum of 100%) for performance linked to the 2018 financial year and a Long Term Incentive Plan award of 97.5% (out of a maximum of 100%) for performance linked to the 2016-2018 cycle.

His total remuneration for the year ended 31 December 2019 (which includes his base salary and these other benefits) was $2,080,975.00.

Post-retirement benefits

Sultan Ahmed Bin Sulayem participates in the Government pension scheme in accordance with local labour law. Yuvraj Narayan participates in an end of service benefit scheme in accordance with local labour law.

Non-Executive Directors' letters of appointment and fees

The Non-Executive Directors do not have service contracts with the Company. Their terms of appointment are governed by letters of appointment. The Company has no contractual obligation to provide any benefits to any of the Non-Executive Directors upon termination of their directorship.

Each Non-Executive Director's letter of appointment is with the Company and is envisaged to be for a period of three years, subject to annual re-election by the shareholders at each AGM. It can be terminated on six months' notice by either party.

For the year ended 31 December 2019, the fees and other remuneration payable to each of the Non-Executive Directors, which includes remuneration for their services in being a member of, or chairing, a Board Committee are set out below:

- Deepak Parekh received a Non-Executive Director fee of $209,012.00
- Robert Woods received a Non-Executive Director fee of $152,165.00
- Mark Russell received a Non-Executive Director fee of $192,189.00[1]
- Abdulla Ghobash received a Non-Executive Director fee of $160,812.00
- Nadya Kamali received a Non-Executive Director fee of $196,891.00
- Mohamed Al Suwaidi received a Non-Executive Director fee of $185,105.00

Interests in shares

The following is a table of the Directors' shareholdings:

	$2.00 ordinary shares held as at 1 January 2019	$2.00 ordinary shares held as at 31 December 2019	Change
Yuvraj Narayan	13,864	13,864	–
Robert Woods	2,700	2,700	–

1. Mark Russell has waived 85% of the fees due to him for the year 2019. An amount equivalent to these fees was donated to the Cardinal Hume Centre, UK registered charity number 1090836.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' responsibility section of the Independent Auditors' Report, is made with a view to distinguishing the respective responsibilities of the Directors and of the Auditors in relation to the Consolidated Financial Statements.

The Directors are required to prepare Consolidated Financial Statements for each financial year which present fairly the state of affairs of DP World PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at the end of the financial year and of the profit and loss for the financial year.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards and the applicable provisions of the DIFC Companies Law. In preparing the Consolidated Financial Statements, the Directors are required to select appropriate accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and state whether all accounting standards which they consider to be applicable have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements. The Directors also use a going concern basis in preparing the Consolidated Financial Statements unless this is inappropriate.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Consolidated Financial Statements comply with the applicable laws in the relevant jurisdiction.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report and Corporate Governance Statement in accordance with applicable law and regulations.

The Directors consider the Annual Report and the Consolidated Financial Statements, taken as a whole, to be fair, balanced and understandable, and provide necessary information for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

MOHAMMAD AL HASHIMY
DEPUTY GROUP GENERAL COUNSEL & COMPANY SECRETARY
19 MARCH 2020

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF DP WORLD PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DP World PLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of carrying value of goodwill, port concession rights and other intangible assets

Refer to notes 3 and 17 of the consolidated financial statements.

The Group has significant goodwill, port concession rights and other intangible assets arising from the acquisition of businesses. The Group's annual impairment testing on goodwill, port concession rights and other intangible assets with indefinite useful lives requires the Group to identify Cash Generating Units (CGUs) in accordance with the requirements of IAS 36 – Impairment of Assets. Impairment testing is then performed using free cash flow projections based on three year financial budgets approved by the Board and a further five year future forecasts estimated by the Group's management. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which forms the basis of the assessment of recoverability, along with the judgemental aspects of the assessment of appropriate CGUs, these are the key areas that our audit concentrated on.

Our response to address the key audit matter

Our procedures included:

In respect of the assessment of CGUs: We challenged the identification of CGUs by reference to the Group's operating and management structure, our understanding of the business and requirements of IAS 36 – Impairment of Assets.

In respect of the cash flows: We considered the Group's procedures used to develop the forecasts and the principles and integrity of the Group's discounted cash flow model and re-performed the calculations of the model results to test their mathematical accuracy. To challenge the reasonableness of those cash flow estimates, we assessed the historical accuracy of the Group's forecasting activities and corroborated the forecasts with reference to publicly available information and other evidence that has been made available during the course of the audit. We conducted our own assessments to challenge other key inputs, such as the projected growth rate and terminal value growth rate.

In respect of the discount rates: We compared the Group's assumptions to externally derived data (for example, bond yields and inflation statistics) where appropriate. We used our valuation specialists to assist us in assessing the reasonableness of the significant assumptions used in arriving at the discount rates.

In respect of the sensitivity to key assumptions: We assessed the impact to the calculated recoverable amount of the CGUs by changing discount rates and forecast future cash flows.

We assessed the adequacy of the Group's disclosure in these respects.

Accounting for business acquisitions and disposal

Refer to notes 3 and 26 of the consolidated financial statements.

During the year, the Group has acquired 35.25% ownership in DP World Australia (Holding) Pty Ltd ("Australia") resulting in Group's equity interest increasing from 25% to 60.25%, 99.2% stake in Puertos y Logistica S.A. ("Chile"), 100% equity stake in P&O Ferries Group and Topaz Energy and Marine Limited ("Topaz"). Subsequently, the Group monetised 45% of its existing ownership stake in Australia and Chile to Caisse de dépôt et placement du Québec (CDPQ).

For the acquisitions and disposals, in accordance with IFRS 3 – Business Combinations, the accounting involves estimating the fair value of the assets and liabilities at the acquisition/disposal date, the identification and valuation of intangible assets, recognition of goodwill and calculating the profit/loss on disposal. Significant judgement is involved in relation to the assumptions used in the valuation (using discounted future cash flows) and the purchase price allocation process. Due to the inherent uncertainty involved in discounting future cash flows, there is a risk that these assumptions are inappropriate.

Furthermore, an assessment is required to be made as to the classification of an investment as a subsidiary, joint venture or associate based on whether the Group has determined to have control, joint control or significant influence respectively. This is particularly relevant at the time of each acquisition and disposal event. The classification of the investment determines the accounting treatment of disposals where overall control is maintained by the Group, any gain or loss on sale is reflected directly in equity rather than the consolidated statement of profit or loss.

Our response to address the key audit matter

Our procedures included:

For the acquisitions, we challenged the Group's critical assumptions in relation to the identification and recognition of the assets and liabilities acquired and the associated fair values by involving our valuation specialists to assess the reasonableness of the key assumptions used in the fair value and purchase price allocation process as determined by the Group. We reviewed the resulting adjustments for reasonableness.

For the monetisation, due to the complex contractual terms and the significance to the Group, there is a risk that the appropriate accounting treatment is not followed for the completed transaction specifically in respect of calculating the profit or loss on monetisation and the recognition/de-recognition of non-controlling interest.

We inspected the key terms in the share purchase agreements to assess the control classification of the investments as per IFRS 10 – Consolidated Financial Statements. We agreed the consideration paid by comparing relevant amounts to bank records and considered the appropriateness of costs associated with the purchase.

We assessed the adequacy of the Group's disclosure in these respects.

Provisions in respect of litigation and claims

Refer to notes 3 and 27 of the consolidated financial statements.

The Group enters into individually significant contracts which may extend to many years and are often directly or indirectly associated with governments. As a result, the Group is subject to a number of potentially material ongoing litigation actions and claims, therefore, the recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigation and claims requires significant judgement and accordingly is a key area of focus in our audit.

Our response to address the key audit matter

Our procedures included:

We obtained written representations from the Group's legal counsel, made independent enquiries and obtained confirmations from external lawyers to understand the legal positions and exposure to the Group.

The outcome of our evaluation was used as a basis to determine the adequacy of the level of provisioning and disclosure in the consolidated financial statements.

Taxation provisions

Refer to notes 3 and 8 of the consolidated financial statements.

The Group operates in a number of tax jurisdictions whereby the Group has to estimate the tax effect of applying local legislation in light of the practices of the respective tax authorities, which can be complex, uncertain and involve cross border transactions, including transfer pricing arrangements.

Where the precise nature of the tax legislation is unclear, the Group has to make reasonable estimates of the likely tax charge that will arise.

Tax provisions have been estimated by the Group with respect to the tax exposures identified but there is the potential risk that the eventual resolution of a matter with the tax authorities is at an amount materially different to the provision recognised.

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE SHAREHOLDERS OF DP WORLD PLC

Key Audit Matters continued
Our response to address the key audit matter
Our procedures included:

We have considered any large or unusual items affecting the effective tax rate and whether or not any current year items would result in an increased or reduced provision. We have assessed the Group's deferred tax position and ensured that any change in tax rates enacted as at the reporting date have been appropriately considered.

In considering the judgements and estimates of tax provisions, we used our tax specialists to assess the Group's tax positions including assessing correspondence with the relevant tax authorities. We challenged the positions taken by the Group based on our knowledge and experience of the jurisdiction in which the Group operates specifically relating to the adequacy of provisions and disclosure within the consolidated financial statements.

Pensions
Refer to notes 3 and 23 of the consolidated financial statements.

The Group operates a number of defined benefit pension schemes. In accordance with IAS 19 – Employee Benefits, the valuation of the pension deficit requires significant levels of judgement and technical expertise in choosing the appropriate assumptions. Changes in a number of the key assumptions including estimated salary increases, inflation, discount rates and mortality assumptions can have a material impact on the calculation of the net pension position. Due to the size of the pension scheme deficit and the judgements inherent in the actuarial assumptions used in the valuation of the pension benefit obligations, we considered this to be an area of focus.

Our response to address the key audit matter
Our procedures included:

The Group engages independent external actuaries to assist them in calculating the appropriate pension scheme position. We obtained the actuary's report and, with the assistance of our pension specialists, assessed the discount and inflation rates used in calculating the pension deficit to our internally developed benchmarks, which are based on externally available data to assess whether these assumptions were within our expected range. We compared the mortality assumption to national and industry averages to assess that these were reasonable.

We also compared the assumptions with those used in previous years, to assess whether the methodology used in arriving at the assumptions year on year was consistent.

We agreed the material assets of the scheme to third party confirmations and where applicable, recalculated asset valuations based on the quoted prices.

We assessed the adequacy of the disclosures in this area.

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further report that the consolidated financial statements comply, in all material respects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

KPMG LLP
RICHARD ACKLAND
DUBAI, UNITED ARAB EMIRATES

DATE: 11 MARCH 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2019			Year ended 31 December 2018		
		Before separately disclosed items USD'000	Separately disclosed items (Note 9) USD'000	Total USD'000	Before separately disclosed items USD'000	Separately disclosed items (Note 9) USD'000	Total USD'000
Revenue	5	7,685,938	–	7,685,938	5,646,280	–	5,646,280
Cost of sales		(4,636,867)	–	(4,636,867)	(3,138,749)	–	(3,138,749)
Gross profit		3,049,071	–	3,049,071	2,507,531	–	2,507,531
General and administrative expenses		(1,002,456)	(60,427)	(1,062,883)	(738,233)	(56,264)	(794,497)
Other income		43,210	–	43,210	56,595	–	56,595
Loss on disposal and change in ownership	9	–	(55,622)	(55,622)	–	(3,591)	(3,591)
Share of profit/(loss) from equity-accounted investees (net of tax)	18	153,301	(42,652)	110,649	165,067	(9,578)	155,489
Results from operating activities		2,243,126	(158,701)	2,084,425	1,990,960	(69,433)	1,921,527
Finance income	7	103,422	43,026	146,448	141,328	127,916	269,244
Finance costs	7	(818,965)	(31,205)	(850,170)	(575,891)	(33,656)	(609,547)
Net finance costs		(715,543)	11,821	(703,722)	(434,563)	94,260	(340,303)
Profit before tax		1,527,583	(146,880)	1,380,703	1,556,397	24,827	1,581,224
Income tax expense	8	(186,150)	–	(186,150)	(223,607)	–	(223,607)
Profit for the year	6	1,341,433	(146,880)	1,194,553	1,332,790	24,827	1,357,617
Profit attributable to:							
Owners of the Company		1,327,932	(139,086)	1,188,846	1,270,116	26,365	1,296,481
Non-controlling interests		13,501	(7,794)	5,707	62,674	(1,538)	61,136
		1,341,433	(146,880)	1,194,553	1,332,790	24,827	1,357,617
Earnings per share							
Basic earnings per share – US cents	11	159.99		143.23	153.03		156.20
Diluted earnings per share – US cents	11	156.06		138.61	148.59		140.63

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2019 USD'000	2018 USD'000
Profit for the year		1,194,553	1,357,617
Other comprehensive income (OCI)			
Items that are or may be reclassified to profit or loss:			
Foreign exchange translation differences – foreign operations*		105,716	(500,834)
Foreign exchange translation differences recycled to profit or loss due to change in ownership resulting in control		38,277	–
Share of other comprehensive income of equity-accounted investees	18	(3,002)	843
Cash flow hedges – effective portion of changes in fair value		(32,946)	11,307
Cash flow hedges – reclassified to profit or loss		2,180	–
Related tax on changes in fair value of cash flow hedges		1,443	(3,478)
Items that will never be reclassified to profit or loss:			
Net change in equity instruments at fair value through OCI		–	(21,885)
Re-measurements of post-employment benefit obligations		(3,812)	28,959
Related tax		712	(2,657)
Other comprehensive income for the year, net of tax		108,568	(487,745)
Total comprehensive income for the year		1,303,121	869,872
Total comprehensive income attributable to:			
Owners of the Company		1,225,819	840,101
Non-controlling interests		77,302	29,771

* A significant portion of this 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. The translation differences arising on account of translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency are also reflected here. There are no differences on translation from functional to presentation currency as the Company's functional currency is pegged to the presentation currency.

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2019 USD'000	2018 USD'000
Assets			
Non-current assets			
Property, plant and equipment	12	**12,226,735**	8,960,782
Right-of-use assets	13	**2,080,908**	–
Investment properties	14	**1,672,911**	1,622,130
Intangible assets and goodwill	15	**10,054,701**	8,833,151
Investment in equity-accounted investees	18	**2,200,252**	2,101,425
Other investments	19	**20,009**	51,078
Accounts receivable and prepayments	20	**675,845**	574,570
Total non-current assets		**28,931,361**	22,143,136
Current assets			
Inventories		**156,393**	115,590
Properties held for development and sale	16	**194,612**	261,724
Accounts receivable and prepayments	20	**1,836,795**	1,378,179
Cash and cash equivalents	21	**2,943,359**	2,614,710
Total current assets		**5,131,159**	4,370,203
Total assets		**34,062,520**	26,513,339
Equity			
Share capital	30	**1,660,000**	1,660,000
Share premium		**2,472,655**	2,472,655
Shareholders' reserve		**2,000,000**	2,000,000
Retained earnings		**8,179,779**	7,712,784
Translation reserve		**(1,904,817)**	(1,976,051)
Other reserves	31	**(592,451)**	(558,190)
Equity attributable to owners of the Company		**11,815,166**	11,311,198
Non-controlling interests	25	**1,032,052**	687,720
Total equity		**12,847,218**	11,998,918
Liabilities			
Non-current liabilities			
Loans and borrowings	32	**12,185,472**	10,048,232
Lease liabilities	33	**2,287,655**	17,156
Loans from non-controlling shareholders	34	**688,017**	132,236
Accounts payable and accruals	24	**379,271**	345,467
Deferred tax liabilities	8	**937,967**	886,173
Employees' end of service benefits	22	**176,227**	159,233
Pension and post-employment benefits	23	**347,406**	157,082
Total non-current liabilities		**17,002,015**	11,745,579
Current liabilities			
Loans and borrowings	32	**1,095,412**	348,324
Lease liabilities	33	**225,535**	6,051
Loans from non-controlling shareholders	34	**1,000**	1,000
Accounts payable and accruals	24	**2,663,660**	2,305,727
Income tax liabilities	8	**120,888**	100,674
Pension and post-employment benefits	23	**106,792**	7,066
Total current liabilities		**4,213,287**	2,768,842
Total liabilities		**21,215,302**	14,514,421
Total equity and liabilities		**34,062,520**	26,513,339

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issue on 11 March 2020.

SULTAN AHMED BIN SULAYEM
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

YUVRAJ NARAYAN
CHIEF FINANCIAL, STRATEGY AND BUSINESS OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital and premium USD'000	Shareholders' reserve USD'000	Retained earnings USD'000	Translation reserve USD'000	Other reserves USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
Balance as at 1 January 2018	4,132,655	2,000,000	6,759,367	(1,503,980)	(573,881)	10,814,161	811,201	11,625,362
Profit for the period	–	–	1,296,481	–	–	1,296,481	61,136	1,357,617
Other comprehensive income, net of tax	–	–	–	(472,071)	15,691	(456,380)	(31,365)	(487,745)
Transactions with owners, recognised directly in equity								
Dividends paid (refer to note 10)	–	–	(340,300)	–	–	(340,300)	–	(340,300)
Acquisition of non-controlling interests without change in control	–	–	(2,764)	–	–	(2,764)	2,764	–
Transactions with non-controlling interests, recognised directly in equity								
Contributions by non-controlling interests	–	–	–	–	–	–	110,625	110,625
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	35,651	35,651
Dividends paid	–	–	–	–	–	–	(35,699)	(35,699)
Non-controlling interests derecognised on deconsolidation of subsidiaries (refer to note 25)	–	–	–	–	–	–	(266,593)	(266,593)
Balance as at 31 December 2018	**4,132,655**	**2,000,000**	**7,712,784**	**(1,976,051)**	**(558,190)**	**11,311,198**	**687,720**	**11,998,918**
Adjustment on initial application of IFRS 16 (net of tax) (refer to note 2(c)*(iv)*)			**(385,263)**			**(385,263)**	**(14,312)**	**(399,575)**
Adjusted balance as at 1 January 2019	**4,132,655**	**2,000,000**	**7,327,521**	**(1,976,051)**	**(558,190)**	**10,925,935**	**673,408**	**11,599,343**
Profit for the period	**–**	**–**	**1,188,846**	**–**	**–**	**1,188,846**	**5,707**	**1,194,553**
Other comprehensive income, net of tax	**–**	**–**	**–**	**71,234**	**(34,261)**	**36,973**	**71,595**	**108,568**
Transactions with owners, recognised directly in equity								
Dividends paid (refer to note 10)	**–**	**–**	**(356,900)**	**–**	**–**	**(356,900)**	**–**	**(356,900)**
Change in non-controlling interests without change in control	**–**	**–**	**20,312**	**–**	**–**	**20,312**	**100,993**	**121,305**
Transactions with non-controlling interests, recognised directly in equity								
Contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**42,597**	**42,597**
Acquisition of subsidiary with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**256,917**	**256,917**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(119,165)**	**(119,165)**
Balance as at 31 December 2019	**4,132,655**	**2,000,000**	**8,179,779**	**(1,904,817)**	**(592,451)**	**11,815,166**	**1,032,052**	**12,847,218**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 USD'000	2018 USD'000
Cash flows from operating activities			
Profit for the year		**1,194,553**	1,357,617
Adjustments for:			
Depreciation and amortisation	6	**1,062,454**	817,035
Impairment loss	6	**32,092**	9,300
Share of profit from equity-accounted investees (net of tax)		**(110,649)**	(155,489)
Finance costs	7	**850,170**	609,547
Loss/(gain) on sale of property, plant and equipment		**1,793**	(9,702)
Loss on disposal and change in ownership of business	9	**55,622**	3,591
Finance income	7	**(146,448)**	(269,244)
Income tax expense	8	**186,150**	223,607
Gross cash flows from operations		**3,125,737**	2,586,262
Changes in:			
Inventories		**(17,611)**	(4,142)
Accounts receivable and prepayments		**(385,599)**	47,941
Accounts payable and accruals		**(429,913)**	(371,405)
Properties held for development and sale		**4,650**	(50,386)
Provisions, pensions and post-employment benefits		**164,728**	(47,751)
Cash provided by operating activities		**2,461,992**	2,160,519
Income taxes paid		**(208,236)**	(209,029)
Net cash provided by operating activities		**2,253,756**	1,951,490
Cash flows from investing activities			
Additions to property, plant and equipment	12	**(1,032,128)**	(810,303)
Additions to investment properties	14	**(105,255)**	(83,452)
Additions to port concession assets	15	**(8,969)**	(14,470)
Additional investment in equity-accounted investees		**(85,000)**	–
Return of capital from other investments		**13,495**	–
Proceeds from disposal of property, plant and equipment and port concession assets		**17,327**	37,158
Proceeds from disposal of shares in equity-accounted investees		**41,337**	4,420
Net cash outflow on acquisition of subsidiaries		**(1,234,286)**	(1,326,595)
Interest received		**76,170**	50,527
Dividends received from equity-accounted investees	18	**124,146**	207,752
Cash outflow on deconsolidation of a subsidiary		**–**	(112,500)
Additions to other investments		**–**	(60,000)
Net cash used in investing activities		**(2,193,163)**	(2,107,463)
Cash flows from financing activities			
Repayment of loans and borrowings		**(1,446,158)**	(2,371,769)
Repayment of lease liabilities	33(a)	**(302,831)**	(10,468)
Drawdown of loans and borrowings		**3,146,195**	4,879,004
Redemption of Sukuk	32	**(232,014)**	(431,571)
Interest paid		**(605,333)**	(472,963)
Dividends paid to the owners of the Company		**(356,900)**	(340,300)
Proceeds from disposal of shares in subsidiaries without change in control		**227,533**	400
Net cash outflow on acquisition of additional interest in subsidiaries		**(90,564)**	–
Contribution by non-controlling interests		**42,597**	110,625
Dividend paid to non-controlling interests		**(119,165)**	(35,699)
Net cash from financing activities		**263,360**	1,327,259
Net increase in cash and cash equivalents		**323,953**	1,171,286
Cash and cash equivalents as at 1 January		**2,614,710**	1,483,679
Effect of exchange rate fluctuations on cash held		**4,696**	(40,255)
Cash and cash equivalents as at 31 December	21	**2,943,359**	2,614,710

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

DP World PLC ("the Company") formerly known as DP World Limited, 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 DIFC Companies Law. The consolidated financial statements for the year ended 31 December 2019 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, maritime transport, industrial parks and economic zones, logistics services and investment in innovative, technology-driven trade solutions.

Port & Free Zone World FZE ("PFZW" or "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. Please refer to note 38(b).

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 DIFC Companies Law.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments and plan assets in defined pension plans 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 rates for calculating present value of such cash flows used to compute value-in-use of cash-generating units.
iii. 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.
iv. Estimates of cost to complete the projects for the purpose of valuation of the properties held for development and sale and investment properties under construction.
v. 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.
vi. Estimate 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.
vii. Estimate to measure expected credit losses for financial assets.
viii. Estimate required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rate used for computation of defined benefit liability.
ix. Judgement in calculating the appropriate discount rate and lease term.
x. Judgement is required in determine whether or not a contract contains a lease.
xi. Judgement is required 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.
xii. Judgement is required for 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 27).
xiii. Judgement is required to determine whether or not the Group has significant influence over an investee.
xiv. Judgement is required in determining the worldwide provision for income taxes.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Basis of preparation of the consolidated financial statements continued

c) New standards, amendments and interpretations adopted by the Group

IFRS 16 Leases

The Group has initially applied IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains same as earlier.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

ii. Group as a lessee

The Group leases mainly include concession rights to operate port terminals, plant & equipment and related properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases – i.e. these leases are on-balance sheet.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Group presents right-of-use assets and lease liabilities separately on its statement of financial position.

Leases classified as operating leases under IAS 17

Previously, the Group classified concession rights to operate port terminals as operating leases under IAS 17. These leases typically run for a period of 25 – 99 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group has used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipments and office equipments);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

The Group leases a number of items of property, plant and equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

2. Basis of preparation of the consolidated financial statements continued

c) New standards, amendments and interpretations adopted by the Group continued

iii. Group as a lessor

The Group leases out its investment property and these are classified as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it is a lessor.

iv. Transition impacts on financial statements

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019 USD'000
Right-of -use asset	**1,562,361**
Deferred tax asset/current tax	**21,065**
Retained earnings	**385,263**
Non-controlling interests	**14,312**
Investment in equity-accounted investees	**(45,187)**
Lease liabilities	**(1,937,814)**

For measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its applicable incremental borrowing rate at 1 January 2019 which were in the range of 4% per annum to 12% per annum.

	1 January 2019 USD'000
Operating lease commitments at 31 December 2018	**7,816,542**
Discounted using the lessee's incremental borrowing rate at 1 January 2019	**1,914,607**
Add: finance lease liabilities recognised as at 31 December 2018	**23,207**
Total lease liability recognised as at 1 January 2019	**1,937,814**

Impacts for the year

Due to application of IFRS 16, the Group has recognised amortisation and interest costs, instead of operating lease expense. During the year, the Group has recognised USD 146,256 thousand of depreciation charge and USD 138,749 thousand of interest costs from these leases.

Also, refer note 3(i) for accounting policy on leases.

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 including common control transactions by the Group on the date of acquisition. For each significant business combination, the Group engages external, independent and qualified valuers who have the relevant experiences to carry out the fair valuation exercise of the net assets based on market related assumptions and weighted average cost of capital.

ii. Business combination achieved in stages

On business combination achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the date of acquisition with any resulting gain or loss recognised in the consolidated statement of profit or loss.

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

Changes in the Group's interests in a subsidiary that does 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

a) Basis of consolidation continued

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 a FVOCI-equity instrument 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.

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.

vii. Investments in associates and joint ventures

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 US dollar ("USD"), which is the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

ii. Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss.

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.

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 the consolidated statement of 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.

3. Significant accounting policies continued

c) Financial instruments

i. Non-derivative financial assets

Classification, initial recognition and measurement

Under IFRS 9 *Financial Instruments*, on initial recognition, a financial asset is classified and measured at:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI") – debt instrument;
- FVOCI – equity instrument; or
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and also on the basis of the contractual cash flows characteristics of the financial instrument.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derecognition of financial assets

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

ii. Non-derivative financial liabilities

Classification, initial recognition and measurement

Under IFRS 9, financial liabilities at inception can be classified either at amortised cost or FVTPL.

The Group's non-derivative financial liabilities consist of loans and borrowings, lease liabilities, 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.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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.

iii. Derivative financial instruments and hedge accounting

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.

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Initial recognition

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognised in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

c) Financial instruments continued

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

On initial designation of the derivatives as the hedging instrument, the Group formally documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedging instrument and hedged item, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other together with the methods that will be used to assess the effectiveness of the hedging relationship.

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.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

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.

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)*(i)*).

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

3. Significant accounting policies continued

d) Property, plant and equipment continued

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.

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 – 50
Infrastructure	5 – 50

The useful lives and depreciation methods 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

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.

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 15 – 50 years (including the concession rights relating to equity-accounted investees).

i) Leases

Policy applicable under IAS 17 until 31 December 2018

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.

3. Significant accounting policies continued

i) Leases continued

ii. Group as a lessor

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

iii. Leasing and sub-leasing transactions

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

Policy applicable under IFRS 16 from 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

v. Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

i) Leases continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately on statement of financial position.

Variable lease payments that depend on revenue and output are recognised in statement of profit or loss in the period in which the condition that triggers those payments occurs.

vi. Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue (refer to note 3 (m)*(iii)*).

Generally, the accounting policies applicable to the Group as a lessor under IFRS 16 is not different than IAS 17.

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 CGUs.

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. Impairment of non-derivative financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. Significant accounting policies continued

j) Impairment continued

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any are held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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.

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's revenue mainly consists of port related services (containerised stevedoring, break bulk and general cargo), service concession revenue, lease rentals, drydocking, maritime and logistics services and revenue from sale of plots of land.

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

i. Rendering of port related services

Revenue from providing containerised stevedoring, other containerised services and non-containerised services is recognised at the point in time when the services are rendered to the customer. However, storage revenue is recognised over a period of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies continued

m) Revenue continued

ii. Service concession arrangements

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. The Group recognises revenue and costs relating to construction services over a period of time by reference to the stage of completion of the contract using the input method.

iii. Lease rentals and services from economic zones

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 and registration is recognised at the point in time when the services are rendered to the customer.

iv. Revenue from drydocking services

Revenue from drydocking services includes revenue from ship repair services, conversions, ship building, ship lifting, docking and undocking services.

Revenue from ship repair services, conversions and ship building is recognised over a period of time by reference to the stage of completion of the contract using the surveys of work performed and cost-to-cost method. Provisions for foreseeable losses are made in full, as soon as they are anticipated. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Advances received are included in contract liabilities.

Revenue from ship lifting, docking and undocking of vessels is recognised at the point in time when the services are rendered to the customer.

v. Revenue from maritime and logistics services

Revenue from maritime and logistics services is recognised over a period of time when the services are rendered to the customer.

vi. Revenue from sale of plots of land

Revenue from sale of plots of land is recognised when the control is transferred to the buyer. Control generally transfers when the customer has an ability to direct its use and obtains substantially all of its economic benefits.

n) Properties held for development and sale

Properties acquired, constructed or in the course of construction for sale are classified as properties held for development and sale. Properties held for development and sale are stated at the lower of cost or net realisable value.

Cost includes the cost of right to reclaim the land, cost of infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities, that are necessary to enable the assets to be ready for the intended use are in progress. Net realisable value represents the estimated selling price in the ordinary course of business, based on market prices at the reporting date discounted for the time value of money, if material, less costs to complete and costs to be incurred in selling the property.

The Group reviews the carrying values of the properties held for development and sale at each reporting date for any impairment.

o) 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)*).

p) 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.

3. Significant accounting policies continued

p) Income tax continued

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.

q) 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).

r) 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.

s) 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 India
- 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"). Although this is a non-IFRS measure, this will provide additional information to the users of the consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Segment information continued

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 India		Australia and Americas		Middle East, Europe and Africa		Head office		Total	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Revenue	615,517	678,420	1,401,613	961,146	5,668,808	4,006,714	–	–	7,685,938	5,646,280
Adjusted EBITDA	347,478	501,677	437,195	340,151	2,725,980	2,104,142	(205,073)	(137,975)	3,305,580	2,807,995
Finance income	–	–	–	–	–	–	103,422	141,328	103,422	141,328
Finance costs	–	–	–	–	–	–	(818,965)	(575,891)	(818,965)	(575,891)
Tax expense	–	–	–	–	–	–	(186,150)	(223,607)	(186,150)	(223,607)
Depreciation and amortisation	(93,528)	(92,645)	(214,047)	(117,225)	(746,826)	(598,702)	(8,053)	(8,463)	(1,062,454)	(817,035)
Adjusted net profit/(loss) before separately disclosed items	253,950	409,032	223,148	222,926	1,979,154	1,505,440	(1,114,819)	(804,608)	1,341,433	1,332,790
Adjusted for separately disclosed items	(31,112)	(10,743)	(79,780)	(2,800)	(47,810)	(29,480)	11,822	67,850	(146,880)	24,827
Profit/(loss) for the year	222,838	398,289	143,368	220,126	1,931,344	1,475,960	(1,102,997)	(736,758)	1,194,553	1,357,617

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

	Asia Pacific and India		Australia and Americas		Middle East, Europe and Africa		Head office		Inter-segment		Total	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Segment assets	4,182,808	4,306,520	6,020,083	2,935,015	24,497,625	19,485,462	16,385,259	14,063,935	(17,023,255)	(14,277,593)	34,062,520	26,513,339
Segment liabilities	499,314	436,646	2,159,692	725,366	10,133,693	6,424,168	14,125,189	11,345,791	(6,761,441)	(5,404,397)	20,156,447	13,527,574
Tax liabilities*	–	–	–	–	–	–	1,058,855	986,847	–	–	1,058,855	986,847
Total liabilities	499,314	436,646	2,159,692	725,366	10,133,693	6,424,168	15,184,044	12,332,638	(6,761,441)	(5,404,397)	21,215,302	14,514,421
Capital expenditure	69,406	32,717	301,013	257,353	731,179	575,036	44,754	43,119	–	–	1,146,352	908,225
Depreciation	44,528	35,082	132,553	88,634	516,840	488,925	7,860	8,464	–	–	701,781	621,105
Amortisation	49,000	57,563	81,494	28,591	229,986	109,776	193	–	–	–	360,673	195,930
Impairment loss	–	–	–	–	32,092	9,300	–	–	–	–	32,092	9,300
Share of profit/(loss) of equity-accounted investees before separately disclosed items	108,065	128,797	25,528	2,986	19,708	33,284	–	–	–	–	153,301	165,067
Tax expense	–	–	–	–	–	–	186,150	223,607	–	–	186,150	223,607
Revenue consists of:												
Revenue from ports and terminals	485,489	592,447	1,148,301	774,227	2,535,287	2,568,011	–	–	–	–	4,169,077	3,934,685
Drydocking, maritime and logistics services	130,028	85,973	253,312	186,919	2,153,852	708,919	–	–	–	–	2,537,192	981,811
Lease rentals and services from economic zones	–	–	–	–	578,951	597,609	–	–	–	–	578,951	597,609
Revenue from sale of plots of land	–	–	–	–	400,718	132,175	–	–	–	–	400,718	132,175
Total revenue	615,517	678,420	1,401,613	961,146	5,668,808	4,006,714	–	–	–	–	7,685,938	5,646,280

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

5. Revenue

	2019 USD'000	2018 USD'000
Revenue consists of:		
Revenue from ports and terminals	4,169,077	3,934,685
Drydocking, maritime and logistics services	2,537,192	981,811
Lease rentals and services from economic zones	578,951	597,609
Revenue from sale of plots of land*	400,718	132,175
Total	7,685,938	5,646,280

The above revenue includes revenue from contracts with customers under IFRS 15 amounting to USD 7,211,163 thousand (2018: USD 5,170,658 thousand).

* This mainly includes sale of plot of land to Emaar Development PJSC ("Emaar") for a development project in Port Rashid in Dubai. Emaar will utilise this land for developing the Mina Rashid area and the Group will receive the agreed sales consideration between the fourth and ninth year after commencement of operations. The transaction was completed in June 2019 with the transfer of control of land to Emaar and accordingly the Group has recorded a revenue of USD 314,558 thousand (at discounted value of the deferred sales consideration).

6. Profit for the year

	2019 USD'000	2018 USD'000
Profit for the year is stated after charging the following costs:		
Staff costs	1,620,138	1,200,628
Depreciation and amortisation	1,062,454	817,035
Impairment loss (refer to note 9)	32,092	9,300

7. Finance income and costs

	2019 USD'000	2018 USD'000
Finance income		
Interest income	82,990	84,547
Exchange gains	20,432	56,781
Finance income before separately disclosed items	103,422	141,328
Separately disclosed items (refer to note 9)	43,026	127,916
Finance income after separately disclosed items	146,448	269,244
Finance costs		
Interest expense on loans and borrowings*	(633,717)	(476,609)
Interest expense on lease liabilities	(138,749)	(1,198)
Exchange losses	(38,929)	(90,584)
Other net financing expense in respect of pension plans	(7,570)	(4,500)
Finance costs before separately disclosed items	(818,965)	(575,891)
Separately disclosed items (refer to note 9)	(31,205)	(33,656)
Finance costs after separately disclosed items	(850,170)	(609,547)
Net finance costs after separately disclosed items	(703,722)	(340,303)

* This includes interest on loans from non-controlling shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Income tax

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

	2019 USD'000	2018 USD'000
Current tax expense		
Current year	**215,600**	220,007
Change in estimates related to prior years	**(10,456)**	26,440
	205,144	246,447
Deferred tax credit	**(18,994)**	(22,840)
Income tax expense	**186,150**	223,607
Share of income tax of equity-accounted investees	**52,876**	59,610
Total tax expense	**239,026**	283,217
Tax recognised in statement of other comprehensive income and retained earnings		
Current tax in OCI	**1,323**	914
Deferred tax in OCI	**832**	(7,049)
Current tax retained earnings adjustment on initial application of IFRS 16	**193**	–
Deferred tax retained earnings adjustment on initial application of IFRS 16	**20,872**	–
Total	**23,220**	(6,135)
Income tax balances included in the consolidated statement of financial position:		
Income tax receivable (included within accounts receivable and prepayments)	**4,654**	4,972
Income tax liabilities	**120,888**	100,674

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

		2019 USD'000	2018 USD'000
Net profit before tax		**1,380,703**	1,581,224
Tax at the Company's domestic rate of 0% (2018: 0%)		**–**	–
Effect of tax rates in foreign jurisdictions		**142,109**	163,556
Net current year tax losses incurred, on which deferred tax is not recognised		**38,450**	25,866
Tax charge of equity-accounted investees		**52,876**	59,610
Effect of tax rate changes on deferred tax		**5,267**	(6,004)
Deferred tax in respect of fair value adjustments		**(17,946)**	(17,848)
Others		**29,747**	36,057
Tax expense before prior year adjustments		**250,503**	261,237
Change in estimates related to prior years:			
– current tax		**(10,456)**	26,440
– deferred tax		**(1,021)**	(4,460)
Total tax expense from operations before separately disclosed items	(A)	**239,026**	283,217
Adjustment for separately disclosed items		**–**	–
Total tax expense	(B)	**239,026**	283,217
Net profit before tax		**1,380,703**	1,581,224
Adjustment for share of income tax of equity-accounted investees		**52,876**	59,610
Adjusted profit before tax	(C)	**1,433,579**	1,640,834
Adjustment for separately disclosed items		**146,880**	(24,827)
Adjusted profit before tax and before separately disclosed items	(D)	**1,580,459**	1,616,007
Effective tax rate	(B/C)	**16.67%**	17.26%
Effective tax rate before separately disclosed items	(A/D)	**15.12%**	17.53%

8. Income tax continued

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 India	10% to 34.9%
Australia and Americas	0% to 36.0%
Middle East, Europe and Africa	0% to 35.0%

Movement in temporary differences during the year:

	1 January 2019 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 2019 USD'000
Deferred tax liabilities					
Property, plant and equipment	138,484	27,905	30,555	(1,459)	195,485
Investment in equity-accounted investees	23,166	(818)	–	728	23,076
Fair value of acquired intangibles	464,227	(20,060)	69,372	6,228	519,767
Others	301,694	(15,804)	11,870	(5,875)	291,885
Total before set off	927,571	(8,777)	111,797	(378)	1,030,213
Set off of deferred tax asset against liabilities	(41,398)				(92,246)
Net deferred tax liabilities	886,173				937,967
Deferred tax assets					
Pension and post-employment benefits	8,925	263	1,191	(197)	10,182
Financial instruments	2,616	935	2,178	1,000	6,729
Provisions	3,654	1,342	6,713	45	11,754
Tax value of losses carried forward recognised	26,203	7,589	16,833	12,956	63,581
Total before set off	41,398	10,129	26,915	13,804	92,246
Set off of deferred tax asset against liabilities	(41,398)				(92,246)
Net deferred tax assets	–				–

Deferred tax liabilities have been offset if certain criteria are met.

Deferred tax assets have not been recognised by some of the subsidiaries on their trading losses where utilisation is uncertain, either because they have not been agreed with tax authorities, or because they are not likely to generate taxable income in the foreseeable future to offset against these losses, or because of the impact of tax holidays. The Group will continuously review/monitor these unrecognised tax losses and will consider recognising them as deferred tax asset in future if there are any significant changes to these assumptions.

	2019			2018		
	Gross amount USD'000	Tax effect USD'000	Expiry date	Gross amount USD'000	Tax effect USD'000	Expiry date
Trading losses – expire	**93,660**	**21,286**	**2020 – 2023**	112,672	25,687	2019 – 2023
	31,861	**7,909**	**2024 – 2027**	29,638	8,146	2024 – 2027
	17,763	**4,513**	**2035 – 2039**	14,744	4,755	2035 – 2038
Trading losses – never expire	**1,160,682**	**341,888**	**–**	996,239	270,425	–
Capital losses – never expire	**223,038**	**42,377**	**–**	215,819	36,689	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Separately disclosed items

	2019 USD'000	2018 USD'000
General and administrative expenses		
Acquisition costs	**(18,760)**	(19,220)
Impairment of assets	**(32,092)**	(9,300)
Redundancy costs	**(9,575)**	–
Guaranteed minimum pension costs	**–**	(27,744)
Share of loss from equity-accounted investees	**(42,652)**	(9,578)
Loss on disposal and change in ownership	**(55,622)**	(3,591)
Finance income	**43,026**	127,916
Finance costs	**(31,205)**	(33,656)
Total	**(146,880)**	24,827

General and administrative expenses represents USD 18,760 thousand (2018: USD 19,220 thousand) of advisory, legal, valuation, professional consulting, general and administrative costs directly related to various business acquisitions in the Group, USD 32,092 thousand (2018: USD 9,300 thousand) impairment of assets in the 'Middle East, Europe and Africa' region and USD 9,575 thousand of redundancy costs in the 'Australia and Americas' region. (2018: guaranteed minimum pension (GMP) costs related to additional costs arising in respect of GMP based on a landmark High Court judgment confirming that UK pension schemes are required to equalise male and female members' benefits for the effect of unequal GMPs).

Share of loss from equity-accounted investees mainly relates to Group's share of expenses relating to technology ventures in 'Australia and Americas' region. (2018 related to the transaction costs written off and impairment of assets in equity-accounted investees in the 'Middle East, Europe and Africa' region due to extinguishment of debt and loss on termination of cash flow hedge in the 'Asia Pacific and India' region).

Loss on disposal and change in ownership relates to the loss on disposal of equity-accounted investees in the 'Asia Pacific and India' region and the loss on ownership changes in the 'Australia and Americas' region. (2018: related to the loss on sale of a subsidiary in the 'Middle East, Europe and Africa' region).

Finance income comprises:

a) USD 29,938 thousand (2018: USD 117,474 thousand) change in fair value of convertible bond option.
b) USD 12,496 thousand (2018: USD 869 thousand) relates to hedge ineffectiveness in the 'Middle East, Europe and Africa' region.
c) USD 592 thousand unwinding of interest on receivable in the 'Middle East, Europe and Africa' region. (2018: USD 9,573 thousand gain on early settlement of loans in the 'Middle East, Europe and Africa' region).

Finance costs comprises:

a) USD 21,627 thousand (2018: USD 22,068 thousand) interest accretion on convertible bonds and loss on buy-back.
b) USD 9,578 thousand (2018: USD 1,432 thousand) relates to hedge ineffectiveness in the 'Middle East, Europe and Africa' region and 'Asia Pacific and India' region.
c) 2019: Nil (2018: USD 5,885 thousand deferred transaction costs written off on early settlement and restructuring of loans in the 'Middle East, Europe and Africa' region).
d) 2019: Nil (2018: USD 4,271 thousand impairment loss recognised on present valuation of receivables in the 'Middle East, Europe and Africa' region).

10. Dividends

	2019 USD'000	2018 USD'000
Declared and paid during the year:		
Final dividend: 43 US cents per share/41 US cents per share	**356,900**	340,300
Proposed for approval at the annual general meeting		
(not recognised as a liability as at 31 December):		
Final dividend: 40 US cents per share/43 US cents per share	**332,000**	356,900

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.

	2019 Before separately disclosed items USD'000	2019 Adjusted for separately disclosed items USD'000	2018 Before separately disclosed items USD'000	2018 Adjusted for separately disclosed items USD'000
Profit attributable to the ordinary shareholders of the Company (a)	**1,327,932**	**1,188,846**	1,270,116	1,296,481
Adjustment for costs/(income) related to convertible bonds saved as a result of the conversion	**15,460**	**4,298**	18,885	(76,521)
Profit attributable to the ordinary shareholders of the Company after conversion (b)	**1,343,392**	**1,193,144**	1,289,001	1,219,960
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*	**30,805,804**	**30,805,804**	37,475,985	37,475,985
Total weighted average number of ordinary shares (diluted) outstanding – (d)	**860,805,804**	**860,805,804**	867,475,985	867,475,985
Basic earnings per share US cents – (a/c)	**159.99**	**143.23**	153.03	156.20
Diluted earnings per share US cents – (b/d)	**156.06**	**138.61**	148.59	140.63

* On 1 October 2019, the Group redeemed USD 745,600 thousand of 10 year USD 1 billion unsecured convertible bonds due 2024. As a result of such cancellation, USD 254,400 thousand convertible bonds remain outstanding and accordingly, the weighted average number of ordinary shares are adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2018	4,630,402	5,558,440	448,734	1,230,714	11,868,290
Acquired through business combination	365,424	154,456	–	31,228	551,108
Additions during the year	49,205	111,202	48,128	601,768	810,303
Transfers from capital work-in-progress	139,016	165,036	760	(304,812)	–
Transfer (to)/from investment properties (refer to note 14)	(7,361)	225	–	–	(7,136)
Derecognition due to loss of control (refer to note 26)	(302,399)	(168,862)	–	(3,740)	(475,001)
Disposals	(25,584)	(65,651)	(29,131)	(1,417)	(121,783)
Translation adjustment	(102,673)	(182,506)	(16,945)	(20,077)	(322,201)
As at 31 December 2018	4,746,030	5,572,340	451,546	1,533,664	12,303,580
As at 1 January 2019	**4,746,030**	**5,572,340**	**451,546**	**1,533,664**	**12,303,580**
Acquired through business combination	**271,747**	**511,209**	**1,990,727**	**10,285**	**2,783,968**
Additions during the year	**56,687**	**152,903**	**50,705**	**771,833**	**1,032,128**
Transfers from capital work-in-progress	**422,039**	**190,085**	**2,239**	**(614,363)**	**–**
Transfer from intangible assets (refer to note 15)	**965**	**42,162**	**–**	**–**	**43,127**
Transfer from right-of-use assets (refer to note 13)	**9,688**	**–**	**–**	**–**	**9,688**
Transfers within property, plant and equipment	**(54,864)**	**54,864**	**–**	**–**	**–**
Disposals	**(30,769)**	**(66,451)**	**(22,258)**	**(1,154)**	**(120,632)**
Translation adjustment	**13,727**	**36,105**	**43,694**	**1,425**	**94,951**
As at 31 December 2019	**5,435,250**	**6,493,217**	**2,516,653**	**1,701,690**	**16,146,810**
Depreciation and impairment					
As at 1 January 2018	1,128,328	1,890,146	152,445	–	3,170,919
Charge for the year	157,976	293,036	28,621	–	479,633
Derecognition due to loss of control (refer to note 26)	(84,167)	(77,362)	–	–	(161,529)
On disposals	(19,710)	(62,994)	(11,623)	–	(94,327)
Translation adjustment	(14,128)	(30,726)	(7,044)	–	(51,898)
As at 31 December 2018	1,168,299	2,012,100	162,399	–	3,342,798
As at 1 January 2019	**1,168,299**	**2,012,100**	**162,399**	**–**	**3,342,798**
Charge for the year	**171,396**	**338,894**	**89,887**	**–**	**600,177**
Impairment loss	**–**	**3,474**	**3,185**	**7,000**	**13,659**
Transfer from intangible assets (refer to note 15)	**32**	**30,474**	**–**	**–**	**30,506**
Transfers within PPE	**(35,442)**	**35,442**	**–**	**–**	**–**
On disposals	**(17,452)**	**(58,663)**	**(25,397)**	**–**	**(101,512)**
Translation adjustment	**2,246**	**16,439**	**15,762**	**–**	**34,447**
As at 31 December 2019	**1,289,079**	**2,378,160**	**245,836**	**7,000**	**3,920,075**
Net book value					
At 31 December 2018	3,577,731	3,560,240	289,147	1,533,664	8,960,782
At 31 December 2019	**4,146,171**	**4,115,057**	**2,270,817**	**1,694,690**	**12,226,735**

At 31 December 2019, property, plant and equipment with a carrying amount of USD 3,227,718 thousand (2018: USD 1,919,484 thousand) are pledged to bank loans (refer to note 32).

Borrowing costs capitalised to property, plant and equipment amounted to USD 13,953 thousand (2018: USD 3,515 thousand), calculated using a capitalisation rate of 3.0% (2018: 1.7%).

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

13. Right-of-use assets

The Group enters into long lease arrangements that provide the right to use port terminal infrastructure, plant, equipment, vessels and other related assets for carrying out its business operations. The below table represents the carrying amounts of right-of-use assets recognised and the related movements during the year:

	Port concession rights USD'000	Plant equipment and vehicles USD'000	Vessels USD'000	Land and buildings USD'000	Total USD'000
Cost					
Recognition on initial application of IFRS 16 as at 1 January 2019	1,398,767	65,761	30,769	67,064	1,562,361
Acquired through business combinations	–	469,526	74,912	–	544,438
Additions during the year	–	11,912	75,453	252	87,617
Transfer to property, plant and equipment (refer to note 12)	(9,688)	–	–	–	(9,688)
Derecognition during the year	(641)	(597)	(66,425)	–	(67,663)
Translation adjustment	30,298	7,380	7,644	444	45,766
As at 31 December 2019	**1,418,736**	**553,982**	**122,353**	**67,760**	**2,162,831**
Amortisation					
Charge for the year	**34,897**	**23,129**	**81,879**	**6,351**	**146,256**
Derecognition during the year	**(641)**	**(597)**	**(66,425)**	**–**	**(67,663)**
Translation adjustment	**219**	**31**	**2,596**	**484**	**3,330**
As at 31 December 2019	**34,475**	**22,563**	**18,050**	**6,835**	**81,923**
Net book value					
At 31 December 2019	**1,384,261**	**531,419**	**104,303**	**60,925**	**2,080,908**

Refer to note 33 for underlying lease liabilities with respect to above right-of-use assets.

Following are the amounts which are recognised in consolidated statement of profit or loss and consolidated statement of cash flows:

	2019 USD'000	2018 USD'000
Amount recognised in consolidated statement of profit or loss		
Depreciation of right-of-use assets	**146,256**	–
Interest on lease liabilities (included in finance cost)	**138,749**	1,198
Expense relating to short-term leases, leases of low value assets and variable lease payments	**300,832**	244,208
Amount recognised in consolidated statement of cash flows		
Lease payments made during the year (included under financing activities)	**302,831**	10,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Investment properties

	Land USD'000	Buildings and infrastructure USD'000	Under development USD'000	Total USD'000
Cost				
As at 1 January 2018	37,417	1,147,847	238,865	1,424,129
Additions during the year	19,851	–	63,601	83,452
Acquired through business combination	175,113	97,161	17	272,291
Transfers	873	214,881	(215,754)	–
Transfer from/(to) property, plant and equipment (refer to note 12)	–	7,361	(225)	7,136
Disposals	–	(4,372)	–	(4,372)
Translation adjustment	(2,451)	–	(334)	(2,785)
As at 31 December 2018	230,803	1,462,878	86,170	1,779,851
As at 1 January 2019	**230,803**	**1,462,878**	**86,170**	**1,779,851**
Additions during the year	**1,049**	**754**	**103,452**	**105,255**
Acquired through business combination	**3,594**	**–**	**–**	**3,594**
Transfers	**–**	**(114,134)**	**114,134**	**–**
Translation adjustment	**(273)**	**(36)**	**(184)**	**(493)**
As at 31 December 2019	**235,173**	**1,349,462**	**303,572**	**1,888,207**
Depreciation and impairment				
As at 1 January 2018	–	100,950	–	100,950
Depreciation charge for the year	–	47,471	–	47,471
Impairment charge for the year	1,492	7,808	–	9,300
As at 31 December 2018	1,492	156,229	–	157,721
As at 1 January 2019	**1,492**	**156,229**	**–**	**157,721**
Depreciation charge for the year	**–**	**47,389**	**–**	**47,389**
Impairment charge for the year	**–**	**10,186**	**–**	**10,186**
As at 31 December 2019	**1,492**	**213,804**	**–**	**215,296**
Net book value				
As at 31 December 2018	229,311	1,306,649	86,170	1,622,130
As at 31 December 2019	**233,681**	**1,135,658**	**303,572**	**1,672,911**

Revenue on lease rentals from investment properties recognised in profit or loss amounted to USD 488,260 thousand (2018: USD 488,439 thousand) while associated costs related to these investment properties amounted to USD 63,148 thousand (2018: USD 67,673 thousand).

Land:
At 31 December 2019, the fair value of land was estimated to be USD 266,918 thousand (2018: USD 266,729 thousand) compared to the carrying value of USD 233,681 thousand (2018: USD 229,311 thousand).

Buildings and infrastructure:
At 31 December 2019, the fair value of buildings and infrastructure was USD 2,106,085 thousand (2018: USD 2,180,462 thousand) compared to the carrying value of USD 1,135,658 thousand (2018: USD 1,306,649 thousand).

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

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 (in the range of USD 20 to USD 935 per square metre per annum)
- Rent growth per annum (in the range of 1% to 8%)
- Historical and estimated long term occupancy rate (in the range of 75% to 90%)
- Yields rates (in the range of 8% to 13.5% per annum)

14. Investment properties continued
Key assumptions used in determination of the fair value of investment properties continued
The fair value of investment properties is categorised under level 3 of fair value hierarchy and the Group considers the current use of these properties as their highest and best use.

Sensitivity to changes in assumptions
The estimated fair value would increase/(decreases) due to increase/(decrease) in market rent and rent growth rates. The fair value would also (decrease)/increase if there is an increase/(decrease) in yield rates.

15. 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 2018	2,677,717	1,470,381	5,218,392	9,366,490
Acquired through business combinations	–	663,824	739,723	1,403,547
Additions	–	–	14,470	14,470
Translation adjustment	–	(83,197)	(341,948)	(425,145)
As at 31 December 2018	2,677,717	2,051,008	5,630,637	10,359,362
As at 1 January 2019	**2,677,717**	**2,051,008**	**5,630,637**	**10,359,362**
Acquired through business combinations	**–**	**507,545**	**918,939**	**1,426,484**
Additions	**–**	**–**	**8,969**	**8,969**
Transfer to property, plant and equipment (refer to note 12)	**–**	**–**	**(43,127)**	**(43,127)**
Translation adjustment	**–**	**23,164**	**192,879**	**216,043**
As at 31 December 2019	**2,677,717**	**2,581,717**	**6,708,297**	**11,967,731**
Amortisation and impairment				
As at 1 January 2018	81,508	–	1,364,328	1,445,836
Charge for the year	29,200	–	166,730	195,930
Translation adjustment	–	–	(115,555)	(115,555)
As at 31 December 2018	110,708	–	1,415,503	1,526,211
As at 1 January 2019	**110,708**	**–**	**1,415,503**	**1,526,211**
Charge for the year	**29,200**	**–**	**185,217**	**214,417**
Transfer to property, plant and equipment (refer to note 12)	**–**	**–**	**(30,506)**	**(30,506)**
Translation adjustment	**–**	**–**	**202,908**	**202,908**
As at 31 December 2019	**139,908**	**–**	**1,773,122**	**1,913,030**
Net book value:				
As at 31 December 2018	2,567,009	2,051,008	4,215,134	8,833,151
As at 31 December 2019	**2,537,809**	**2,581,717**	**4,935,175**	**10,054,701**

* Other intangible assets mainly include customer relationships with a net book value of USD 205,743 thousand (2018: USD 226,963 thousand) which is amortised over a period of 15 years.

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.

16. Properties held for development and sale

	2019 USD'000	2018 USD'000
As at 1 January	**261,724**	–
Charge to profit or loss	**(70,876)**	(108,042)
Additions during the year	**3,764**	64,427
Acquired through business combination	**–**	305,339
As at 31 December	**194,612**	261,724

Properties held for development and sale consist of cost of land and related improvements comprising of certain plots of land in the commercial precinct located within the Dubai Maritime City.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Properties held for development and sale continued

The Group has future commitments towards infrastructure development of USD 157,674 thousand (2018: USD 198,721 thousand) to be incurred over a period of 14 years in relation to these properties. On an annual basis, the Group engages external, independent and qualified valuers who have the relevant experience for the purpose of estimating the net realisable value of properties held for development and sale.

17. 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			
	2019 USD'000	2018 USD'000	**2019 USD'000**	2018 USD'000	Discount rates	Terminal value growth rate
Cash-generating units aggregated by operating segment						
Asia Pacific and India	**284,804**	317,021	**–**	–	6.50% – 9.50%	2.50%
Australia and Americas	**645,335**	362,564	**–**	–	6.00% – 14.00%	2.50%
Middle East, Europe and Africa	**1,651,578**	1,371,423	**827,432**	803,606	6.00% – 17.00%	2.50%
Total	**2,581,717**	2,051,008	**827,432**	803,606		

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.

Terminal value growth rate – In management's view, the terminal value 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 terminal value growth rate would not result in significant impairment.

18. Investment in equity-accounted investees

The following table summarises the segment wise financial information for equity-accounted investees, adjusted for fair value adjustments (using 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 India		Australia and Americas		Middle East, Europe and Africa		Total	
	2019 USD'000	2018 USD'000	**2019 USD'000**	2018 USD'000	**2019 USD'000**	2018 USD'000	**2019 USD'000**	2018 USD'000
Cash and cash equivalents	**353,961**	528,727	**226,825**	172,335	**230,074**	308,196	**810,860**	1,009,258
Other current assets	**222,762**	283,398	**106,550**	142,351	**217,567**	256,118	**546,879**	681,867
Non-current assets	**6,044,065**	6,006,312	**843,203**	1,798,701	**3,466,776**	2,710,080	**10,354,044**	10,515,093
Total assets	**6,620,788**	6,818,437	**1,176,578**	2,113,387	**3,914,417**	3,274,394	**11,711,783**	12,206,218
Current financial liabilities	**48,080**	30,912	**83,016**	2,016	**70,064**	33,438	**201,160**	66,366
Other current liabilities	**537,818**	469,995	**128,428**	191,520	**303,187**	316,002	**969,433**	977,517
Non-current financial liabilities	**866,826**	731,162	**356,504**	1,485,084	**1,456,328**	742,111	**2,679,658**	2,958,357
Other non-current liabilities	**486,709**	571,602	**37,097**	43,289	**377,523**	400,004	**901,329**	1,014,895
Total liabilities	**1,939,433**	1,803,671	**605,045**	1,721,909	**2,207,102**	1,491,555	**4,751,580**	5,017,135
Net assets (100%)	**4,681,355**	5,014,766	**571,533**	391,478	**1,707,315**	1,782,839	**6,960,203**	7,189,083
Group's share of net assets in equity-accounted investees							**2,200,252**	2,101,425
Revenue	**1,290,096**	1,451,106	**350,561**	622,280	**824,407**	832,827	**2,465,064**	2,906,213
Depreciation and amortisation	**(280,802)**	(280,241)	**(59,163)**	(73,543)	**(146,415)**	(119,954)	**(486,380)**	(473,738)
Other expenses	**(474,891)**	(578,578)	**(245,004)**	(452,781)	**(557,914)**	(580,194)	**(1,277,809)**	(1,611,553)
Finance cost	**(79,077)**	(74,136)	**(65,674)**	(154,283)	**(70,504)**	(61,689)	**(215,255)**	(290,108)
Finance income	**26,596**	19,676	**3,471**	4,238	**386**	1,049	**30,453**	24,963
Income tax expense	**(120,867)**	(138,848)	**(4,398)**	(500)	**(14,302)**	(16,016)	**(139,567)**	(155,364)
Net profit/(loss) (100%)	**361,055**	398,979	**(20,207)**	(54,589)	**35,658**	56,023	**376,506**	400,413
Group's share of profit (before separately disclosed items)	**108,065**	128,797	**25,528**	2,986	**19,708**	33,284	**153,301**	165,067
Group's share of dividends received							**124,146**	207,752
Group's share of other comprehensive income							**(3,002)**	843

19. Other investments

	2019 USD'000	2018 USD'000
Financial assets at fair value through other comprehensive income	**20,009**	48,050
Financial assets at fair value through profit or loss	**–**	3,028
Total	**20,009**	51,078

20. Accounts receivable and prepayments

	2019 Non-current USD'000	**2019 Current USD'000**	2018 Non-current USD'000	2018 Current USD'000
Trade receivables (net)	**329,674**	**994,056**	–	659,383
Advances paid to suppliers	**–**	**102,390**	–	108,858
Unbilled revenue	**–**	**193,487**	–	117,790
Deposits receivable	**57,545**	**8,914**	65,507	13,241
Other receivables and prepayments	**188,236**	**471,170**	166,213	418,751
Due from related parties (refer to note 28)	**100,390**	**66,778**	342,850	60,156
Total	**675,845**	**1,836,795**	574,570	1,378,179

The Group's exposure to credit and currency risks are disclosed in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Cash and cash equivalents

	2019 USD'000	2018 USD'000
Cash at banks and in hand	**1,056,487**	713,083
Short-term deposits	**1,823,606**	1,862,758
Deposits under lien	**63,266**	38,869
Cash and cash equivalents for consolidated statement of cash flows	**2,943,359**	2,614,710

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.

22. Employees' end of service benefits

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

	2019 USD'000	2018 USD'000
As at 1 January	**159,233**	122,230
Acquired through business combinations	**4,515**	35,612
Provision made during the year	**28,197**	35,446
Amounts paid during the year	**(19,150)**	(31,659)
Actuarial loss on defined benefit plan	**1,697**	2,048
Translation adjustments	**1,735**	(4,444)
As at 31 December	**176,227**	159,233

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2019 in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 3.50% and a discount rate of 3.75% per annum. The present values of the defined benefit obligations at 31 December 2019 were computed using the actuarial assumptions set out above.

In addition to the above, the Group contributes 15% of the 'contribution calculation salary' in case 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.

23. Pension and post-employment benefits

The Group participates in a number of pension schemes throughout the world, mostly concentrated in the United Kingdom.

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.

a) P&O Pension 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 120,261 thousand. The Group agreed with the Trustee to a new monthly deficit payment plan effective from 1 April 2016 of USD 11,894 thousand until 31 March 2020, increasing to a total of USD 13,546 thousand until 31 March 2024 and further increasing to USD 15,859 thousand a year until 30 November 2026. The actuarial valuation as at 31 March 2019 is still to be finalised.

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.

23. Pension and post-employment benefits continued

b) P&O Ferries Scheme

Formal actuarial valuations of the P&O Ferries Scheme will normally be carried out triennially by qualified independent actuaries, the latest completed regular valuation report for the scheme being at 1 April 2017, using the projected unit method.

At this date, the market value of the P&O Ferries Scheme's assets were USD 268,200 thousand and the value of accrued benefits to members allowing for future increases in earnings was USD 236,100 thousand giving a deficit of USD 32,100 thousand and a funding ratio of 88%.

As a result of this valuation P&O Ferries committed to deficit payments from April 2018 to March 2027 totalling USD 24,300 thousand.

c) Merchant Navy Officers' Pension Fund ("MNOPF Scheme")

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

It is an industry wide multi-employer defined benefit scheme in which officers employed by companies within the Group have participated. The scheme has been closed to further benefit accrual from 31 March 2016.

The most recent formal actuarial valuation of the New Section of MNOPF Scheme was carried out as at 31 March 2018. This resulted in a deficit of USD 11,800 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 2018 actuarial valuation. The New Section of the MNOPF Scheme closed to future accrual in April 2016.

Following earlier actuarial valuations in 2009, 2012 and 2015 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.

For the Group, aggregated outstanding contributions from these valuations are payable as follows:

- 2020: USD 14,418 thousand
- 2021 to 2023: USD 295 thousand per annum.

The Group's share of the net deficit of the MNOPF Scheme at 31 December 2019 is estimated at 13.6%.

d) Merchant Navy Ratings' Pension Fund ("MNRPF Scheme")

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 Scheme 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 467,800 thousand. The most recent formal actuarial valuation was carried out as at 31 March 2017. The deficit contributions arising from the valuation totalled USD 117,600 thousand. The contributions due to the Scheme in respect of this valuation will be paid over the period to 31 March 2025.

For the Group, aggregated outstanding contributions from these valuations are payable as follows:

- 2020: USD 10,600 thousand
- 2021 to 2025: USD 172,100 thousand

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

The Group's share of the net deficit of the MNRPF at 31 December 2019 is estimated at 39.1%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Pension and post-employment benefits continued

e) Others

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

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

	2019 USD'000	2018 USD'000
Non-current		
Defined benefit schemes net liabilities	**344,612**	156,762
Liability in respect of long service leave	**241**	167
Liability for other non-current deferred compensation	**2,553**	153
	347,406	157,082
Current		
Defined benefit schemes net liabilities	**27,513**	–
Liability for current deferred compensation	**79,279**	7,066
	106,792	7,066
Net liabilities	**454,198**	164,148

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

	2019 USD'000	2018 USD'000
Defined benefit schemes*	**13,917**	36,281
Defined contribution schemes	**44,140**	12,500
Other employee benefits	**18,298**	988
Total	**76,355**	49,769

* In 2018, this includes USD 27,744 thousand additional costs arising in 2018 in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment in the UK (refer to note 9).

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

	2019 USD'000	2018 USD'000
Actuarial gain/(loss) recognised in the year	**283,958**	(124,982)
Return on plan assets (lesser)/greater than the discount rate	**(236,412)**	120,786
Change in share in multi-employer scheme	**7,529**	133
Movement in minimum funding liability	**(52,960)**	(26,944)
Total	**2,115**	(31,007)

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2019 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 2019	P&O Ferries scheme 2019	MNOPF scheme 2019	MNRPF scheme 2019	Other schemes 2019	P&O UK scheme 2018	MNOPF scheme 2018	MNRPF scheme 2018	Other schemes 2018
Discount rates	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.92%**	2.85%	2.85%	2.85%	3.00%
Discount rates bulk annuity asset	**1.85%**	**–**	**–**	**–**	**–**	2.65%	–	–	–
Expected rates of salary increases	**–***	**–***	**–***	**–***	**0.30%**	–*	–*	–*	2.4%
Pension increases:									
deferment	**3.00%**	**2.90%**	**2.25%**	**2.25%**	**2.22%**	3.00%	2.55%	2.55%	2.80%
payment	**3.00%**	**2.80%**	**3.15%**	**3.15%**	**2.98%**	3.00%	3.45%	3.45%	3.20%
Inflation	**3.25%**	**3.25%**	**3.25%**	**3.25%**	**3.11%**	3.55%	3.55%	3.55%	3.30%

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

23. Pension and post-employment benefits continued

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

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

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
2019				
P&O UK scheme	**22.8**	**24.5**	**24.9**	**26.7**
P&O Ferries scheme	**22.5**	**24.2**	**24.4**	**26.3**
MNOPF scheme	**21.8**	**23.9**	**23.9**	**26.0**
MNRPF scheme	**19.2**	**21.2**	**22.4**	**24.5**
2018				
P&O UK scheme	21.6	23.2	23.5	25.3
MNOPF scheme	23.2	26.1	26.6	29.4
MNRPF scheme	19.0	20.9	22.2	24.5

At 31 December 2019, the weighted average duration of the defined benefit obligation was 14.9 years (2018: 14.0 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 2019 by the amounts shown below:

	USD'000
0.1% reduction in discount rate	**10,400**
0.1% increase in inflation assumption and related assumptions	**10,300**
0.25% p.a. increase in the long term rate of mortality improvement	**11,400**

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	P&O Ferries scheme USD'000	MNOPF scheme USD'000	MNRPF scheme USD'000	Other schemes USD'000	Total group schemes fair value USD'000
2019						
Equities	**236,029**	**81,807**	**239,068**	**75,857**	**57,746**	**690,507**
Bonds	**289,155**	**66,524**	**560,734**	**590,713**	**200,480**	**1,707,606**
Other	**281,226**	**134,150**	**–**	**–**	**51,011**	**466,387**
Value of insured pensioner liability	**953,895**	**–**	**–**	**–**	**2,631**	**956,526**
Total	**1,760,305**	**282,481**	**799,802**	**666,570**	**311,868**	**3,821,026**
2018						
Equities	199,733	–	65,214	12,403	45,650	323,000
Bonds	248,068	–	150,759	86,185	86,949	571,961
Other	270,317	–	–	–	36,443	306,760
Value of insured pensioner liability	901,228	–	–	–	2,430	903,658
Total	1,619,346	–	215,973	98,588	171,472	2,105,379

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Pension and post-employment benefits continued

Reconciliation of the opening and closing present value of defined benefit obligations for the period ended 31 December 2019 and 31 December 2018:

	P&O UK scheme 2019 USD'000	P&O Ferries scheme 2019 USD'000	MNOPF scheme 2019 USD'000	MNRPF scheme 2019 USD'000	Other schemes 2019 USD'000	Total group schemes 2019 USD'000	P&O UK scheme 2018 USD'000	P&O Ferries scheme 2018 USD'000	MNOPF scheme 2018 USD'000	MNRPF scheme 2018 USD'000	Other schemes 2018 USD'000	Total group schemes 2018 USD'000
Present value of obligation at 1 January	(1,635,201)	–	(201,140)	(104,853)	(209,451)	(2,150,645)	(1,842,376)	–	(227,085)	(118,614)	(236,944)	(2,425,019)
Employer's interest cost	(45,048)	(3,666)	(14,165)	(10,592)	(8,012)	(81,483)	(44,284)	–	(5,469)	(2,801)	(5,919)	(58,473)
Employer's current service cost	–	–	–	–	(7,097)	(7,097)	–	–	–	(1,601)	(2,401)	(4,002)
Employer's past service cost*	–	–	–	–	–	–	(23,743)	–	(1,067)	–	(2,934)	(27,744)
Acquired through business combinations	–	(283,085)	(619,250)	(585,815)	(72,909)	(1,561,059)	–	–	–	–	–	–
Contributions by scheme participants	–	–	–	–	(1,250)	(1,250)	–	–	–	–	(1,200)	(1,200)
Effect of movement in exchange rates	(58,938)	(11,596)	(27,863)	(27,666)	(26,512)	(152,575)	95,931	–	11,806	6,159	12,069	125,965
Benefits paid	107,963	3,595	22,971	19,908	8,442	162,879	93,504	–	12,672	6,002	8,537	120,715
Experience gains/(losses) on scheme liabilities	23,609	(370)	2,935	(1,914)	4,637	28,897	–	–	(1,734)	800	(667)	(1,601)
Change in share in multi-employer scheme	–	–	110,005	–	–	110,005	–	–	–	(5,869)	–	(5,869)
Actuarial gain on scheme liabilities due to change in demographic assumptions	(20,036)	1,046	3,446	–	6,531	(9,013)	9,737	–	–	6,136	1,334	17,207
Actuarial gains/(losses) on scheme liabilities due to change in financial assumptions	(182,873)	(12,021)	(30,883)	(35,416)	(42,649)	(303,842)	76,030	–	9,737	4,935	18,674	109,376
Present value of obligation at 31 December	(1,810,524)	(306,097)	(753,944)	(746,348)	(348,270)	(3,965,183)	(1,635,201)	–	(201,140)	(104,853)	(209,451)	(2,150,645)

* In 2018, this relates to additional costs arising in respect of "guaranteed minimum pension" (GMP) based on a landmark High Court judgment in the UK (refer to note 9)

Reconciliation of the opening and closing present value of fair value of scheme assets for the period ended 31 December 2019 and 31 December 2018:

	P&O UK scheme 2019 USD'000	P&O Ferries scheme 2019 USD'000	MNOPF scheme 2019 USD'000	MNRPF 2019 USD'000	Other schemes 2019 USD'000	Total group schemes 2019 USD'000	P&O UK scheme 2018 USD'000	P&O Ferries scheme 2018 USD'000	MNOPF scheme 2018 USD'000	MNRPF scheme 2018 USD'000	Other schemes 2018 USD'000	Total group schemes 2018 USD'000
Fair value of scheme assets at 1 January	1,619,346	–	215,973	98,588	171,472	2,105,379	1,833,720	–	254,135	106,983	184,751	2,379,589
Interest income on assets	44,665	3,356	14,803	9,444	6,750	79,018	44,151	–	6,136	2,668	4,486	57,441
Return on plan assets (lesser)/greater than the discount rate	137,952	7,085	33,308	27,182	30,885	236,412	(78,698)	–	(18,407)	(13,072)	(10,609)	(120,786)
Acquired through business combinations	–	263,872	640,608	511,698	72,523	1,488,701	–	–	–	–	–	–
Contributions by employer	11,485	1,251	6,891	18,102	12,860	50,589	12,005	–	–	8,718	9,956	30,679
Contributions by scheme participants	–	–	–	–	1,250	1,250	–	–	–	–	1,200	1,200
Effect of movement in exchange rates	57,245	10,711	29,490	24,654	24,810	146,910	(95,127)	–	(12,819)	(5,729)	(9,555)	(123,230)
Benefits paid	(107,963)	(3,595)	(22,971)	(19,908)	(8,442)	(162,879)	(93,504)	–	(12,672)	(6,002)	(8,537)	(120,715)
Change in share in multi-employer scheme	–	–	(117,534)	–	–	(117,534)	–	–	–	5,736	–	5,736
Administration costs incurred during the year	(2,425)	(199)	(766)	(3,190)	(240)	(6,820)	(3,201)	–	(400)	(714)	(220)	(4,535)
Fair value of scheme assets at 31 December	1,760,305	282,481	799,802	666,570	311,868	3,821,026	1,619,346	–	215,973	98,588	171,472	2,105,379
Defined benefit schemes net liabilities	(50,219)	(23,616)	45,858	(79,778)	(36,402)	(144,157)	(15,855)	–	14,833	(6,265)	(37,979)	(45,266)
Minimum funding liability	(42,554)	–	(61,849)	(123,565)	–	(227,968)	(80,174)	–	(14,833)	(16,367)	(122)	(111,496)
Net liability recognised in the consolidated statement of financial position at 31 December	(92,773)	(23,616)	(15,991)	(203,343)	(36,402)	(372,125)	(96,029)	–	–	(22,632)	(38,101)	(156,762)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Pension and post-employment benefits continued

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

The below table shows the movement in minimum funding liability:

	2019 USD'000	2018 USD'000
Minimum funding liability as on 1 January	**(111,496)**	(141,607)
Employer's interest cost	**(5,105)**	(3,468)
Acquired through business combinations	**(156,243)**	–
Actuarial gain during the year	**52,960**	26,944
Effect of movement in exchange rates	**(8,084)**	6,635
Minimum funding liability as on 31 December	**(227,968)**	(111,496)

It is anticipated that the Group will make the following contributions to the pension schemes in 2020:

	P&O UK scheme USD'000	P&O Ferries scheme USD'000	MNOPF scheme USD'000	MNRPF scheme USD'000	Other schemes USD'000	Total group schemes USD'000
Pension scheme contributions	**11,894**	**1,531**	**13,923**	**15,377**	**10,339**	**53,064**

24. Accounts payable and accruals

	2019 Non-current USD'000	2019 Current USD'000	2018 Non-current USD'000	2018 Current USD'000
Trade payables	**–**	**455,287**	–	324,185
Deferred revenue	**39,894**	**352,347**	38,601	418,559
Advances and deposits from customers	**75,203**	**374,359**	–	267,282
Other payables and accruals	**173,988**	**1,374,858**	112,992	1,229,044
Provisions*	**2,068**	**74,159**	586	49,984
Fair value of derivative financial instruments	**88,118**	**16,128**	193,288	773
Amounts due to related parties (refer to note 28)	**–**	**16,522**	–	15,900
As at 31 December	**379,271**	**2,663,660**	345,467	2,305,727

* During the current year, additional provision of USD 101,258 thousand was made (2018: USD 45,224 thousand) and an amount of USD 75,601 thousand was utilised (2018: USD 34,898 thousand). The recognised provision reflects management's best estimate of the most likely outcome of various legal and other claims, which are subject to considerable uncertainty in terms of outcome and timing of settlement.

25. Non-controlling interests ("NCI")

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

	Middle East, Europe and Africa 2019 USD'000	Asia Pacific and India 2019 USD'000	Australia and Americas 2019 USD'000	Other subsidiaries* 2019 USD'000	Total 2019 USD'000	Middle East, Europe and Africa 2018 USD'000	Asia Pacific and India 2018 USD'000	Australia and Americas 2018 USD'000	Other subsidiaries* 2018 USD'000	Total 2018 USD'000
Balance sheet information:										
Non-current assets	**434,078**	**690,409**	**1,512,831**			–	937,532	1,045,943		
Current assets	**51,551**	**335,612**	**523,247**			–	220,275	467,645		
Non-current liabilities	**(88,924)**	**(107,567)**	**(1,229,153)**			–	(82,979)	(847,466)		
Current liabilities	**(174,952)**	**(86,773)**	**(310,393)**			–	(69,426)	(348,080)		
Net assets (100%)	**221,753**	**831,681**	**496,532**			–	1,005,402	318,042		
Carrying amount of fair value adjustments excluding goodwill	**157,721**	**279,615**	**380,399**			–	194,982	155,702		
Total	**379,474**	**1,111,296**	**876,931**			–	1,200,384	473,744		
Carrying amount of NCI as at 31 December	**94,869**	**409,257**	**394,618**	**133,308**	**1,032,052**	–	381,621	182,582	123,517	687,720
Statement of profit or loss information:										
Revenue	**24,468**	**327,006**	**839,076**			–	282,679	351,423		
Profit after tax	**(1,616)**	**50,479**	**46,737**			–	56,936	37,091		
Other comprehensive income, net of tax	**–**	**(38,877)**	**(1,580)**			–	(48,871)	(28,340)		
Total comprehensive income (100%), net of tax	**(1,616)**	**11,602**	**45,157**			–	8,065	8,751		
Profit allocated to NCI	**(404)**	**16,099**	**21,031**	**(31,019)**	**5,707**	–	19,019	16,691	25,426	61,136
Other comprehensive income attributable to NCI	**–**	**(13,207)**	**(711)**	**85,513**	**71,595**	–	(17,344)	(12,753)	(1,268)	(31,365)
Total comprehensive income attributable to NCI	**(404)**	**2,892**	**20,320**	**54,494**	**77,302**	–	1,675	3,938	24,158	29,771
Cash flow statement information:										
Cash flows from operating activities	**9,379**	**92,090**	**125,348**			–	86,315	124,247		
Cash flows from investing activities	**(118)**	**(40,687)**	**28,444**			–	(27,915)	(167,984)		
Cash flows from financing activities	**(9,261)**	**(28,745)**	**(148,454)**			–	(69,563)	79,573		
Dividends paid to NCI	**(63,000)**	**(17,979)**	**(24,244)**			–	23,760	–		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Business combinations

Acquisition of new subsidiaries

(a) On 28 February 2019, the Group acquired additional 35.25% ownership in DP World Australia (Holding) Pty Ltd ("acquiree"). As a result of this transaction, the Group's equity interest increased from 25% to 60.25%, obtaining control of this entity. The additional 35.25% ownership is acquired by purchasing equity of the acquiree for a nominal value, directly and through a trust and by purchasing loan notes of USD 276,003 thousand from the exiting shareholder's loan.

Taking control of DP World Australia (Holding) Pty Ltd will enable the Group to develop its container terminal operations and ports logistics services across Australia region. The acquisition is also expected to provide reduction in overall operating costs through economies of scale.

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	462,882	462,882
Port concession rights	456,949	472,329
Right-of-use asset	468,468	468,468
Investment in equity-accounted investees	31,167	31,167
Inventories	4,933	4,933
Accounts receivables and prepayments	63,060	63,060
Bank balances and cash	67,806	67,806
Liabilities		
Pension and post-employment benefits	(68,353)	(68,353)
Loans and borrowings	(309,104)	(309,104)
Lease liabilities	(476,856)	(476,856)
Accounts payable and accruals	(92,886)	(92,886)
Deferred tax liabilities	–	(4,614)
Net assets acquired	608,066	618,832
Less: non-controlling interest recognised on acquisition including shareholder loans		(337,845)
Goodwill arising on acquisition		207,504
Total purchase consideration including existing and assumed new shareholder loans*		488,491
For cash flow statement:		
Cash paid for settlement of existing shareholder loans		(276,003)
Cash acquired on acquisition		67,806
Net cash paid on acquisition		(208,197)

* This also includes fair value of existing loans amounting to USD 212,488 thousand.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

The remeasurement to fair value of the Group's existing 25% interest in DP World Australia (Holding) Pty Ltd has resulted in a loss of USD 25,510 thousand which includes derecognition of carrying amount of the existing equity-accounted investee at the date of acquisition and recycling of translation reserve to the statement of profit or loss (refer to note 8).

Acquisition related costs of USD 1,354 thousand were expensed and included in general and administrative expenses.

The deferred tax liability relates to fair value adjustments on port concession rights.

The Group has elected to measure the non-controlling interest in the acquiree at fair value. The fair value was arrived using income approach model.

From the acquisition date, this acquisition has contributed revenues of USD 316,286 thousand and gross profit of USD 104,501 thousand to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have increased by USD 63,257 thousand and consolidated gross profit for the year would have increased by USD 11,868 thousand. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

On 20 December 2019, Caisse de dépôt et placement du Québec (CDPQ) acquired an effective ownership of 27.11% in DP World Australia (Holding) Pty Ltd for a consideration of USD 228,749 thousand and as a result Group's effective controlling ownership is reduced to 33.14% with controlling interests.

26. Business combinations continued

Acquisition of new subsidiaries continued

(b) On 5 April 2019, the Group acquired 99.2% stake in Puertos y Logistica S.A. (Pulogsa) in Chile for a purchase consideration of USD 498,898 thousand. Pulogsa is a multipurpose terminal which has long term maritime concessions with freehold land ownership, which handles containers, break-bulk and dry bulk. The port is strategically positioned to benefit from the well-established pulp and lumber industry in Southern Chile, next to the country's second largest city and industrial hub Concepción. This acquisition will allow the Group to serve cargo owners and shipping lines at five key gateways on the west coast of South America in Posorja (Ecuador), Callao and Paita (Peru) and San Antonio and Lirquen (Chile).

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	244,267	244,267
Other intangible assets	221,843	221,843
Port concession rights	–	215,200
Investment properties	3,594	3,594
Right-of-use asset	1,058	1,058
Deferred tax asset	3,804	3,804
Accounts receivables and prepayments	108,434	108,434
Inventories	1,374	1,374
Bank balances and cash	61,069	61,069
Liabilities		
Loans and borrowings	(278,196)	(278,196)
Pension and post-employment benefits	(2,677)	(2,677)
Accounts payable and accruals	(55,514)	(55,514)
Deferred tax liabilities	(29,737)	(87,841)
Net assets acquired	279,319	436,415
Less: non-controlling interest recognised on acquisition		(3,469)
Goodwill arising on acquisition		65,952
Total purchase consideration		498,898
For cash flow statement:		
Cash paid on acquisition		(498,898)
Cash acquired on acquisition		61,069
Net cash paid on acquisition		(437,829)

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of USD 1,435 thousand were expensed and included in general and administrative expenses.

The deferred tax liability relates to fair value adjustments on port concession rights. The Group has elected to measure the non-controlling interests in the acquiree at the proportionate shares of its interest in the acquiree's identifiable net assets.

From the acquisition date, this acquisition has contributed revenues of USD 108,676 thousand and gross profit of USD 20,770 thousand to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have increased by USD 36,225 thousand and consolidated gross profit for the year would have increased by USD 6,923 thousand. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

On 8 May 2019, Caisse de dépôt et placement du Québec (CDPQ) acquired an effective ownership of 44.64% in Puertos y Logistica S.A. for a consideration of USD 227,993 thousand and as a result Group's effective ownership is reduced to 54.56%.

(c) On 1 July 2019, the Group acquired 100% ownership in P&O Ferries Group from its Parent company for a purchase consideration of USD 409,331 thousand. P&O Ferries is a pan-European integrated logistics business consisting of a market leading roll-on roll-off (Ro-Ro) ferries operation and an European transportation and logistics solutions provider, P&O Ferrymasters. P&O Ferries operates a fleet of vessels on the Short Sea, North Sea and Irish Sea sectors across 11 ports whilst P&O Ferrymasters provides supply chain solutions in major European locations. This acquisition will allow the Group to provide logistics services in major European locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Business combinations continued

Acquisition of new subsidiaries continued

	Acquiree's carrying amount USD'000	Fair value recognised on acquisition USD'000
Assets		
Property, plant and equipment	520,294	635,212
Other intangible assets	8,677	8,677
Investments in equity-accounted investees	592	592
Right-of-use asset	72,555	72,555
Accounts receivables and deferred tax assets	251,973	251,973
Inventories	16,205	16,205
Bank balances and cash	86,711	86,711
Liabilities		
Loans and borrowings	(246,077)	(246,077)
Accounts payable and accruals	(285,512)	(285,512)
Pension and post-employment benefits	(228,601)	(228,601)
Deferred tax and income tax liabilities	(3,037)	(3,037)
Net assets acquired	193,780	308,698
Goodwill arising on acquisition		100,633
Total purchase consideration		409,331
For cash flow statement:		
Cash paid on acquisition		(409,331)
Cash acquired on acquisition		86,711
Net cash paid on acquisition		(322,620)

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business and none of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of USD 6,250 thousand were expensed and included in general and administrative expenses.

No deferred tax liability arises on the fair value adjustments as the P&O Ferries Group is subject to tonnage tax.

From the acquisition date, this acquisition has contributed revenues of USD 691,814 thousand and gross profit of USD 90,163 thousand to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have increased by USD 683,855 thousand and consolidated gross profit for the year would have increased by USD 53,098 thousand. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(d) On 18 September 2019, the Group acquired 100% stake in Topaz Energy and Marine Limited ("Topaz") from Renaissance Services SAOG for a purchase consideration of USD 302,700 thousand. Topaz is a leading international critical logistics and solutions provider to the global energy industry and operates a modern, versatile fleet of vessels, predominantly in the Caspian Sea, MENA, and West Africa regions. This acquisition will allow the Group to serve cargo owners and shipping lines across Azerbaijan within the East-West trade corridor.

26. Business combinations continued

Acquisition of new subsidiaries continued

	Acquiree's carrying amount USD'000	Fair value recognised on acquisition USD'000
Assets		
Property, plant and equipment	1,356,907	1,441,607
Other intangible assets	890	890
Right-of-use asset	2,357	2,357
Accounts receivables and deferred tax assets	106,716	106,716
Inventories	2,393	2,393
Bank balances and cash	37,060	37,060
Liabilities		
Loans and borrowings	(772,662)	(772,662)
Accounts payable and accruals	(153,379)	(153,379)
Advance from customers	(225,884)	(225,884)
End of service benefits	(4,515)	(4,515)
Deferred tax and income tax liabilities	(17,879)	(11,891)
Net assets acquired	332,004	422,692
Less: non-controlling interests relating to the subsidiaries of the Group		(253,448)
Goodwill arising on acquisition		133,456
Total purchase consideration		302,700
For cash flow statement:		
Cash paid on acquisition		(302,700)
Cash acquired on acquisition		37,060
Net cash paid on acquisition		(265,640)

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of USD 5,000 thousand were expensed and included in general and administrative expenses.

The deferred tax asset relates to fair value adjustments on port concession rights. The Group has elected to measure the non-controlling interests in the acquiree at the proportionate shares of its interest in the acquiree's identifiable net assets.

From the acquisition date, this acquisition has contributed revenues of USD 140,650 thousand and gross profit of USD 69,520 thousand to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have increased by USD 335,989 thousand and consolidated gross profit for the year would have increased by USD 147,384 thousand. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. 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 ("P&O SNCo")	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
Hindustan Infralog Private Limited	65%	India	Holding company
Hindustan Ports Private Limited	100%	India	Holding company
DP World Ports Cooperatieve U.A.	100%	Netherlands	Holding company
DP World Maritime Cooperatieve U.A.	100%	Netherlands	Holding company

27. 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
DP World Australia (Holding) Pty Ltd	33.14%*** ##	Australia	Container terminal operations
Empresa Brasileira de Terminais Portuarious S.A.	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
Puertos y Logistica S.A.	54.89%##	Chile	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
DPWorld Posorja S.A.	78%	Ecuador	Container terminal operations
Chennai Container Terminal Private Limited	100%	India	Container terminal operations
India Gateway Terminal Private Ltd	85.02%	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	Roll-on/roll-off 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
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
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
Yantai International Container Terminals Ltd	12.50%	People's Republic of China	Container terminal operations
Terminales Portuarios Euroandinos Paita S.A.	50%	Peru	Container terminal operations
Asian Terminals Inc	50.54%*	Philippines	Container terminal operations
Laem Chabang International Terminal Co. Ltd	34.50%	Thailand	Container terminal operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. 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
Topaz Energy and Marine Limited	100%##	Bermuda	Charter of marine vessels and ship management
Unifeeder A/S	100%	Denmark	Maritime transport and logistics
Unimed Feeder Services A/S	100%	Denmark	Maritime transport and logistics
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
Continental Warehousing Corporation (Nhava Seva) Limited	58.50%	India	Logistics, warehousing and transportation services
Nhava Sheva Business Park Private Limited	65.00%	India	Free trade warehousing zone
Winter Logistics Private Limited	55.64%	India	Cold chain logistics
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
Base Marine Norway AS	51%	Norway	Maritime services
P&O Maritime Services (PNG) Limited	100%	Papua New Guinea	Maritime services
P&O Maritime Paraguay (Holdings) S.A.	100%	Paraguay	Maritime services
DP World Peru S.R.L.	100%	Peru	Terminal related activities
Cosmos Agencia Maritima S.A.C.	100%	Peru	Logistics, maritime and warehousing services
Neptunia S.A.	100%	Peru	Logistics and warehousing services
Triton Transports S.A.	100%	Peru	Logistics services
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
P&O Maritime Ukraine LLC	51%	Ukraine	Maritime services
Dubai International Djibouti FZE	100%	United Arab Emirates	Port management and operation
Drydocks World LLC	100%	United Arab Emirates	Ship building, repairs and docking services
Dubai Trade FZE	100%	United Arab Emirates	Trade facilitation through integrated electronic services
Maritime World LLC	100%	United Arab Emirates	Property development and leasing
Jebel Ali Free Zone FZE	100%	United Arab Emirates	Management, operation and development of free zones, economic zones and industrial zones
P&O Maritime FZE	100%	United Arab Emirates	Maritime services
P&O Marinas FZE	100%	United Arab Emirates	Operating marinas and property leasing
World Security FZE	100%	United Arab Emirates	Security services
LG Park Freehold Limited	100%	United Kingdom	Management and operation of industrial parks
P&O Ferries Division Holdings Limited	100%##	United Kingdom	Ferry services and harbour operator
Hyperloop Technologies, Inc.	72.11%*	United States of America	Development of hyperloop transportation system

* Although the Group has more than 50% effective ownership interest in these entities, they are not treated as subsidiaries, but instead treated as equity-accounted investees. The underlying shareholder agreements/ board composition do not provide control to the Group.

** Although the Group only has a 33.34% effective ownership interest in this entity, it was treated as a subsidiary until 22 February 2018, as the Group was able to govern the financial and operating policies of the company by virtue of an agreement with the other investor.

*** Although the Group only has a 33.14% 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 investors.

\# On 22 February 2018, the Government of Djibouti illegally seized control of Djibouti operations and hence the Group has stopped consolidating this entity's operating results. The Group commenced arbitration proceedings before the London Court of International Arbitration to protect its rights, or to secure damages and compensation for breach or expropriation. The London Court of International Arbitration ruled Djibouti government's seizure of control of the terminal from the Group as illegal. The Group will continue to pursue all legal means to defend its rights as a shareholder.

\## Businesses acquired during the year; refer to note 26 for details.

28. Related party transactions

Other related party transactions

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

	Equity-accounted investees 2019 USD'000	Other related parties 2019 USD'000	Total 2019 USD'000	Ultimate Parent Company 2018 USD'000	Equity-accounted investees 2018 USD'000	Other related parties 2018 USD'000	Total 2018 USD'000
Expenses charged:							
Concession fee	–	8,175	8,175	–	–	50,338	50,338
Shared services	–	287	287	–	–	529	529
Marine service fees	–	13,043	13,043	–	–	12,607	12,607
IT services fee	–	4,794	4,794			6,052	6,052
Other services	–	9,234	9,234	–	–	2,707	2,707
Interest expense	–	57,395	57,395	1,904	–	–	1,904
Revenue earned:							
Revenue	–	14,284	14,284	–	–	12,875	12,875
Management fee	14,956	17,475	32,431	–	16,238	18,085	34,323
Interest income	6,817	–	6,817	2,703	31,321	–	34,024

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

	Due from related parties		Due to related parties	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Ultimate Parent Company	2,396	2,383	1,499	1,605
Parent Company	30	–	3	565
Equity-accounted investees (refer to note 26)	128,725	375,751	1,840	2,067
Other related parties	36,017	24,872	13,180	11,663
Total	**167,168**	403,006	**16,522**	15,900

The Group has also issued guarantees on behalf of equity-accounted investees which are disclosed in note 37.

Business combinations under common control

On 1 July 2019, the Group acquired 100% stake in P&O Ferries from its parent company Port and Free Zone World (refer to note 26 (c)).

Compensation of key management personnel

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

	2019 USD'000	2018 USD'000
Short-term benefits and bonus	15,090	14,366
Post-retirement benefits	364	335
Total	**15,454**	14,701

29. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial risk management continued

Overview continued

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 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 applies IFRS 9 simplified approach to measure expected credit losses (ECLs) which uses a life time expected loss allowance for all trade receivables and contract assets. The Group uses an allowance matrix to measure the ECLs of trade receivables which comprise a very large number of small balances. These historical loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Thus, expected credit loss rates are based on the payment profile of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. These historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group identified gross domestic product (GDP), global supply/ demand index of container market, global freight rate index of container market, oil prices in international markets and consumer price index (CPI) to be the most relevant factors for performing macro level adjustments in expected credit loss financial model.

Other financial assets

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

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

Financial guarantees

The Group's policy is to consider the provision of a financial guarantee to wholly-owned subsidiaries, where there is a commercial rationale to do so. Guarantees may also be provided to equity-accounted investees in very limited circumstances 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:

	2019 USD'000	2018 USD'000
FVOCI – equity instruments	**20,009**	48,050
Financial assets at FVTPL	**–**	3,028
Derivative assets	**1,292**	8,735
Trade and other receivables excluding prepayments	**2,085,637**	1,727,101
Cash and cash equivalents	**2,943,359**	2,614,710
Total	**5,050,297**	4,401,624

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

	2019 USD'000	2018 USD'000
Asia Pacific and India	**69,660**	81,335
Australia and Americas	**189,058**	122,828
Middle East, Europe and Africa	**735,338**	455,220
Total	**994,056**	659,383

29. Financial risk management continued

a) Credit risk continued

i. Exposure to credit risk continued

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

	2019 USD'000	2018 USD'000
Neither past due nor impaired on the reporting date:	**617,140**	376,486
Past due on the reporting date		
Past due 0-30 days	**202,197**	161,656
Past due 31-60 days	**57,160**	46,692
Past due 61-90 days	**40,120**	26,597
Past due > 90 days	**77,439**	47,952
Total	**994,056**	659,383

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:

	2019 USD'000	2018 USD'000
As at 1 January	**129,980**	106,685
Acquired through business combinations	**19,242**	19,471
Provision recognised during the year	**1,741**	3,824
As at 31 December	**150,963**	129,980

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.

Current trade receivables with the top ten customers represent 34% (2018: 39%) of the trade receivables.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial risk management continued

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						2018
Issued bonds	6,929,630	(12,149,956)	(570,850)	(823,503)	(2,119,742)	(8,635,861)
Convertible bonds	848,865	(1,096,250)	(17,500)	(17,500)	(52,500)	(1,008,750)
Bank loans	2,618,061	(3,725,203)	(208,898)	(177,171)	(1,100,230)	(2,238,904)
Loans from non-controlling shareholders	133,236	(174,905)	(1,000)	(10,904)	(45,070)	(117,931)
Lease liabilities	23,207	(29,657)	(7,031)	(9,525)	(6,350)	(6,751)
Trade and other payables	1,964,732	(1,965,388)	(1,851,740)	(49,187)	(27,471)	(36,990)
Derivative financial liabilities						
Interest rate swaps used for hedging	61,021	(86,593)	(22,555)	(21,564)	(40,520)	(1,954)
Embedded derivative option	133,040	–	–	–	–	–
Total	12,711,792	(19,227,952)	(2,679,574)	(1,109,354)	(3,391,883)	(12,047,141)
Non derivative financial liabilities						**2019**
Issued bonds	**8,984,257**	**(15,658,089)**	**(896,915)**	**(414,258)**	**(2,371,418)**	**(11,975,498)**
Convertible bonds	**222,236**	**(274,730)**	**(4,551)**	**(4,501)**	**(265,678)**	**–**
Bank loans	**4,074,391**	**(5,550,965)**	**(770,426)**	**(325,914)**	**(1,767,353)**	**(2,687,272)**
Loans from non-controlling shareholders	**689,017**	**(808,577)**	**(24,976)**	**(23,896)**	**(91,050)**	**(668,655)**
Lease liabilities	**2,513,190**	**(7,866,780)**	**(311,468)**	**(339,915)**	**(675,968)**	**(6,539,429)**
Trade and other payables	**2,020,656**	**(2,065,788)**	**(1,846,667)**	**(59,227)**	**(20,208)**	**(139,686)**
Derivative financial liabilities						
Interest rate swaps used for hedging	**89,935**	**(97,368)**	**29**	**(46,072)**	**(36,888)**	**(14,437)**
Embedded derivative option	**14,311**	**–**	**–**	**–**	**–**	**–**
Total	**18,607,993**	**(32,322,297)**	**(3,854,974)**	**(1,213,783)**	**(5,228,563)**	**(22,024,977)**

Also, refer to note 37 for further details on financial guarantees and letters of credit.

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 66.5% (2018: 63.9%) 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.

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.

29. Financial risk management continued

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	2018 Total USD'000
Cash and cash equivalents	1,462,826	572,471	186,388	26,777	89,567	134,160	103,057	39,464	2,614,710
Trade receivables	301,894	47,006	123,354	10,068	46,335	50,059	27,703	52,964	659,383
Unbilled revenue	80,269	2,464	21,956	2,605	8,445	822	375	854	117,790
Deposits receivable	28,156	–	48,990	1,414	130	–	–	58	78,748
Bank loans	(886,035)	(820,503)	(23,259)	–	(144,736)	(435,311)	–	(308,217)	(2,618,061)
Loan from non-controlling shareholders	(7,778)	–	(20,734)	–	(547)	(104,177)	–	–	(133,236)
Unsecured bonds	(6,489,236)	(440,941)	(848,318)	–	–	–	–	–	(7,778,495)
Lease liabilities	(15,247)	(167)	(4,706)	–	–	(3,087)	–	–	(23,207)
Trade payables	(103,932)	(15,477)	(105,627)	(7,907)	(13,594)	(6,247)	(12,539)	(58,862)	(324,185)
Advances and deposits from customers	(261,448)	–	–	–	(5,676)	–	(58)	(100)	(267,282)
Net consolidated statement of financial position exposures	(5,890,531)	(655,147)	(621,956)	(32,957)	(20,076)	(363,781)	118,538	(273,839)	(7,673,835)

	USD* USD'000	**GBP USD'000**	**EUR USD'000**	**AUD USD'000**	**INR USD'000**	**CAD USD'000**	**KRW USD'000**	**Others USD'000**	**2019 Total USD'000**
Cash and cash equivalents	**1,933,119**	**202,619**	**250,813**	**68,445**	**175,791**	**118,399**	**119,965**	**74,208**	**2,943,359**
Trade receivables	**758,060**	**200,892**	**130,403**	**61,432**	**40,119**	**52,812**	**29,408**	**50,604**	**1,323,730**
Unbilled revenue	**147,441**	**20,020**	**12,559**	**1,314**	**8,141**	**600**	**545**	**2,867**	**193,487**
Deposits receivable	**10,759**	**1,190**	**49,780**	**80**	**1,786**	**–**	**702**	**2,162**	**66,459**
Bank loans	**(1,898,272)**	**(1,000,056)**	**(44,491)**	**(312,209)**	**(112,994)**	**(435,714)**	**–**	**(270,655)**	**(4,074,391)**
Loan from non-controlling shareholders	**(7,802)**	**–**	**(18,500)**	**(553,363)**	**–**	**(109,352)**	**–**	**–**	**(689,017)**
Unsecured bonds	**(7,915,930)**	**(456,500)**	**(834,063)**	**–**	**–**	**–**	**–**	**–**	**(9,206,493)**
Lease liabilities	**(1,012,228)**	**(575,945)**	**(211,153)**	**(493,771)**	**(14,755)**	**(163,427)**	**(19,867)**	**(22,044)**	**(2,513,190)**
Trade payables	**(146,744)**	**(110,776)**	**(98,487)**	**(13,601)**	**(21,843)**	**(3,864)**	**(11,243)**	**(48,729)**	**(455,287)**
Advances and deposits from customers	**(438,302)**	**–**	**–**	**–**	**(9,478)**	**–**	**–**	**(1,782)**	**(449,562)**
Net consolidated statement of financial position exposures	**(8,569,899)**	**(1,718,556)**	**(763,139)**	**(1,241,673)**	**66,767**	**(540,546)**	**119,510**	**(213,369)**	**(12,860,905)**

* 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% 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**	
	2019 USD'000	2018 USD'000	**2019 USD'000**	2018 USD'000
GBP	**(5,428)**	(5,173)	**(190,951)**	(73,068)
EUR	**(189)**	(83)	**(84,793)**	(76,989)
AUD	**(3,750)**	(3)	**(137,964)**	(3,215)
INR	**(458)**	(379)	**(7,419)**	(2,553)
CAD	**(1,556)**	(1,554)	**(60,061)**	(40,511)
KRW	**(203)**	(204)	**(13,279)**	(13,136)

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29. Financial risk management continued

A 10% 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 2019, after taking into account the effect of interest rate swaps, approximately 92% (2018: 91%) 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	
	2019 USD'000	2018 USD'000
Fixed rate instruments		
Financial liabilities (loans and borrowings)	**(13,076,339)**	(8,097,155)
Interest rate swaps hedging floating rate debt	**(2,098,943)**	(1,537,475)
Total	**(15,175,282)**	(9,634,630)
Variable rate instruments		
Financial assets (short term deposits)	**1,886,872**	1,901,627
Financial liabilities (loans and borrowings)	**(3,406,752)**	(2,455,844)
Interest rate swaps hedging floating rate debt	**2,098,943**	1,537,475
Total	**579,063**	983,258

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
2019				
Variable rate instruments	**5,791**	**(5,791)**	**–**	**–**
Interest rate swaps	**(1,350)**	**1,350**	**19,639**	**(19,639)**
Cash flow sensitivity (net)	**4,441**	**(4,441)**	**19,639**	**(19,639)**
2018				
Variable rate instruments	9,833	(9,833)	–	–
Interest rate swaps	(1,300)	1,300	14,075	(14,075)
Cash flow sensitivity (net)	8,533	(8,533)	14,075	(14,075)

29. 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	2019 Carrying amount USD'000	2019 Fair value USD'000	2018 Carrying amount USD'000	2018 Fair value USD'000
FVOCI – equity instruments	**2**	**20,009**	**20,009**	48,050	48,050
Financial assets at FVTPL					
Equity securities	**3**	**–**	**–**	3,028	3,028
Convertible debt instrument	**2**	**–**	**–**	90,000	90,000
Derivative instruments for hedging	**2**	**1,292**	**1,292**	8,735	8,735
Financials assets carried at amortised cost					
Trade and other receivables**		**2,085,637**	**–**	1,637,101	–
Cash and cash equivalents*		**2,943,359**	**–**	2,614,710	–
Financial liabilities carried at fair value					
Interest rate swaps used for hedging	**2**	**(89,935)**	**(89,935)**	(61,021)	(61,021)
Embedded derivative option	**2**	**(14,311)**	**(14,311)**	(133,040)	(133,040)
Financial liabilities carried at amortised cost					
Issued bonds	**1**	**(8,984,257)**	**(10,086,366)**	(6,929,630)	(7,185,042)
Convertible bonds	**2**	**(222,236)**	**(228,246)**	(848,865)	(821,910)
Bank loans*		**(4,074,391)**	**–**	(2,618,061)	–
Loans from non-controlling shareholders*		**(689,017)**	**–**	(133,236)	–
Finance lease liabilities*		**(2,513,190)**	**–**	(23,207)	–
Trade and other payables**		**(2,020,656)**	**–**	(1,964,732)	–

* 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.

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)

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.

The embedded derivative option liability of the convertible bond is fair valued at each reporting date based on the Black and Scholes option pricing model adjusted with market assumptions relating to share price, risk free rate and volatility. 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 the 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.

30. Share capital

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

	2019 USD'000	2018 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. 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 2018	37,843	(611,724)	(573,881)
Other comprehensive income, net of tax	(10,371)	26,062	15,691
Balance as at 31 December 2018	27,472	(585,662)	(558,190)
Balance as at 1 January 2019	**27,472**	**(585,662)**	**(558,190)**
Other comprehensive income, net of tax	**(31,075)**	**(3,186)**	**(34,261)**
Balance as at 31 December 2019	**(3,603)**	**(588,848)**	**(592,451)**

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 FVOCI financial instruments.

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.

32. Loans and borrowings

	2019 USD'000	2018 USD'000
Issued bonds*	**8,984,257**	6,929,630
Bank loans*	**4,074,391**	2,618,061
Convertible bonds**	**222,236**	848,865
	13,280,884	10,396,556
of which:		
Classified as non-current	**12,185,472**	10,048,232
Classified as current	**1,095,412**	348,324
of which:		
Secured loans and borrowings	**3,529,257**	2,055,459
Unsecured loans and borrowings	**9,751,627**	8,341,097

32. Loans and borrowings continued

The below table provides movement of loans and borrowings:

	2019 USD'000	2018 USD'000
Balance at 1 January	**10,396,556**	7,564,637
Cash flow items		
Proceeds from issue of bonds (net of transaction cost paid)*	**2,311,179**	3,263,326
Acquired through business combinations	**1,528,293**	932,140
Drawdown of borrowings during the year	**846,195**	1,590,940
Repayment of borrowings during the year	**(767,084)**	(2,382,237)
Repurchase of GMTN and convertible bonds**	**(679,074)**	–
Redemption of Sukuk	**(232,014)**	(431,571)
Other non-cash items		
Interest accretion on convertible bonds	**18,776**	22,068
Transaction cost written off/amortised during the year	**10,358**	(23,819)
Translation adjustments	**(152,301)**	(138,928)
Balance at 31 December	**13,280,884**	10,396,556

* During the year, USD 1.5 billion Trust Certificates (Sukuk) were issued under the USD 5 billion Trust Certificate Issuance Programme and USD 800 million Global Medium Term Notes (GMTN) were issued under the USD 10 billion GMTN Programme.

** On 1 October 2019, the Group redeemed USD 745,600 thousand of 10 year USD 1 billion unsecured convertible bonds due 2024. As a result of such redemption, USD 254,400 thousand convertible bonds remain outstanding. These bonds have an option of converting into 9.65 million ordinary shares of DP World PLC. These bonds are currently listed on the Frankfurt Stock Exchange with a coupon rate of 1.75% per annum.

The maturity profile of the Group's loans and borrowings as of 31 December is as below:

Year of maturity	Bonds	Loans	TOTAL USD'000
2020	**473,405**	**622,007**	**1,095,412**
2021	**–**	**169,402**	**169,402**
2022	**–**	**416,327**	**416,327**
2023	**1,192,684**	**696,680**	**1,889,364**
2024	**222,236**	**261,035**	**483,271**
2025	**–**	**110,374**	**110,374**
2026	**834,063**	**170,403**	**1,004,466**
2027	**–**	**143,078**	**143,078**
2028	**992,888**	**194,330**	**1,187,218**
2029	**1,479,163**	**67,621**	**1,546,784**
2030	**456,500**	**75,606**	**532,106**
2031-36	**–**	**836,075**	**836,075**
2037	**1,740,254**	**26,402**	**1,766,656**
Beyond 2037	**1,815,300**	**285,051**	**2,100,351**
Total	**9,206,493**	**4,074,391**	**13,280,884**

Certain property, plant and equipment and port concession rights are pledged against the facilities obtained from the banks (refer to note 12). The deposits under lien amounting to USD 63,266 thousand (2018: USD 38,869 thousand) are placed to collateralise some of the borrowings of the Company's subsidiaries (refer to note 21).

At 31 December 2019, the undrawn committed borrowing facilities of USD 2,072,215 thousand (2018: USD 2,000,000 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 29.

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33. Leases

a) Group as a lessee

Lease liability	2019 USD'000	2018 USD'000 (Finance lease)
At 1 January	23,207	33,775
At 1 January 2019 upon adoption of IFRS 16	1,937,814	–
Acquired through business combination	554,602	–
Payments	(302,831)	(10,468)
Additions	87,617	–
Interest expense	138,749	1,198
Reclassified from accounts payable	31,879	–
Translation adjustment	42,153	(1,298)
As at 31 December	2,513,190	23,207
Lease liabilities classified as:		
Non-current	2,287,655	17,156
Current	225,535	6,051
Total	2,513,190	23,207

Refer to note 13 for right-of-use assets and also refer note 29(b) for maturity profile of lease liabilities.

b) Group as a lessor

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

	2019 USD'000	2018 USD'000
Within one year	775,793	361,105
Between one to five years	1,442,929	854,514
More than five years	1,090,841	1,010,247
Total	3,309,563	2,225,866

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, vessels and certain property, plant and equipment are also leased out by the Group. The leases contain renewal options for additional lease periods at rental rates based on negotiations or prevailing market rates.

34. Loans from non-controlling shareholders

	2019 Non-current USD'000	2019 Current USD'000	2018 Non-current USD'000	2018 Current USD'000
Loans from non-controlling shareholders	688,017	1,000	132,236	1,000

These loans mainly include USD 664,577 thousand (2018: USD 104,177 thousand) granted by non-controlling shareholders of entities under 'Australia and Americas' region. These loans carry interest rate ranging between 5.5%-8.0% per annum and repayable between 2023 and 2037.

35. Capital management

The Board's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. 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.

Equity consists of share capital, share premium, shareholders' reserve, retained earnings, hedging and other reserves, actuarial reserve, translation reserve and non-controlling interests. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios such as adjusted net debt/ adjusted equity and adjusted net debt/ adjusted EBITDA in order to support its business and maximise shareholder value.

For calculating these ratios:

- Adjusted net debt is defined as total loans and borrowings including lease liabilities less cash and cash equivalents.
- Adjusted EBITDA is defined in note 4 *Segment information*.

The Board monitors these ratios without considering the impact of IFRS 16 *Leases* which require further adjustments to adjusted EBITDA and equity. These modified ratios are also provided as an additional information.

35. Capital management continued

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The key performance ratios as at 31 December are as follows:

		2019* USD'000	2019 USD'000	2018 USD'000
Total loans and borrowings (refer to note 32)		13,280,884	13,280,884	10,396,556
Add: IFRS 16 lease liabilities (refer to note 33)		–	2,513,190	–
Less: cash and cash equivalents (refer to note 21)		(2,943,359)	(2,943,359)	(2,614,710)
Total adjusted net debt	A	10,337,525	12,850,715	7,781,846
Equity		12,887,218	12,887,218	11,998,918
Add: IFRS 16 impacts of retained earnings, amortisation and finance costs		446,280	–	–
Total	B	13,333,498	12,887,218	11,998,918
Adjusted EBITDA		3,305,580	3,305,580	2,807,995
Less: fixed lease expense		(236,024)	–	–
Total	C	3,069,556	3,305,580	2,807,995
Adjusted net debt/adjusted equity	A / B	0.78	1.00	0.65
Adjusted net debt/adjusted EBITDA	A / C	3.37	3.89	2.77

* Ratios recomputed without considering the impacts of IFRS 16 *Leases*.

36. Capital commitments

	2019 USD'000	2018 USD'000
Estimated capital expenditure contracted for as at 31 December	753,750	649,201

37. Contingencies

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

	2019 USD'000	2018 USD'000
Performance guarantees	156,146	113,872
Payment guarantees	60,578	35,903
Letters of credit	15,595	6,821
Guarantees issued on behalf of equity-accounted investees	40,825	42,762
Total	273,144	199,358

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.

38. Subsequent events

a) On 6 January 2020, the Group completed the acquisition of 77% stake in Feedertech Group in Singapore. The transaction value is less than 1% of the Group's net asset value. Feedertech is a container feeder and shortsea network operator connecting the fast-growing trade route of Asia to the Middle East via the Indian Subcontinent.

b) On 17 February 2020, the boards of directors of PFZW and DP World PLC announced that they have reached agreement on the terms of a recommended cash offer ("the Offer") by PFZW for the entire issued and to be issued ordinary share capital of the Company, other than the shares already owned by or on behalf of the PFZW. (PFZW currently holds 667,735,000 DP World PLC shares, representing 80.45% of the existing issued ordinary share capital of the Company). It is intended that the Offer will be implemented by way of a scheme of arrangement under Part 9 of the DIFC Companies Law. Successful implementation of the Offer will give PFZW the opportunity to have 100% ownership of the Company. On or shortly after the completion (or lapse) of the Offer, the Company plans to apply to delist from Nasdaq Dubai.

c) On 20 February 2020, the Group completed the 100% acquisition of Fraser Surrey Docks from Macquarie Infrastructure Partners. Fraser Surrey Docks is a large, multi-purpose marine terminal located in the greater Vancouver area of British Columbia, Canada. The acquisition has been effected through the investment alliance with Caisse de dépot et placement du Québec (CDPQ), with the Group holding 55% share while CDPQ holding the remaining 45%.