

NEPTUNE ORIENT LINES LIMITED
ANNUAL REPORT 2015



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GROUP AT A GLANCE

180+

offices in over
40 countries

7,000+
employees worldwide

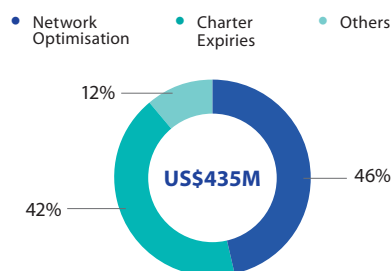
OPERATING BRAND



GROUP COST SAVINGS (US\$M)



GROUP COST SAVINGS Breakdown of major cost categories

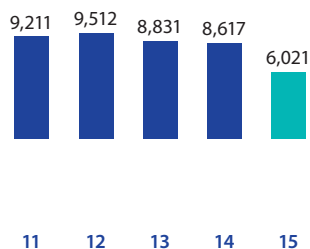


GROUP VOLUMES CARRIED ('000 FEUs)



FINANCIAL PERFORMANCE

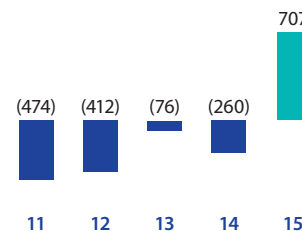
REVENUE (US\$M)



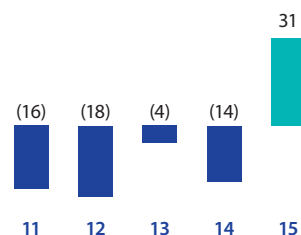
NET ASSET VALUE PER SHARE¹ (US\$)



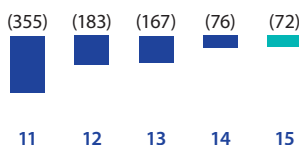
NET (LOSS)/PROFIT¹ (US\$M)



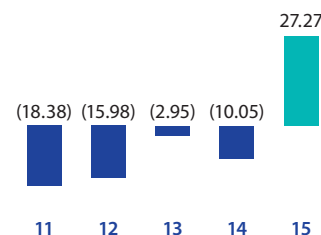
RETURN ON EQUITY¹ (%)



CORE EBIT^{1,2} (US\$M)



BASIC (LOSS) /EARNINGS PER SHARE¹ (US¢)



¹ 2011 and 2012 figures have been restated for comparative purposes due to retrospective application of Amendments to FRS 19: Employee Benefits (Revised), which is effective from financial year 2013.

² With effect from 2013, in addition to interest expense, the definition of Core EBIT has changed to exclude other finance expense and income. Core EBIT from 2011 to 2012 have been restated accordingly.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

2015 was a year of strategic change for the NOL Group.

On 29 May 2015, the Group completed the sale of its supply chain management business to Kintetsu World Express, Inc. for the price of US\$1.238 billion. And on 7 December 2015, we announced the planned acquisition of the NOL Group by CMA CGM via a pre-conditional voluntary general offer (VGO) subject to approval from certain anti-trust authorities.

The Group reported a net profit of US\$707 million, including an extraordinary gain of US\$888 million from the sale of our supply chain management business. At the operating level, the Group recorded a core EBIT loss of US\$72 million, 5% lower than in 2014, despite much weaker market conditions.

The poor macro-economic conditions took their toll in 2015, and look set to continue well into 2016. Trading conditions in the liner industry continued to further deteriorate throughout 2015. The collapse in the oil and gas sector further weakened already anaemic economic growth in most markets. Trade growth, in particular, was sluggish which affected demand for the liner industry.

At the same time, overcapacity in the liner industry showed no sign of abating. The trend towards ultra-large container carriers

continued. The overcapacity situation worsened with more than 100 ultra-large container carriers still to be delivered. The combination of weakening demand growth and overcapacity hit the industry hard as freight rates continued to weaken through the year. In 4Q 2015, freight rates in all major trade lanes were at their lowest since the global financial crisis.

The Group mitigated this by trimming unprofitable capacity and trade routes and continuing to improve cost efficiency and yield management. These efforts reaped a creditable cost savings of more than US\$400 million in 2015. However, this was more than offset by eroding freight rates. While the losses continued to narrow despite worsening market conditions, they are nonetheless disappointing.

Given current macro-economic forecasts, the proposed acquisition of NOL by CMA CGM comes at the right time as we consider our strategic options for the NOL Group as a liner company.

The proposed acquisition enables shareholders to realise immediate and attractive value. To get back to sustainable growth and profitability on its own, NOL needs to achieve a better cost position through greater economies of scale. This would require significant additional equity investment at a time when returns in the industry are weak.



A combination with CMA CGM to create the world's third largest container shipping line will help us get to the requisite scale needed for sustained profitability in this industry. The combination of CMA CGM and APL will offer complementary services to better serve its customers. The new combined company is set to become one of the three largest liner shipping companies in the world with strong positions in all major shipping trades.

CMA CGM also has a strong track record of successfully integrating their acquisitions. It is well positioned to take on the business that NOL/APL have built over the years. The Board acknowledges the role that each and every employee has played in reducing our losses despite the very poor market environment. We believe that opportunities for NOL/APL employees are better in a stronger combined company.

The process of getting anti-trust approval from the relevant countries is underway. CMA CGM will launch its VGO once the requisite regulatory approvals are obtained, expected in mid-2016. The Board will make its formal recommendation to shareholders with the advice of independent financial advisors at that time.

In the meantime, the NOL Group will continue to aim for a profitable 2016 despite the challenging market environment.

Given the downside risks of slowing growth in China, interest rate hike in the US and further drag on emerging market growth due to the oil glut, it is prudent for NOL to maintain a healthy balance sheet in 2016. Consequently, the Board will not be recommending a dividend for 2015.

The Board would like to thank all members of the management and all employees for their committed efforts in 2015. Finally, our appreciation is extended to all customers, partners and shareholders for their past and continued support for NOL.

A handwritten signature in black ink, appearing to read 'Kwa CS', written in a cursive style.

KWA CHONG SENG

Chairman

BOARD OF DIRECTORS



KWA CHONG SENG
Chairman



NG YAT CHUNG
Executive Director



ROBERT JOHN HERBOLD



QUEK SEE TIAT



ALVIN YEO KHIRN HAI



TAN PUAY CHIANG



JEANETTE WONG KAI YUAN



LOW CHECK KIAN



TOM BEHRENS-SØRENSEN



BRUNO SIDLER

MESSAGE FROM THE GROUP PRESIDENT & CEO

Market conditions in the liner industry continued to be difficult in 2015.

Freight rates continued to weaken, caused by a combination of weak growth in global trade and the continued addition of new vessel capacity. Addition of new capacity in the industry hit a 10-year high in 2015.

The collapse in oil and other commodities hit growth in various emerging economies. The slowdown in developing economies, in particular falling import demand in China, Brazil and other emerging economies, weighed on the container shipping industry. Plagued by softening market demand and persistent overcapacity woes, container freight rates in major trades plunged to historic lows in the fourth quarter of 2015.

APL, NOL's container shipping business, carried 13% less volume in 2015, due both to feeble demand as well as the carrier's continued efforts to trim capacity in unprofitable trade lanes. A weak peak season, as well as a significant drop in US exports and weak demand in the Intra-Asia short-sea market, led to volume reductions in the third quarter of the year. Structural voids in the Asia-Europe trade, as well as void sailings in the headhaul Trans-Pacific trade, made in response to weak global demand contributed to volume reduction in the fourth quarter. As a result of lower volumes and weaker freight rates, APL's revenue fell 24% to US\$5.4 billion in 2015.

In spite of reduced revenue, APL narrowed its full year core EBIT loss by 29% from US\$139 million in 2014 to US\$98 million in 2015. This is the fourth consecutive year APL has improved its operating performance. While the full year results are disappointing and we have not yet returned to profitability, it is encouraging to note that APL's strategy to return to profitability is showing progress in the face of worsening market conditions.

Central to APL's continued improvement is stringent cost management and a yield-focused trade strategy, which worked together to reduce its total cost of sales per forty-foot-equivalent unit (FEU) by 14% year-on-year.

Over the course of the past four years, APL had focused its energies on taking out costs at all levels. Savings were primarily

achieved through reduced fuel consumption, network optimisation, increased terminal productivity and more efficient vessel and voyage operations. For the year 2015, US\$435 million savings were registered, bringing the total savings reaped between 2012 and 2015 to US\$1.84 billion.

In 2015, APL continued to return expensive charter hires which hobbled the liner's competitive position. Together with the 17 returned last year, APL had returned a total of 81 vessels from 2012 through 2015, lowering its slot costs considerably. Today, APL has a fleet that is the most cost efficient in its company history and one that is much more market-competitive.

Along with APL's focus on cost is a yield-focused strategy through capacity management, cargo selection and network design.

In response to weak global demand, APL kept its deployed capacity relatively flat in 2015, with a net decline of 2% over the year before, while keeping its asset utilisation rate above 90% in headhaul trades. APL took steps to trim capacity in trade lanes it had identified were not profitable, while adding capacity in lanes that provide positive contribution. Although this resulted in a corresponding reduction in volumes and revenue, the overall yield improved.

Roundtrip profitability in key trades improved with better cargo selection, and network design helped to reduce complexity in the business, further lower slot cost and improve reliability.

The focus on cost and yield was not at the expense of service reliability. APL's schedule reliability in its key trade lanes showed an improving trend. For example, the on-time performance in the vital headhaul Asia-North Europe trade jumped from 62% in January to 94% in May 2015. The APL brand remains strong among our customers. APL's continued improvement has not gone unnoticed by the industry. APL won double honours at the Lloyd's List Asia Awards 2015, winning both the Container Line of the Year Award as well as the Investment in the Future Award.

The awards recognise the liner's exceptional performance in ship operations and is an affirmation of APL's focus on efficiency,



yield optimisation and service reliability to boost its performance. APL was commended for its fleet renewal programme which has provided the liner with economies of scale and fuel efficiency, and enabled it to compete with lower slot costs. APL was also given credit for its focus on yield optimisation and outstanding on-time performance.

2015 has also been marked by significant moves at the corporate level. On 29 May 2015, the sale of APL Logistics to Kintetsu World Express, Inc., was completed for a final purchase price of US\$1.238 billion.

We made this major decision after thorough consideration. Faced with an increasingly competitive container shipping sector and deteriorating trade conditions, it was vital to shore up the Group's balance sheet, and focus our resources on improving NOL's core liner business.

A gain of US\$888 million was registered from the divestment after taking into account transaction and transaction-related expenses. The move helped to strengthen the Group's financial position, with the sales proceeds used to reduce debt. As a result, NOL's balance sheet improved, with its net gearing ratio reduced from 2.25x at the end of 2014 to 1.07x at the end of 2015.

Looking forward, industry conditions remain challenging. The liner industry has seen tough operating conditions since the global financial crisis of 2008, plagued by weak global demand, overcapacity and low freight rates, with few expecting quick recovery. Under such conditions, pressures for consolidation are building. Among the main line haul carriers, those with sufficient

scale have a competitive advantage in better margins and the ability to sustain the investments needed to stay competitive in the industry.

On 7 December 2015, CMA CGM announced a pre-conditional voluntary share offer for the shares of NOL, subject to anti-trust approvals. The proposed transaction will enable NOL to grow as part of a larger entity with the resources of the world's third largest container shipping line and bring about the required scale for sustainable growth and performance. The proposal will enable us to realise the full potential of what we have built over the years more effectively.

CMA CGM has a leading position on the Asia-Europe, Asia-Mediterranean, Africa and Latin America routes, whilst APL is strong along the Trans-Pacific, Far East-Middle East and Indian subcontinent shipping routes. Our complementary strengths will broaden the combined entity's offerings to customers and create exciting opportunities for our employees.

As we look to 2016, I wish to record my sincere thanks to our staff all over the world, who have continued to do their part to ensure the Group remains in a position of strength. My appreciation also goes to our shareholders, customers and business partners for your unwavering support.

NG YAT CHUNG
Group President & CEO

LINER	2015	2014 ³	2013 ^{1,3}
Revenue (US\$m)	5,410	7,100	7,384
Core EBITDA (US\$m)	285	242	75
Core EBIT (US\$m)	(98)	(139)	(231)
Core EBIT Margin (%)	(1.8)	(2.0)	(3.1)

LOGISTICS	2015 ²	2014 ³	2013 ^{1,3}
Revenue (US\$m)	643	1,593	1,523
Core EBITDA (US\$m)	27	75	75
Core EBIT (US\$m)	26	63	64
Core EBIT Margin (%)	4.0	4.0	4.2

¹ 2013 figures have been restated due to change in cost allocation between Liner and Logistics.

² FY2015 comprised APL Logistics' contribution from January to May 2015.

³ In accordance with the sale and purchase agreement of 17 February 2015 for the proposed sale of NOL's logistics business to Kintetsu World Express, Inc., certain companies in the logistics segment have been carved out from the proposed sale. With effect from FY 2015 and pursuant to FRS 105 (Non-current Assets Held for Sale and Discontinued Operations), the logistics segment excludes the carved-out companies and the results of these carved-out companies are included in the liner segment. Accordingly, the comparative figures in FY 2014 and FY2013 have been restated.

LINER REVIEW



APL maintained a high headhaul utilisation rate of above 90% in 2015

In 2015, the container shipping sector continued to face a challenging market, characterised by an excess supply of vessel tonnage and a sluggish seaborne trade volume. This demand-supply imbalance saw container freight rates across most routes dive since the beginning of 2015. Exacerbating the unfavourable operating conditions was the absence of the traditional third quarter peak season in Europe and North America, resulting in severe freight rates erosion in major trade lanes.

Against this backdrop, APL reported a year-on-year revenue decline of 24%

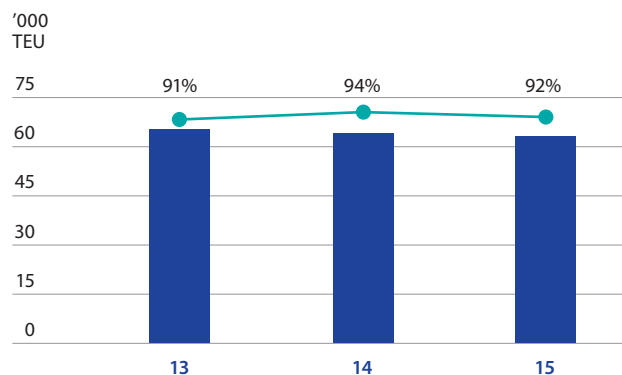
to US\$5.41 billion. APL's average revenue per forty-foot-equivalent unit (FEU) declined 17% to US\$1,887 and volume contracted 13%.

APL voided sailings in response to the weak global demand while it also trimmed capacity in unprofitable trade lanes. The latter is consistent with APL's yield-focused trade strategy that emphasises network rationalisation and better cargo selection for yield optimisation.

Through active capacity management, APL maintained a high headhaul utilisation of above 90% in 2015.

LINER NETWORK CAPACITY & UTILISATION

- Average Weekly Capacity ('000 TEU)
- Average Utilisation (%)





APL's rigorous cost management yielded cost savings of US\$435 million in 2015

As at 25 December 2015, APL's total fleet tonnage stood at approximately 550,000 twenty-foot-equivalent unit, after returning 17 less-efficient chartered ships during the year. Leveraging a more efficient and technologically-advanced vessel fleet, APL achieved better throughputs that improved slot costs.

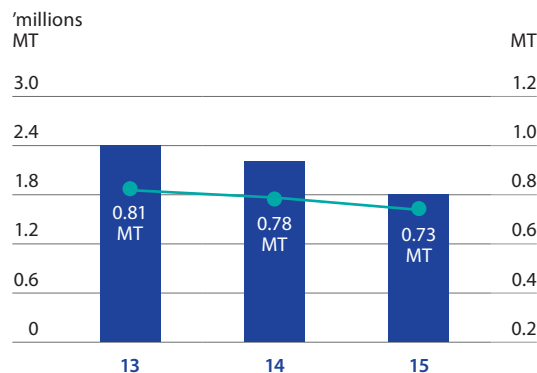
APL's rigorous cost management yielded a total cost savings of US\$435 million for the year. Attributing to the cost savings were a lower fuel consumption of 1.8 million metric tonnes and lower vessel costs. Overall, total cost of sales per FEU fell by 14% year-on-year.

ENHANCING GLOBAL CONNECTIVITY

APL remains focused on facilitating global trade through trans-continental cargo shipping. Enhancing its global connectivity and suite of services, APL announced the introduction of the Eagle Express service (EX1) and Guam Saipan Express (GSX) in October. EX1 connects the key markets in North Asia and the US West Coast, offering a fast 13-day transit from Shanghai to Los Angeles. GSX provides Guam and Saipan shippers an alternative option for shipments from the US mainland to these markets and vice versa through the APL global network.

BUNKER CONSUMPTION

- Bunker Consumption ('millions MT) (LHS)
- Bunker Consumption/FEU Volume (MT) (RHS)



LINER REVIEW



APL was ranked amongst the top 4 most reliable carriers for its global on-time performance in 2015

In May, APL unveiled the launch of a new America Caribbean Express service, linking Central America and US East Coast through a vessel sharing agreement with SeaLand. In April, APL, Mitsui O.S.K. Lines and Nippon Yusen Kaisha announced a new joint service to serve the major trading hubs of Asia and key ports in Mexico, Colombia and Panama.

Through its partnership with the G6 Alliance, APL extended port calls to Gdansk, Poland in September when the Alliance expanded its services to serve the Baltic market. APL also sought cost advantages and flexibility through its G6 Alliance partnership which has enabled

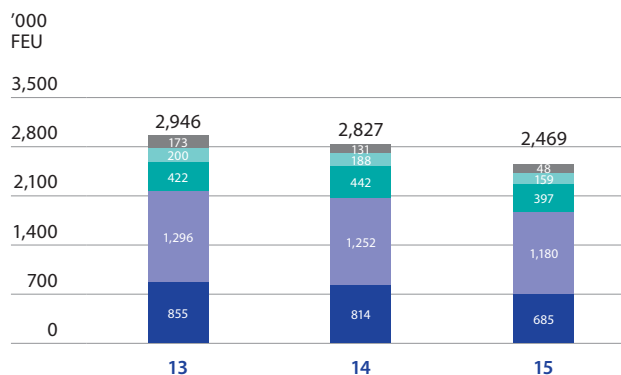
fleet and capacity optimisation, operations synergies and enhanced network coverage. The G6 Alliance currently operates in the Trans-Pacific and Trans-Atlantic trade lanes, thereby covering all major East-West trade lanes in the world.

IMPROVING RELIABILITY AND PRODUCTIVITY

APL scored well in ensuring schedule reliability over the 12 months under review. Ranked amongst the top 4 most reliable carriers, APL's global on-time performance average of 81.6% was above the industry average of 78.2%, according to the Global Liner Performance Report by SeaIntel

CONTAINER VOLUMES BY TRADE ('000 FEU)

- Trans-Pacific
- Asia-Europe
- Trans-Atlantic
- Intra-Asia
- Latin America





APL was named Container Line of the Year at the Lloyd's List Asia Awards 2015, for exceptional performance in ship operations

Maritime Analysis. Versus 2014, APL's on-time performance improved 10.8%.

The US West Coast port congestion eased in early 2015 when labour contract negotiations concluded. APL, through its affiliate company, Eagle Marine Services, boosted productivity that swiftly cleared up cargo backlog and returned normalcy to the Global Gateway South (GGS) terminal in the Port of Los Angeles.

As it maintained a high productivity in loading and discharging cargo vessels, GGS also outperformed the industry average in terms of truck in-terminal time. Based on data from the Harbor Trucking Association, 74% of all truckers' visits to the terminal in 2015 lasted 90 minutes or shorter, compared to the port-wide average of 59%.

Leveraging the newly opened Rotterdam World Gateway terminal in which the NOL Group holds a strategic interest, APL seeks to facilitate a seamless transit of APL containers from around the world to consumers and businesses in Europe and vice versa.

INDUSTRY RECOGNITION

In October, APL was named Container Line of the Year at the Lloyd's List Asia Awards 2015 which recognises the liner's exceptional performance in ship operations.

APL was named the Container Shipping Line of the Year for the America Trade Lane at the Eastern Star Awards 2015 in India. Organised by an established Indian publishing house, EXIM India, the Eastern Star Awards recognises companies and individuals for their performance, innovation and leadership in the maritime industry.

OUTLOOK

Further increase in global container capacity and subdued demand conditions are anticipated in 2016. This also means that container freight rates are expected to stay under pressure as global capacity growth will continue to outstrip demand growth.

Nonetheless, APL remains focused on improving its cost competitiveness and capital deployment to return its business to sustained profitability.

SUSTAINABILITY



APL successfully reduced fleet carbon dioxide emissions by 40.4% in 2014

NOL is committed to being a responsible business group, a trusted partner and a sustainable shipping organisation. Focusing on responsible business practices, NOL implemented measures and programmes that ensure the sustainable development of its business, environment and the society.

PROTECTING THE ENVIRONMENT

Adhering to its Environment Policy, the Group is committed to sound environmental stewardship in all its activities. Through APL, NOL successfully reduced its fleet carbon dioxide emissions by 40.4% in 2014, compared to emissions level in 2009. The accomplishment was attributable to improvements in operational and fuel efficiencies, as well as voyage optimisation. The injection of fuel-efficient and environmentally-friendly new buildings into its global fleet also accounted for the lower carbon emissions level.

To reduce sulphur oxide emissions and ensure compliance with regulations in the Emission Control Areas (ECA) and Port of Hong Kong, APL modified the tanks and pipelines of its vessels to facilitate fuel switch to low-sulphur fuel when they enter these regions. Kicked-in on 1 January and 1 July respectively, the mandate in the ECA sets a sulphur content limit of no more than 0.1% while that at the Port of Hong Kong calls for a switch to compliant fuel with 0.5% or less sulphur content. Observing

the regulations, APL vessels calling these markets have been sulphur-fuel compliant.

APL "cold-irons" its vessels when they switch off their auxiliary engines and plug into shore power at the ports of Los Angeles and Oakland while at berth. As a result, emissions of nitrogen oxide, sulphur dioxide and particulate matter have been reduced. From 1 January 2017, 70% of every container line's fleet calling in California must be connected to shore-side electrical supply. To meet the more stringent requirement, APL is reviewing to deploy more cold-iron capable vessels to call at US West Coast ports.

APL is committed to protecting ocean biodiversity. Fully supportive of efforts that curtail the carriage of shark fin on board its vessels, APL became a signatory to the Hong Kong Liner Shipping Association Shark Fin Policy in July. With that, shark fin joins the list of endangered species products, such as elephant tusks, whales, dolphins, rhinoceros and antelope horns amongst others, which APL does not accept carriage.

To promote awareness of marine conservation, APL jointly developed an online game with a software company to promote public understanding of the harmful impacts of improper waste disposal, and the role which individuals can play in preserving the marine ecosystem. This online learning tool was well-received and



The APL fleet recorded eight consecutive years of zero fatality since 2008

has since been extended to all elementary schools in Montgomery County, Maryland as well as the Toledo Maritime Academy students in Ohio.

PROMOTING SAFETY

Notwithstanding that its vessels are built safe by design, APL advocates “Safety First” on board its vessels and at the terminals it operates. It adheres to international and local regulations, as well as safety codes and conventions of the maritime industry. Through safety protocols and training, APL imbues in its employees the right attitude towards safety management.

Through its Operation Risk Management System, APL adopts policies and processes that ensure early detection, prevention and mitigation of risks associated with the business to enable safe and secure operations.

In addition, APL actively collaborates with relevant industry stakeholders such as the Maritime and Port Authority of Singapore (MPA) to promote overall maritime safety. For instance, APL supported the Safety@Sea Week 2015 initiative by MPA to instill a safety-first culture at sea.

As a result of its concerted efforts in ensuring safety, the APL fleet recorded eight consecutive years of zero fatality since 2008.

EMPOWERING THROUGH EDUCATION

NOL recognises that education is a key pillar in developing talent for the long term sustainability of the maritime industry. Through the NOL Lua Cheng Eng Memorial Scholarship and NOL Best Final Year Business Student Award, NOL empowers befitting students from the Singapore Management University (SMU).

In 2015, two SMU students received the former Scholarship and a SMU business student received the latter Award for excellent academic results and community service records. To date, the Scholarship has been offered to 10 students since 2011, while 13 awardees have been recognised since the Award was launched in 2002.

To encourage underprivileged youths in the Philippines, APL gave backpacks to Filipino scholarship recipients as part of the American Chamber Foundation Philippines’ “Balik Eskwela” (Back to School) programme.

SUPPORTING COMMUNITIES

In the aftermath of a major earthquake in Nepal, employees of the NOL Group, coupled with a dollar-for-dollar matching from the Group, raised more than S\$38,000 to support Singapore Red Cross’ disaster relief efforts.

On the community front, APL continued its partnership with non-profit organisation AmeriCares, bringing

SUSTAINABILITY



APL won the Investment in the Future Award by Lloyd's List, for its outstanding training and education programmes

more than US\$9.9 million worth of medication and supplies to Bangladesh and the Philippines between July 2014 and June 2015.

In September, APL lent support to non-profit organisation Global Mobility USA and shipped wheelchairs and mobility aid equipment to the Da Nang Rehabilitation Hospital in Vietnam to benefit patients with disabilities.

2015 saw NOL supporting Singapore's 50th year of independence and Singapore Day in Shanghai which reunited and engaged Singaporeans living abroad. The Group sponsored the use of containers for both events and undertook the two-way sea freight transport between Singapore and Shanghai for the latter event.

Encouraging employees to be responsible stewards of the environment and involved in the community, APL staff and their families were rallied for a tree-planting effort at the Tokyo Bay in October. This was part of a Tokyo government-led campaign – "Groves on the Ocean" ("Umino-mori" in Japanese) – to transform an area of municipal refuse into beautiful groves and forests.

AWARDS AND RECOGNITION

NOL, through APL, received a Bronze rating from EcoVadis for its sustainability efforts in environment, labour practices, fair business practices and sustainable procurement. EcoVadis is a global initiative that facilitates the integration of sustainability criteria into customer-supplier relationships, thereby helping companies to communicate and improve their environmental and social practices.

APL's commitment to safety at sea was recognised at the 2015 Automated Mutual Assistance Vessel Rescue System Awards. APL vessels were commended for their readiness to send position reports and divert their sail plans to assist those in distress when needed.

In October, APL won the Investment in the Future Award at the Lloyd's List Asia Awards 2015 for its outstanding training and education programmes for employees and seafarers throughout 2014. The spirit of the award embodies APL's belief in investing for the future. In 2014, APL invested over 7% of its total manning crew costs in training shipboard and shore-based staff.

In December, APL received the Environmental Shipping Index award from HAROPA, the French port of Le Havre, Rouen and Paris for its exemplary performance in reducing air emissions that exceeds current emission standards of the International Maritime Organization.

CORPORATE DATA

AS AT 3 MARCH 2016

BOARD OF DIRECTORS

Kwa Chong Seng, *Chairman*
 Ng Yat Chung, *Group President & CEO*
 Robert John Herbold
 Tan Puay Chiang
 Jeanette Wong Kai Yuan
 Low Check Kian
 Quek See Tiat
 Alvin Yeo Khirn Hai
 Tom Behrens-Sørensen
 Bruno Sidler

COMPANY SECRETARIES

Looi Lee Hwa (Ms)
 Wong Kim Wah (Ms)

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 One Raffles Quay
 North Tower, Level 18
 Singapore 048583
 Partner-in-Charge: Max Loh
 (since 2012)

NOMINATING COMMITTEE

Low Check Kian, *Chairman*
 Kwa Chong Seng
 Alvin Yeo Khirn Hai

EXECUTIVE COMMITTEE

Kwa Chong Seng, *Chairman*
 Ng Yat Chung
 Tan Puay Chiang
 Bruno Sidler

AUDIT COMMITTEE

Quek See Tiat, *Chairman*
 Tan Puay Chiang
 Jeanette Wong Kai Yuan
 Alvin Yeo Khirn Hai

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

Kwa Chong Seng, *Chairman*
 Robert John Herbold
 Tom Behrens-Sørensen
 Jeanette Wong Kai Yuan
 Tan Puay Chiang

ENTERPRISE RISK

MANAGEMENT COMMITTEE

Robert John Herbold, *Chairman*
 Low Check Kian
 Quek See Tiat
 Tom Behrens-Sørensen

APPROVAL COMMITTEE

Kwa Chong Seng, *Chairman*
 Ng Yat Chung

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CORPORATE GOVERNANCE REPORT

1. The Board of Directors (the “**Board**”) is committed to ensuring that the highest standards of corporate governance are practised throughout Neptune Orient Lines Limited (“**NOL**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”). This is fundamental to the discharge of the Board’s responsibilities to protect and enhance shareholder value and to ensure transparency in reporting the financial performance of the Group. To this end, the Board is guided by the Code of Corporate Governance 2012 (the “**Code**”), and has established various self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practised.
2. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the Code.

BOARD MATTERS

Principle 1: The Board’s Conduct of its Affairs

Principal Duties of the Board

3. The Board’s role is to oversee the management of the Group on behalf of all shareholders. Each director is required to act in good faith and in the interests of the Group as a whole.
4. The principal duties of the Board include:
 - (a) setting the strategic direction and long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
 - (b) approving annual budgets, material funding, investment and divestment proposals;
 - (c) approving capital-related matters including capital issuance and redemption;
 - (d) approving the dividend policy and recommending to the shareholders the amount of dividends to be paid;
 - (e) establishing a risk management strategy and a framework for risks to be assessed and managed;
 - (f) monitoring and reviewing Management’s performance;
 - (g) reviewing succession plans for itself and for the Group President & Chief Executive Officer (“**Group CEO**”) and key management staff to ensure continuity of leadership;
 - (h) reviewing the management and/or mitigation of perceived or actual conflict of interest situations;
 - (i) determining the Group’s values and standards including ethical standards; and
 - (j) considering sustainability issues including environmental and social factors as part of the Group’s overall strategy.
5. The Board currently comprises 10 directors. The Chairman of the Board is Mr Kwa Chong Seng. The other directors are Mr Ng Yat Chung, Mr Robert John Herbold, Mr Tan Puay Chiang, Ms Jeanette Wong Kai Yuan, Mr Low Check Kian, Mr Quek See Tiat, Mr Alvin Yeo Khirn Hai, Mr Tom Behrens-Sørensen and Mr Bruno Sidler. Nine of the directors (including the Chairman) are non-executive and independent. The director who is not independent is Mr Ng Yat Chung, Executive Director and Group CEO.

Delegation by the Board

6. The Board delegates specific areas of responsibilities to six Board Committees (Nominating, Executive, Audit, Executive Resource & Compensation, Enterprise Risk Management and Approval). These Committees have the authority to examine particular issues and report back to the Board with their recommendations, where appropriate. Each Committee has direct access to Management and the power to hire independent advisers as it deems necessary.
7. Clear written terms of reference set out the duties, authority and accountabilities of each Board Committee as well as qualifications for committee membership. The terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance and adequacy to meet the governance standards expected of the Board. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

CORPORATE GOVERNANCE REPORT

Executive Committee (“Exco”)

8. The Exco is delegated with all the powers of the Board to conduct and supervise the business of the Group and its staff. Its responsibilities include:
 - (a) providing overall strategic direction to Management and guiding development policies and strategies for the Group;
 - (b) reviewing and approving business transactions recommended by Management subject to a limit of US\$100 million per transaction;
 - (c) reviewing and recommending major business transactions for the Board’s approval, wherever required;
 - (d) overseeing the management and operation of specific commercial, financial or investment transactions of the Group;
 - (e) evaluating the performance and determining the employment terms and compensation package (salary, bonus, restricted shares, performance shares and benefits-in-kind) of the Group CEO; and
 - (f) overseeing such other specific matters and/or projects as delegated by the Board.

9. The Exco comprises four members. Mr Kwa Chong Seng chairs the Exco and the other members are Mr Ng Yat Chung, Mr Tan Puay Chiang and Mr Bruno Sidler. Mr Alvin Yeo Khirn Hai stepped down from the Exco on 15 April 2015.

Approval Committee (“APC”)

10. The APC’s function is to endorse operational and procedural matters such as the appointment of proxies to attend annual general meetings of subsidiaries and associated companies, the granting of powers of attorney to agents to handle the business operations of the Group, and the authorisation to affix the corporate seal.

11. The APC comprises two members. They are Mr Kwa Chong Seng and Mr Ng Yat Chung.

12. Details of other Board Committees are set out below:
 - (a) Nominating Committee (**Principle 4**);
 - (b) Executive Resource & Compensation Committee (**Principle 7**);
 - (c) Enterprise Risk Management Committee (**Principle 11**); and
 - (d) Audit Committee (**Principle 12**).

Matters Requiring Board Approval

13. NOL has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for decision of the full Board include those involving corporate plans and budgets, material acquisitions and disposals of assets, major corporate or financial restructuring, capital markets fund raising, share issuances, dividend policy, other returns to shareholders and major investments or expenditures.

14. While matters relating to the Group’s objectives, strategies and policies require the Board’s direction and approval, Management is responsible for the day-to-day management and operation of the Group.

Board Meetings and Attendance

15. The Board meets at least four times a year, with additional meetings convened as and when necessary. In 2015, the Group undertook major merger and acquisition (“**M&A**”) projects and the Board met eight times including three teleconference meetings. NOL’s Constitution (the “**Constitution**”) allows a Board meeting to be conducted by way of teleconference or videoconference. At the regular Board meetings, the Board reviews the Group’s financial performance, corporate strategy, business plans, potential investments and significant operational matters. These meetings usually last a full day and include presentations by management staff on specific financial, commercial and operational areas. The Board also meets annually for a Board retreat to review and discuss the commercial strategy and strategic directions for the various lines of businesses within the Group. In 2015, the Board Retreat was integrated with the Board Meeting, and a two-day meeting was held at the Company’s corporate office in Singapore to discuss, *inter alia*, the commercial strategy and strategic directions for the Group’s key business.

16. To address the competing time commitments of directors, the dates of Board and Board Committee meetings are scheduled in advance before the beginning of each calendar year. The Chairman approves the Board meeting agenda following consultation with the Group CEO, and ensures sufficient allocation of time for thorough discussion of agenda items. He also ensures that directors are provided with complete, adequate and timely information for the topics that are presented for discussion and decision by the Board. Management staff who are involved in the preparation of Board papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend the Board meetings. During Board and Board Committee meetings, members are updated by Management and, where necessary, external consultants, on impending changes in market conditions as well as in corporate governance, capital, tax, legal, accounting, listing and other regulations, which would or may have an impact on the Group's affairs.
17. A record of the directors' attendance at Board and Board Committee meetings during the financial year ended 25 December 2015 ("FY2015") is set out below.

Attendance at Board and Board Committee Meetings

Name of Director	Board Meetings ² (Board)	Nominating Committee Meetings (NC)	Executive Committee Meetings (Exco)	Audit Committee Meetings (AC)	Executive Resource & Compensation Committee Meetings (ERCC)	Enterprise Risk Management Committee Meetings (ERMC)	Approval Committee* (APC)
	No. of Meetings Attended ^A /No. of Meetings Held ^B						
Kwa Chong Seng	8/8	2/2	3/3	N/A	3/3	N/A	0/0
Ng Yat Chung, Group CEO	8/8	2/2	3/3	5/5	3/3	2/2	0/0
Robert John Herbold	8/8	N/A	N/A	N/A	3/3	2/2	N/A
Tan Puay Chiang	8/8	N/A	3/3	5/5	3/3	N/A	N/A
Jeanette Wong Kai Yuan	7/8	N/A	N/A	5/5	2/3	N/A	N/A
Low Check Kian	7/8	2/2	N/A	N/A	N/A	1/2	N/A
Quek See Tiat	8/8	N/A	N/A	5/5	N/A	2/2	N/A
Alvin Yeo Khirn Hai ¹	8/8	2/2	1/1	2/4	N/A	N/A	N/A
Tom Behrens-Sørensen	7/8	N/A	N/A	N/A	3/3	2/2	N/A
Bruno Sidler	8/8	N/A	3/3	N/A	N/A	N/A	N/A

Legend:

^A Number of meetings attended in FY2015

^B Number of meetings held in FY2015 and/or during a director's term of office in FY2015

* Approval of the APC is sought by way of resolution-in-writing

¹ Mr Alvin Yeo Khirn Hai was appointed as a member of the AC, and stepped down from the Exco, on 15 April 2015.

² The eight Board meetings held in 2015 included three teleconference meetings.

18. As provided by the Constitution, the Board and Board Committees also make decisions by way of circulating resolutions from time to time.

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Board Orientation and Training

19. NOL issues a letter of appointment to every new director. The letter sets out the terms and conditions of his appointment, explains the regulatory requirements that a director has to comply with on appointment, and the on-going obligations of a director under Singapore law, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and other regulatory requirements. In addition, the director is also given access to the Company’s Board resources, including the Company’s constitutional and governing documents, Board and Board Committees’ terms of reference, NOL policies (e.g. Directors’ Fee Policy, Corporate Code of Conduct, and Prevention of Insider Trading Policy), Annual Reports, Board meeting schedules and other pertinent information for his reference.
20. Management conducts an orientation programme for newly appointed directors to familiarise them with the business, operations and financial performance of the Group. They are also briefed on the governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the Company’s securities and restrictions on disclosure of price-sensitive information.
21. The orientation programme involves presentations by the Group CEO, Group Deputy President & Chief Financial Officer (“**Group CFO**”) and the Business President, as well as briefings by the Heads of Human Resources, Information Technology and Legal. These are usually carried out prior to the new director attending his first Board or Board Committee meeting. Directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group’s operations or business issues from Management from time to time.
22. NOL also arranges for its directors to be kept abreast of developments in the shipping and transportation industry on a regular basis. To keep pace with fast-changing laws, regulations and commercial risks, directors have an on-going budget to receive further relevant training of their choice in connection with their duties as directors. They are also given unrestricted access to professionals for consultations as and when they deem it necessary at the expense of the Company.
23. The Nominating Committee reviews and recommends training programmes for the Board. These include programmes run by the Singapore Institute of Directors, the SGX-ST and the Stewardship Asia Centre Pte. Ltd. The directors may also attend other appropriate courses, conferences and seminars at the Company’s expense. In addition, the AC receives regular updates on financial reporting standards, as well as updates on accounting and governance standards, from the external auditors.

Principle 2: Board Composition and Guidance

Size and Composition

24. The Nominating Committee reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members on an annual basis to ensure an appropriate balance of skills and experience. These competencies include accounting, legal, finance, human resource, business and management experience, industry knowledge, strategic planning and customer-based experience or knowledge, relevant to the global operations of the Group. The Nominating Committee also takes into account broader diversity considerations in recommending appointments. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Company effectively.
25. As a general rule, the tenure of service for all non-executive directors of the Company shall not exceed nine years. This is to allow for continuous renewal and diversity on the Board.
26. Taking into account the nature and scope of the Group’s business and the number of Board Committees, the Nominating Committee considers a Board size of 10-12 members to be appropriate. The Board believes that its current size and composition,

as well as that of its Board Committees, will provide sufficient diversity without interfering with efficient and effective decision-making. The Nominating Committee will continuously review the Board and respective Board Committee size and requirements concurrently with succession planning and renewal of Board members.

27. The Nominating Committee reviews the re-appointment and re-election of each Board member according to the rotation schedule provided in the Constitution. The Constitution provides that all new appointees who fill a casual vacancy on the Board and not elected by shareholders at the Annual General Meeting (“**AGM**”) will only hold office until the next AGM. They will stand for re-election at the AGM following their appointment. The Constitution also provides for one-third of the Board to retire at each AGM and, where applicable, to submit themselves for re-election.

Independent Directors

28. The Nominating Committee reviews the independence of each member of the Board for the Board’s confirmation annually based on the declarations of the individual Board members and provides its view, where applicable, to the Board for the Board’s consideration. It is the Company’s policy that directors must immediately report any relationships or circumstances which arise and which are likely to affect, or could appear to affect, their independent judgement. This ensures that the directors’ independent status is continually reviewed, as and when circumstances require. Directors must also consult the Chairman of the Board and the Chairman of the Nominating Committee prior to accepting new directorship appointments.
29. The nine Board members who are currently considered independent are Mr Kwa Chong Seng, Mr Robert John Herbold, Mr Tan Puay Chiang, Ms Jeanette Wong Kai Yuan, Mr Low Check Kian, Mr Quek See Tiat, Mr Alvin Yeo Khirn Hai, Mr Tom Behrens-Sørensen and Mr Bruno Sidler.
30. The independent and non-executive directors provide the Board with the knowledge, objectivity and balance that may not be available if the Board were to consist only of full-time executive members. They also ensure that the performance of the executive director and Management is objectively measured against the key performance indicators established annually to measure and guide management performance.
31. The non-executive directors participate constructively at Board and Board Committee level, challenging and guiding Management on strategic directions, policies and investment matters. They meet from time to time after Board meetings to discuss specific issues without the presence of Management or the executive director.
32. Key information on the directors can be found in the “Directors’ Biographies” section of the Annual Report.

Principle 3: Chairman and Chief Executive Officer

33. The roles of Chairman and Group CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and Group CEO are not related to each other.
34. The Chairman, Mr Kwa Chong Seng, chairs the Board, Exco and ERCC meetings. He guides the Board in its discussion on significant issues and guides Management towards achieving the Group’s objectives. The Chairman promotes an open environment for debate and ensures that non-executive directors are able to speak freely and contribute effectively. He exercises control over the quality, quantity and timeliness of information flow between the Board and Management. In addition, he provides close oversight, guidance, advice and leadership to the Group CEO and Management. At shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue among shareholders, the Board and Management.

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35. The Chairman's other duties include:
- (a) assessing the performance of the Board and Group CEO in conjunction with the relevant Board Committees;
 - (b) overseeing talent management, including ensuring that robust succession plans are in place for the senior management team;
 - (c) working with the Board, Board Committees and Management to establish boundaries of risks undertaken by the Group;
 - (d) maintaining communications with stakeholders such as partners, governments and regulators, and travelling overseas to visit the Group's key associates; and
 - (e) focusing on risk management, corporate governance and enhanced regulatory requirements.
36. The Group CEO, Mr Ng Yat Chung, is responsible for the business directions and operational decisions of the Group. He oversees the execution of the Group's strategy and is responsible for managing its day-to-day operations.

Principle 4: Board Membership

Nominating Committee ("NC")

37. The members of the NC are Mr Low Check Kian (Chairman), Mr Kwa Chong Seng and Mr Alvin Yeo Khirn Hai, all of whom are non-executive and independent directors.
38. The main functions of the NC are outlined in the commentaries on "Board Composition and Guidance", "Board Membership" and "Board Performance". The NC is also responsible for the development and review of NOL's corporate governance principles and practices, taking into account relevant local and international developments in the area of corporate governance.

Board Renewal

39. The NC reviews the succession plans for the Board and makes recommendations to the Board on all Board appointments and re-appointments, having regard to the directors' contribution and performance. It also decides on the appointment of members to the various Board Committees (including the rotation and length of service of each member, where necessary) and reviews the independent status of each director.
40. In deciding whether to recommend to the Board the re-appointment of a director, the NC will consider, *inter alia*, the length of service of that director, the needs of the Board (including composition and progressive renewal) and factors such as his attendance, preparedness, participation and candour. If the Board approves the NC's recommendation for re-appointment, the relevant director will stand for re-election at the next AGM.

Selection Process for New Directors

41. In selecting potential new directors, the NC will seek to identify the required skills, experiences and competencies necessary to enable the Board to fulfill its responsibilities. Towards this end, the NC will take into consideration the results of the annual evaluation of the Board and Board Committees' performance.
42. NOL adopts a comprehensive and detailed process in the selection of new directors. Candidates are first sourced through an extensive network of contacts and identified based on the needs of NOL and the relevant expertise. After the Chairmen of the Board and the NC have interviewed the candidates, the candidates are further shortlisted for the NC's final consideration and recommendation to the Board.

43. The NC also enlists the assistance of independent executive search experts to undertake research on, or assess, candidates for the Board, as part of carrying out its duties and responsibilities.

Directors' Time Commitments

44. All directors must ensure that they are able to give sufficient time and attention to the Company's affairs and, as part of its review process, the NC decides whether or not directors have discharged their duties adequately taking into consideration the directors' number of listed company board representations and other principal commitments.
45. The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given the time requirement for each board membership varies, and thus should not be prescriptive. A sufficient safeguard is in requiring each director to confirm annually to the NC his ability to devote sufficient time and attention to NOL's affairs and his ability to perform his board duties accordingly, having regard to all his other commitments.

Principle 5: Board Performance

46. The NC is responsible for recommending and implementing a Board evaluation process and for proposing objective performance criteria for the Board to assess the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual director.
47. A formal appraisal process to assess the effectiveness of the Board and Board Committees is in place. The Board performance evaluation process involves questionnaires being sent out to the directors to secure their feedback on the effectiveness of the Board as a whole and each of its Committees. The appraisal process focuses on the evaluation of factors such as Board composition, information management, Board processes, corporate integrity and social responsibility, managing the Group's performance, strategic review, Board Committee effectiveness, Group CEO performance and succession planning, director development and management, managing risk and overall perception of the Board.
48. The NC has decided that the formal appraisal process will be carried out once every two years. The last board evaluation and appraisal process for the Board members was conducted in 2013 by an external consultant, Aon Hewitt, to ensure objectivity and transparency in the process. The NC decided to defer the 2015 board evaluation and appraisal process in view of the major M&A projects undertaken by the Group in 2015.
49. In addition to the evaluation process, the contributions and performance of each director are assessed by the NC as part of its periodic reviews of the composition of the Board and the various Board Committees. In the process, the NC is able to identify areas for improving the effectiveness of the Board and its Committees.

Principle 6: Access to Information

50. Prior to each Board meeting, Management provides the Board with information relevant to matters on the agenda for the Board meeting. The Board also receives regular reports pertaining to the operational and financial performance of the Group, as well as daily media updates which include information on the Group's competitors, industry and technological developments. Such reports enable the directors to keep abreast of key issues and developments in the industry, as well as challenges and opportunities for the Group.

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51. The Board has separate and independent access to Management and the Company Secretary at all times. The Company Secretary attends all physical and teleconference Board meetings convened by the Company and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also ensures an effective flow of information within the Board and its Committees and between senior management and non-executive directors. The Company Secretary provides a link between the Company on the one hand, and shareholders, government and regulatory authorities on the other. The Company Secretary is responsible for the proper maintenance of the records of all Board and Board Committee meetings and records of discussions on key issues and decisions taken.
52. Procedures are in place for directors and Board Committees, where necessary, to seek independent professional advice paid for by the Company.
53. The appointment and the removal of the Company Secretary are subject to the Board's approval as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Executive Resource & Compensation Committee ("ERCC")

54. The ERCC comprises five members. Mr Kwa Chong Seng chairs the ERCC. The other members are Mr Robert John Herbold, Mr Tom Behrens-Sørensen, Ms Jeanette Wong Kai Yuan and Mr Tan Puay Chiang. All members of the ERCC are non-executive and independent.
55. The ERCC performs critical roles in support of sound corporate governance principles in the areas of Board compensation and executive reward management, including review of and ensuring the contracts of service of executive director and key management staff contain fair and reasonable termination clauses. In particular, it recommends to the Board a framework of remuneration for the non-executive directors, members of the senior management group and all other employees of the Group. The ERCC is also responsible for ensuring that appropriate recruitment, development and succession planning programmes are in place for the senior management group.
56. The ERCC's duties include:
 - (a) reviewing and approving the overall succession planning and talent management philosophy, policy and processes for the Group, as well as specific succession and talent development plans for the senior management group, and other critical positions and key talent as may be designated by the ERCC from time to time;
 - (b) reviewing and ratifying recommendations of the Group CEO (including the specific terms) for the recruitment, appointment, promotion, performance evaluation, remuneration and termination of individuals who are part of the senior management group. Other job grades or key functions may be added as decided by the ERCC from time to time;
 - (c) reviewing and approving the performance appraisal and management philosophy, policy and processes designed for the Group; and
 - (d) reviewing and approving the terms of all equity and/or other share-based compensation plans within the Group, and administering these plans in accordance with the rules governing them, and setting, reviewing and approving the criteria and performance hurdles for the share awards and vesting to be made under such plans.
57. The ERCC is informed on a timely basis by Management of appointments, remuneration, promotions and terminations of employment of the senior management group.

58. In framing the Group's remuneration policy, the ERCC receives advice as needed from appropriate advisers and independent consultants (including Mercer and Willis Towers Watson) who have no connection with NOL or any of its directors.

Principle 8: Level and Mix of Remuneration

59. The broad principles that guide the ERCC in its administration of fees, benefits, remuneration and incentives for the Board and senior management are set out below.

Directors' Fees and Incentives

60. The Group CEO is an executive director and is therefore remunerated as part of senior management. He does not receive directors' fees.
61. The remuneration for the non-executive directors currently comprises directors' fees, which are endorsed by the Board. Directors' fees which are payable in cash are subject to the approval of shareholders at the AGM. NOL seeks its shareholders' approval for directors' fees for the current financial year in order to facilitate the payment of directors' fees during the financial year in which they are incurred. No director decides his own fees. Where possible, the non-executive directors' fees will be pegged to market to attract the right calibre of directors.
62. The fees for non-executive directors comprise a basic retainer fee, additional fees for appointment to Board Committees, attendance fees for Board and Board Committee meetings, as well as special assignments requested by the Company. They also include the all-in fee of S\$600,000 payable to the Active Chairman in lieu of all Board and Board Committee basic retainer fees and meeting attendance fees. Fees for services rendered outside the normal duties of a director are not included in the all-in fee.
63. The fee policy provides that the Active Chairman's fee will be paid in a combination of cash (70%) and shares (30%) in the form of award(s) granted under the NOL Restricted Share Plan 2010. The ERCC, which has oversight over Board remuneration, has the authority and the discretion to modify the composition and mode of payment of such fee. For FY2013 and FY2014, the Chairman had waived his Active Chairman fee and offered to receive only the basic Board and Board Committee fees and attendance/special assignment fees (amounting to S\$215,000 and S\$242,500 respectively). For FY2015, the ERCC decided that the Active Chairman fee of S\$600,000 should be paid in full to the Chairman. For administrative expediency, the ERCC also decided that the FY2015 Active Chairman fee of S\$600,000 should be paid totally in cash. The ERCC's decision was endorsed by the Board.
64. The detailed breakdown of the framework for non-executive directors' fees is summarised as follows:

Basic Retainer Fee

Active Chairman	S\$600,000 per annum (all-in)
Chairman (other than Active Chairman)	S\$125,000 per annum
Board Member	S\$65,000 per annum

Additional Fees for Membership in Board Committees

Type of Committee	Chairman	Member
Nominating Committee	S\$25,000	S\$15,000
Executive Committee	S\$40,000	S\$15,000
Audit Committee	S\$40,000	S\$25,000
Executive Resource & Compensation Committee	S\$25,000	S\$15,000
Enterprise Risk Management Committee	S\$25,000	S\$15,000
Approval Committee	-	-

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Attendance Fee per Board and/or Board Committee meeting

Physical Meetings S\$1,000 – S\$10,000

(The fee payable is dependent on the location where the director is attending the meeting, and the travelling time required of the director.)

Teleconference Meetings S\$1,000 – S\$2,000

(The fee payable is dependent on whether the time of the meeting falls within or outside normal hours as specified by the Company, based on the timing at the respective local locations.)

Special Assignments at S\$2,000 per day, subject to a cap of S\$10,000 per assignment

(Compensation to directors for special business assignments requested by the Company.)

Remuneration for Group CEO and Senior Management

65. The NOL executive remuneration strategy and framework is designed to ensure a strong linkage between the Group's performance and individual reward elements. All policy matters on senior management reward come under the purview of the ERCC.
66. For employees in the senior management group, their total annual remuneration is managed within a "total rewards" framework. This rewards framework is benchmarked against the external market which includes the Group's competitive market for talent, worldwide. Pay surveys, conducted by external consultants, are used to verify that the packages are competitively positioned.
67. Remuneration matters relating to the Group CEO are the responsibility of the Exco who will review and make necessary recommendations to the Board for approval. In respect of remuneration matters relating to the senior management group, the Group CEO will make recommendations for the ERCC's consideration and review.
68. The ERCC may, under special circumstances, exercise its discretion to compensate senior or key management staff for their past contributions when their services are no longer required, for example, due to redundancies arising from reorganisation or restructuring of the Group. Conversely, the ERCC may cancel any share based compensation awards or other accrued incentives in any year if an executive is terminated due to misconduct or fraud.
69. The ERCC also reviews and approves termination, retirement and post-employment benefits granted to executive directors, the Group CEO or the key management staff of the Group whose remuneration are disclosed in bands in the Annual Report.

Principle 9: Disclosure of Remuneration

70. Disclosure of the remuneration of the executive and non-executive directors and the key management staff, with a corresponding breakdown of the remuneration, can be found in the "Directors' Remuneration" and "Remuneration Bands for Key Management Staff" sections on pages 41 and 42. The Company has disclosed, in particular, the remuneration of the key management staff, with a breakdown in terms of fixed pay, variable pay (including annual cash bonus and equity incentives), expatriate benefits and other benefits. The Directors' Statement also contains a description of the employee share schemes that the Company has in place, and how remuneration paid is varied according to the Group's performance.
71. None of the current employees is related to the directors.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

72. The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released within 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In rendering the financial information, the Board aims to give shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.
73. Management provides Board members with detailed reports on the Group's financial performance and related matters on a regular basis. The Group CEO and Group CFO provide the Audit Committee and the external auditors with a letter of representation attesting to the true and fair presentation of the Group's financial information in each quarter. Procedures are in place to ensure that financial information relating to the Group's operations are not false or misleading in order to increase the assurance level of the Audit Committee in its review of the quarterly financial information.
74. For FY2015, the Group CEO and Group CFO have provided written confirmation to the Board and the Audit Committee Chairman that, in their opinion, (a) the financial records for FY2015 have been properly maintained and the financial statements for that financial year give a true and fair view of the Group's operations and finances, and (b) based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, various Board Committees and the Board, the Group's risk management and internal control systems are adequate and effective as at 25 December 2015 to address financial, operational, compliance and information technology control risks, which the Group considers relevant and material to its operations.
75. In line with the SGX-ST listing rules, the Board provides a negative assurance statement to shareholders in respect of the interim financial information, which is supported by a negative assurance statement from the Group CEO and Group CFO, and which is in turn supported by negative assurance confirmations from the various key business and operating/functional heads within the Group that nothing has come to their attention that would render the quarterly financial results to be false or misleading.

Principle 11: Risk Management and Internal Controls

Enterprise Risk Management Committee ("ERMC")

76. The ERMC comprises four members. Mr Robert John Herbold chairs the ERMC. The other members are Mr Low Check Kian, Mr Quek See Tiat and Mr Tom Behrens-Sørensen.
77. The ERMC's duties include:
 - (a) approving the framework, policies, strategies and resources to identify, measure, manage and report risks;
 - (b) ensuring that appropriate processes are in place to identify and manage risks, and that ownership and accountability of risk management is clearly defined;
 - (c) reviewing risk categories and assessment descriptors adopted by Management to ensure that they are relevant to the Group's business and goals;
 - (d) periodically reviewing the Group's risk management approach to ensure that it is relevant to the Group's business;

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- (e) engaging Management on significant risks of the Group, and reviewing “risk registers” which describe the risks in terms of likelihood of occurrence, significance of impact and adequacy of treatment. Risk registers have been developed for all business units and corporate functions of the Group;
 - (f) receiving and assessing reports on a periodic basis from Management on the status and changes of significant risks and treatments; and
 - (g) reviewing the Group’s corporate business continuity planning, and the adequacy and effectiveness of the Group’s risk management and internal control systems, including financial, operational, compliance and information technology controls.
78. Reporting to the Board, the ERMCI liaises and co-ordinates with the Audit Committee on the management of the significant risks of the Group, including the adequacy and effectiveness of the risk management processes and systems. In addition, the ERMCI reviews any external stakeholder communications relating to risks and risk management.

Robust Enterprise Risk Management Framework

79. NOL’s Enterprise Risk Management framework provides the Group with a holistic and systematic approach towards assessing, monitoring and mitigating risks. The framework and reporting structure ensures that key risks which have strategic, regulatory, financial and operational impact are regularly monitored and reviewed.
80. The ERMCI reviews and recommends to the Board the type, degree and boundaries of risk that NOL should be undertaking in order to achieve its corporate objectives. The ERMCI also reviews and approves the risk framework on a regular basis and ensures that there are adequate resources and attention paid to the areas of risk management.
81. To facilitate the assessment and monitoring of risks, Management maintains a risk register which highlights the key risks and indicates the likelihood of occurrence, the potential financial impact and the steps taken to mitigate the risks to an acceptable level. Management reviews and updates the risk register on a quarterly basis and the ERMCI will review the risk register on a semi-annual basis. The Board and Management are committed to fostering a proactive risk management culture.

Strategic Risks

82. Strategic risks relate to the Group’s business plans and encompass areas such as the volatile economic environment, changing competitive landscape, technological changes and evolving customer demands. Strategic risk assessment forms an integral part of decision-making and for the success of the organisation. Macro environment and industry dynamics are regularly reviewed and assessed for both tactical and longer term strategic actions, such as investment decisions. These strategic risks are regularly reviewed by the Board to ensure that the Group is resilient in dealing with the changing dynamics of the industry and ensuring sufficient capability in pursuing new opportunities.

Regulatory Risks

83. Regulatory risks relate not only to the changing laws and regulations in various countries or regional jurisdictions but also those from industry governing bodies, such as the International Maritime Organisation. Regulations are ever evolving with the changing dynamics and needs of each country and the industry. These regulations could have a potentially large financial or operational impact on the Group’s business and thus require active monitoring and updates.

84. Regulatory risk assessment is part of the Group's day-to-day operations. Formalised guidelines, procedures and training are used to provide guidance in ensuring compliance with rules and regulations. Management also ensures that they are kept abreast of changes in the regulatory environment and will review and assess on a regular basis their strategic, operational and financial impact.

Financial Risks

85. Financial risks relate to the Group's ability to meet financial obligations and mitigate credit, liquidity, interest rate and commodity price risks. Due to the volatile nature of the industry, meeting financial obligations and liquidity needs is important in ensuring the Group's ability to operate as a going concern.
86. The Group manages these risks by reviewing its financial obligations and liquidity risk position on a quarterly basis, and plans for any potential funding gaps that may occur in both normal and intense industry environments. In its review, the Group also plans for any potential funding gaps that may occur under both expected and stress-tested scenarios.
87. Commodity prices, namely fuel, have a significant impact on the earnings of the industry and the Group. In order to manage the commodity price risk, the Group maintains a fuel hedging policy that limits the Group's exposure to fluctuating fuel prices that cannot be directly passed on to customers.

Operational and IT Risks

88. Operational and IT risks relate to the inherent risks that are part of the day-to-day operations. These not only include operations associated with the delivery of the Group's services but also the functional support requirements such as human resource management and technology support. Operational risk management is measured by the effectiveness and efficiency with which the Group's personnel, processes and internal controls are able to mitigate the day-to-day risks. The Group's operational risk management is built into the day-to-day business operations and formalised guidelines, procedures and training to provide guidance in monitoring, assessing and mitigating risks.
89. Business continuity is at the forefront of the Group's ability to be resilient to any potential disruptions to the business operations, people and assets. The Group regularly reviews and updates its Business Continuity Plans to ensure that there are necessary procedures in place to maintain operational efficiency in the event of natural disasters or acts of terrorism. These plans not only cover areas where physical assets such as vessels and terminals operate, but also supporting functions such as information technology infrastructure and centralised processing centres.

Continuous and Proactive Enterprise Risk Management

90. The Board, ERM and Management continue to re-evaluate the process and adequacy of the Group's risk management framework. Through continuous monitoring of risks and quarterly management reviews, the Group is able to take a proactive effort to provide mitigating solutions and ensure sustainability in an environment of increasing economic, environmental and geopolitical uncertainties.

Internal Controls

91. The Audit Committee reviews the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems.

CORPORATE GOVERNANCE REPORT

92. Based on the internal controls established and maintained by the Group, the reviews conducted by the Audit Committee and the ERM, and the assurance received from the Group CEO and Group CFO, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's systems of internal controls and risk management systems are adequate as at 25 December 2015 to address financial, operational, compliance and information technology control risks, which the Group considers relevant and material to its operations.
93. The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by an event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Principle 12: Audit Committee

Audit Committee ("AC")

94. The AC consists of four non-executive directors, all of whom are independent. The members of the AC are Mr Quek See Tiat (Chairman), Mr Tan Puay Chiang, Ms Jeanette Wong Kai Yuan and Mr Alvin Yeo Khirn Hai (who was appointed to the AC on 15 April 2015).
95. The Board considers that Mr Quek See Tiat, who is the AC Chairman and who has more than 30 years of experience in senior audit and business advisory roles, is well qualified to chair the AC. In addition, Mr Tan Puay Chiang, Ms Jeanette Wong Kai Yuan and Mr Alvin Yeo Khirn Hai have the expertise and experiences in management, accounting and related financial management, legal and directorship services that more than qualify them to serve as members of the AC.
96. The AC is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal auditors and external auditing firm, and to the Management and staff. It has full discretion to invite any director or executive officer to attend its meetings. It is also authorised by the Board to obtain external legal or other independent professional advice as necessary and at the expense of the Company.
97. The AC's duties include:
- (a) reviewing with the external auditing firm the audit plan, the scope of the audits, the evaluation of the internal accounting controls, the audit reports and any matters which the external auditing firm wishes to discuss (in the absence of Management, where necessary);
 - (b) reviewing the effectiveness and the independence and objectivity of the external auditing firm. Where the external auditing firm also provides non-audit services to the Group, the AC keeps the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
 - (c) reviewing with the internal auditors the internal audit plan, the scope and the results of internal audit procedures, the adequacy and effectiveness of the internal control systems, including financial, operational, compliance and information technology controls;
 - (d) reviewing the effectiveness of the Group's internal audit function;
 - (e) reviewing the assistance given by the Group's officers to the external auditing firm;

- (f) reviewing with the auditors the relevance and appropriateness of the Group's accounting policies and significant financial reporting issues and judgements, to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. This includes reviewing the Group's quarterly and year-end financial statements prior to submission to the Board and/or release to the SGX-ST;
 - (g) reviewing arrangements (including procedures for the receipt, retention and treatment of feedback from employees and external parties) whereby concerns about possible improprieties in matters of financial reporting or other matters relating to the Group may be raised in confidence. The AC ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. This includes discussing with the internal auditors and the external auditors and/or reporting to the Board if there is any suspected fraud or irregularity, or suspected infringement of laws or regulations which has or is likely to have a material impact on the Group's operating results or financial position;
 - (h) making recommendations to the Board on the appointment, re-appointment and removal of the external auditing firm, and approving the remuneration and terms of engagement of the external auditing firm;
 - (i) meeting with the external auditing firm, and with the internal auditors, without the presence of Management, at least once annually;
 - (j) monitoring the review procedures of Interested Person Transactions and conflict of interest situations that may arise within the Group, including any transaction, procedure or course of action that raises questions on Management's integrity. The AC is also required to ensure that the directors report such transactions quarterly via SGX-ST quarterly announcements and annually to shareholders via the Annual Report;
 - (k) liaising and co-ordinating with the ERM on significant risks of the Group, including the adequacy and effectiveness of the risk management processes and systems;
 - (l) keeping abreast with changes to accounting standards and issues which have a direct impact on financial statements; and
 - (m) undertaking any other functions agreed by the AC and the Board. This includes an annual review of the AC's terms of reference to ensure that they remain relevant and are updated regularly to align with any regulatory requirements and/or changes from time to time.
98. In carrying out its duties, the AC is guided by the practical guidance and recommendations of best practices for audit committees of Singapore-listed companies, as set out in the revised Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee on 19 August 2014. The external auditors, Ernst & Young LLP, updates the AC members on recent developments in accounting and governance standards (where applicable) during the quarterly AC meetings. Issues which have a direct impact on the Group's financial statements will also be highlighted.
99. The AC conducts an annual review of the independence and objectivity of Ernst & Young LLP, the Group's external auditing firm. For FY2015, the AC undertook a review of the non-audit services provided by Ernst & Young LLP to assess whether the nature and extent of those services might prejudice the independence and objectivity of the external auditing firm. The AC was satisfied that such services did not affect the independence of the external auditing firm. The AC also reviewed the cost-effectiveness of the audit conducted by the external auditing firm.

CORPORATE GOVERNANCE REPORT

100. The aggregate amount of fees paid to Ernst & Young LLP for FY2015 was US\$2.4 million (comprising US\$1.74 million in audit fees and US\$0.66 million in non-audit fees).
101. The AC has recommended the appointment of PricewaterhouseCoopers LLP as Auditor of the Company in place of the retiring Auditor, Ernst & Young LLP, at the Company's AGM in April 2016. In recommending the appointment of PricewaterhouseCoopers LLP as the external auditing firm for the Company for FY2016, the Company has complied with Rule 712 of the SGX-ST Listing Manual which provides for the appointment of auditors.

Whistle-blowing Policy – NOL Ethics Hotline

102. The Group has in place a formalised "whistle-blowing" policy. It has made available to its employees an Ethics Hotline to report fraud, misconduct and other ethical violations whilst cultivating a positive work environment. This hotline is hosted and managed by a neutral and external service provider, can be accessed by all employees and third parties globally, is accessible in multiple languages and is available 24 hours a day, 365 days a year.
103. The governing body for the NOL Ethics Hotline is the NOL Ethics Committee. It is constituted to ensure compliance with ethics requirements and provides a framework to encourage the provision of information and feedback on ethics incidents or concerns. The Ethics Committee has its own terms of reference and is also the process owner for the Ethics Incident Reporting & Investigation Policy & Operating Manual (EIRI POM), which sets out the guiding principles, roles and processes relating to the reporting and investigation of ethics incidents or concerns.
104. The Group protects whistle-blowers, including employees, who have acted in good faith, from victimisation and harassment by their colleagues. Anonymous disclosures are accepted and anonymity honoured. The Group treats all information received as confidential and protects the identity and the interest of all whistle-blowers. All whistle-blower complaints are reviewed by the Ethics Committee and AC at their respective meetings to ensure that independent and thorough investigations and adequate follow-up take place.

Principle 13: Internal Audit

105. The function of NOL's Internal Audit ("IA") department includes assisting the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management. IA reports directly to the Chairman of the AC on audit matters and to the Group CEO on administrative matters. The appointment, remuneration and termination of the Head of IA are determined by the AC.
106. IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. IA carries out its function according to the standards set by nationally or internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.
107. The AC reviews IA's reports on a quarterly basis. The AC also reviews and approves the annual IA plan and resources to ensure that it is able to perform an adequate, effective and independent internal audit function within the Group. The AC is satisfied that IA has adequate resources to perform its functions and has appropriate standing within the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

108. The Group values dialogue with its shareholders, investors, analysts and media. The senior management team will hold briefings with the news media and analysts upon the announcement of the Group's second quarter and financial year-end results to the SGX-ST. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. To ensure a broad dissemination, each briefing is conducted through a live webcast. The briefing materials and webcast are also made available to the public on the Group's corporate website and SGXNet. However, any information that may be regarded as undisclosed material information about the Group will not be given, without it being announced through SGXNet first.
109. A dedicated investor relations team supports the senior management team to engage with shareholders, investors and investment analysts to obtain and understand investor views, concerns and feedback. In FY2015, NOL's investor relations team facilitated more than 130 meetings and met more than 160 investors and analysts, through one-on-one meetings, investor conferences, teleconferences and roadshows.
110. The Group's online investor relations section located at www.nol.com.sg also provides information on the Group's activities, including its SGXNet announcements, financial reports, results presentations, webcasts of earnings presentations, financial calendar, shares information and investor relations contact information.
111. All registered shareholders of the Company receive the Annual Report and Notices of General Meetings. The Notices are also advertised in the newspaper and made available on the Group's website www.nol.com.sg.
112. NOL strongly encourages and supports shareholder participation at AGMs. Under the multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at the Company's General Meetings.
113. At each AGM, the Company presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. The Group CEO, Chairman of the Board, Chairmen of the NC, Exco, AC, ERCC and ERM, and representatives from the external auditing firm are available to respond to shareholders' questions during the meeting.
114. Each item of business included in the Notice of the AGM is, where relevant, accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.
115. As part of good governance and transparency in the voting process conducted at shareholder meetings, the Company has implemented the electronic poll voting process since 2009. The poll voting results are presented to the audience during the voting process and announced to the SGX-ST after the meeting.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

116. The Group has adopted internal codes in relation to the dealing of the Company's securities. The Company, its directors and officers of the Group are prohibited from trading in the Company's securities during the relevant blackout period prior to the announcement of the Group's quarterly and full-year results, in accordance with the guidelines set out by the SGX-ST. They are also required, at all times, to observe the insider trading rules outlined in the Securities and Futures Act and should not deal in the Company's securities on short-term considerations.
117. All securities transactions reported by directors and any shares purchased by the Company are disclosed publicly within the stipulated notice period, in accordance with the guidelines set out in the SGX-ST Listing Manual and the Securities and Futures Act.

INTERESTED PERSON TRANSACTIONS

118. The Company has also put in place an internal procedure to track Interested Person Transactions ("IPTs") of the Group. The Corporate Finance Department is in charge of keeping a register of the Group's IPTs, while the IA department performs audit reviews to ascertain that the established guidelines and procedures for IPTs are appropriate and have been complied with. The AC reviews these internal audit reports on IPTs.
119. All IPTs are disclosed in the Company's Annual Report and SGX-ST quarterly announcements.

INTERESTED PERSON TRANSACTIONS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual	
	FY 2015 US\$'000	FY 2014 US\$'000
Transactions for the Purchase of Goods and Services		
PSA Corporation Limited and its associates	156,724	212,017
Singapore Telecommunications Limited and its associates	267	283
Certis CISCO Security Pte. Ltd	73	205
Transactions for the Sale of Goods and Services		
Olam International Limited	3,168	2,107
The above relates to cumulative value of transactions (inclusive of GST) more than S\$100,000 (approximately US\$72,817).		

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MARCH 2016

Issued and Fully Paid-Up Capital	:	S\$3,066,556,624
Number of Issued Shares (excluding Treasury Shares)	:	2,601,633,885
Number/Percentage of Treasury Shares	:	1,726,717 (0.066%)
Class of Shares	:	Ordinary Shares

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
1 – 99	214	0.82	4,477	0.00
100 – 1,000	3,097	11.84	2,942,178	0.11
1,001 – 10,000	16,111	61.62	85,412,652	3.29
10,001 – 1,000,000	6,687	25.58	271,369,172	10.43
1,000,001 & Above	37	0.14	2,241,905,406	86.17
Total	26,146	100.00	2,601,633,885	100.00

Breakdown of Shareholders	Number of Shares	% of Shares
Local	2,584,492,984	99.34
Foreign	17,140,901	0.66

Top 20 Registered Shareholders as at 3 March 2016	Number of Shares	% of Shares
Lentor Investments Pte Ltd	1,024,087,697	39.36
Temasek Holdings (Private) Limited	671,064,383	25.79
HSBC (Singapore) Nominees Pte Ltd	124,136,037	4.77
DBS Nominees Pte Ltd	122,236,254	4.70
Morgan Stanley Asia (S'pore) Securities Pte Ltd	51,636,974	1.98
Raffles Nominees (Pte) Ltd	48,088,113	1.85
Startree Investments Pte Ltd	43,524,250	1.67
Citibank Nominees Singapore Pte Ltd	41,981,843	1.61
United Overseas Bank Nominees Pte Ltd	22,024,909	0.85
DBSN Services Pte Ltd	11,093,737	0.43
OCBC Nominees Singapore Pte Ltd	9,144,162	0.35
BNP Paribas Securities Services	8,964,987	0.34
DB Nominees (S) Pte Ltd	8,666,019	0.33
Maybank Kim Eng Securities Pte Ltd	5,780,720	0.22
Phillip Securities Pte Ltd	5,232,734	0.20
UOB Kay Hian Pte Ltd	5,131,016	0.20
Bank of S'pore Nominees Pte Ltd	4,702,091	0.18
OCBC Securities Private Ltd	4,389,000	0.17
Koh Seow Long	3,268,000	0.13
BNP Paribas Nominees S'pore Pte Ltd	2,780,775	0.11
Total	2,217,933,701	85.24

Substantial Shareholder	Direct Interest	Deemed Interest*
Temasek Holdings (Private) Limited	671,064,383	1,067,750,771

* Temasek is deemed interested in 1,067,750,771 Ordinary Shares in which its subsidiaries and associated company have direct or deemed interests.

SHAREHOLDINGS HELD BY THE PUBLIC

The percentage of shareholdings in the hands of the public is approximately 33.01%. Hence, the Company has complied with Rule 723 of the SGX-ST Listing Manual which states that an issuer must ensure that at least 10% of its issued shares excluding treasury shares is at all times held by the public.

DIRECTORS' BIOGRAPHIES

KWA CHONG SENG *Chairman; Appointed as Director on 1 January 2012 and Chairman on 11 April 2012; Last re-elected 15 April 2015*

Mr Kwa Chong Seng is Chairman of the NOL Board and a Director of other Group subsidiary companies. He is Chairman of the Executive Committee, Approval Committee and Executive Resource & Compensation Committee, and a member of the Nominating Committee. Mr Kwa is also the Chairman of Singapore Technologies Engineering Ltd and Olam International Limited. In addition, he is the Deputy Chairman of the Public Service Commission in Singapore. Mr Kwa currently serves on the boards of Singapore Exchange Limited, Seatown Holdings Pte. Ltd. and Delta Topco Limited. He is also a member of the Defence Science and Technology Agency (DSTA) and the Chairman of the Advisory Committee of Dymon Asia Capital Ltd. Mr Kwa has more than 40 years' experience in the petroleum industry - he served as Chairman and Managing Director of ExxonMobil Asia Pacific Pte. Ltd. before retiring in 2011. He was the Deputy Chairman of Temasek Holdings (Private) Limited from 1997 to 2012 and a non-Executive Director of DBS Group Holdings Ltd and DBS Bank Ltd. from 2003 to 2012. Mr Kwa was conferred the Distinguished Engineering Alumni Award by the National University of Singapore in 1994 and the Honorary Ningbo Citizenship in 1999. In 2005, he was awarded the Singapore Public Service Star. He is also a Fellow of the Academy of Engineering Singapore.

NG YAT CHUNG *Executive Director; Appointed 1 May 2011; Last re-elected 15 April 2014*

Mr Ng Yat Chung joined the NOL Board in May 2011 as Executive Director and was appointed Group President and Chief Executive Officer of NOL beginning October 2011. He is a member of the Executive Committee and Approval Committee. Prior to joining NOL, Mr Ng was a Senior Managing Director at Temasek Holdings (Private) Limited. Before joining Temasek Holdings, he was the Chief of Defence Force in the Singapore Armed Forces (SAF). Mr Ng is the Chairman of the Board of Trustees for Singapore Institute of Technology and a member of the Board of World Shipping Council. He is also a member of the International Advisory Panel of the Singapore Maritime Institute and the Singapore Advisory Panel of the Chartered Institute of Logistics and Transport.

ROBERT JOHN HERBOLD *Director; Appointed 1 February 2010; Last re-elected 15 April 2015*

Mr Robert Herbold joined the NOL Board in February 2010. He is a member of the Executive Resource & Compensation Committee and Chairman of the Enterprise Risk Management Committee. Mr Herbold is the Managing Director of The Herbold Group, LLC, a consulting business focused on profitability, strategic and operational issues. He is also a Director of Agilent Technologies, a United States-listed company. He previously held the position of Executive Vice President and Chief Operating Officer of Microsoft Corporation from 1994 until his retirement in 2001. Prior to joining Microsoft, he spent 26 years at The Procter & Gamble Company (P&G). He served as Senior Vice President in his last five years at P&G. He has published three books on leadership and is also the President of The Herbold Foundation, which provides college scholarships to engineering, physical science, and mathematics students.

TAN PUAY CHIANG *Director; Appointed 15 April 2010; Last re-elected 18 April 2013*

Mr Tan Puay Chiang joined the NOL Board in April 2010. He is a member of the Executive Committee, Audit Committee and Executive Resource & Compensation Committee. He was formerly Chairman, ExxonMobil (China) Investment Co from 2001 to 2007. During his 37-year career with Mobil and later ExxonMobil, he held executive management roles in Australia, Singapore and the United States. These included the executive positions of Vice-President, Mobil Research & Technology Corp, USA, and Chairman of Mobil Oil Australia. He was appointed General Manager, Corporate Planning, following the merger of Exxon and Mobil in 1999. Mr Tan has been a member of many business and industry boards including the Australian Institute of Petroleum, the Washington, D.C.-based National Policy Association, and the American Chamber of Commerce in Hong Kong. He is currently the Chairman of the Board of Directors of SP Services Limited. He also serves as Director on the boards of Keppel Corporation Limited and Singapore Power Limited. He is a member of the Board of the Energy Studies Institute at the National University of Singapore.

JEANETTE WONG KAI YUAN *Director; Appointed 15 April 2010; Last re-elected 15 April 2015*

Ms Jeanette Wong joined the NOL Board in April 2010. She is a member of the Audit Committee and Executive Resource & Compensation Committee. Ms Wong is currently DBS Bank's Group Executive, responsible for overseeing DBS' Institutional Banking Group which comprises Corporate Banking, SME Banking and Global Transaction Services. Prior to this, she was the Chief Financial Officer of DBS Group. Before joining DBS, Ms Wong spent 16 years with JP Morgan in the Global Markets and Emerging Markets business, and held senior management positions with regional responsibilities in Foreign Exchange and Fixed Income. She is presently the Chairperson of DBS Bank (Taiwan) Ltd and a Director of DBS Bank (China) Limited. In addition, Ms Wong is a Director of the Singapore International Arbitration Centre and a member of the Securities Industry Council. She is also a member of NUS Business School Management Advisory Board and an advisory member of the Asia Cabinet, Global Advisory Board for the University of Chicago Booth School of Business.

DIRECTORS' BIOGRAPHIES

LOW CHECK KIAN *Director; Appointed 14 April 2011; Last re-elected 15 April 2014*

Mr Low Check Kian joined the NOL Board in April 2011. He is the Chairman of the Nominating Committee and a member of the Enterprise Risk Management Committee. Low Check Kian is a Director of Cluny Park Capital Pte. Ltd. He was previously one of the founding partners of NewSmith Capital Partners LLP (NewSmith), an independent partnership providing corporate finance advice and investment management services with its headquarters based in London. Prior to founding NewSmith, he was a Senior Vice President and Member of the Executive Management Committee of Merrill Lynch & Co and its Chairman for the Asia Pacific Region. Low Check Kian is the Lead Independent Director of Singapore Telecommunications Limited (Singtel) and sits on the boards of its subsidiaries Singtel Innov8 Pte. Ltd. and Singtel Innov8 Holdings Pte. Ltd. He is also a trustee of The Singapore London School of Economics Trust and Nanyang Technological University. Low Check Kian holds a B.Sc. (First Class Honours) and M.Sc. in Economics from the London School of Economics. He was awarded the Allan Young Prize, Baxter-Edey Award and the Henry Luce Foundation Award during his time there.

QUEK SEE TIAT *Director; Appointed 1 September 2012; Last re-elected 18 April 2013*

Mr Quek See Tiat joined the NOL Board in September 2012 as a member of the Audit Committee and the Enterprise Risk Management Committee. He became Chairman of the Audit Committee in April 2013. Mr Quek was formerly the Deputy Chairman of PricewaterhouseCoopers Singapore. A partner of PricewaterhouseCoopers from 1987 to 2012, Mr Quek has more than 30 years of experience in senior audit and business advisory roles. He was a member of the firm's Executive Committee in Singapore as well as the Asia Pacific Regional Executive Team. Mr Quek is Chairman of Singapore's Building and Construction Authority and Deputy President of Council for Estate Agencies. He is also a Board member of the Energy Market Authority, Monetary Authority of Singapore, Singapore Technologies Engineering Ltd and Singapore Press Holdings Ltd.

ALVIN YEO KHIRN HAI *Director; Appointed 18 April 2013; Last re-elected 15 April 2015*

Mr Alvin Yeo joined the NOL Board in April 2013 as an independent and non-executive director. He serves as a member of the Audit Committee and Nominating Committee. Mr Yeo is a Senior Counsel, Chairman and Senior Partner of WongPartnership LLP. His main areas of practice are banking and corporate disputes, restructuring and insolvency, and construction and civil engineering matters, both in litigation and in arbitration proceedings. He is a member of the Appeals Advisory Panel of the Monetary Authority of Singapore, the Court of the SIAC, the ICC Commission on Arbitration, the Court of the LCIA and a Fellow of the Singapore Institute of Arbitrators. Mr Yeo also serves on the boards of United Industrial Corporation Limited, Keppel Corporation Limited, Thomson Medical Private Limited and Valencia C.F. Mr Yeo is a former Member of Parliament, having served for 2 terms from 2006 to 2015.

TOM BEHRENS-SØRENSEN *Director; Appointed 1 July 2013; Last re-elected 15 April 2014*

Mr Tom Behrens-Sørensen joined the NOL Board in July 2013 as a member of both the Executive Resource & Compensation Committee and Enterprise Risk Management Committee. He has more than three decades of international maritime and logistics experience having held senior management positions at A.P. Moller-Maersk in Europe, Australia and across Asia. From 1994 through 2009, he led A.P. Moller-Maersk's successful expansion into China. Mr Behrens-Sørensen is a co-founder of the European Union Chamber of Commerce and the Danish Chamber of Commerce in China, and has been an advisor to various provincial governments in China. Mr Behrens-Sørensen is also the co-founder of Navisino (Beijing) Advisors Ltd which provides management consulting and corporate finance advisory services. He currently serves on the boards of ECCO Holding Ltd, Odense Maritime Technology Ltd, Red Sea Gateway Terminal Ltd, China Merchants LOSCAM Asia Ltd and Wrist Ship Supply Ltd.

BRUNO SIDLER *Director; Appointed 16 September 2013; Last re-elected 15 April 2014*

Mr Bruno Sidler joined the NOL Board in September 2013 as a member of the Executive Committee. An experienced logistics and business services specialist, Mr Sidler is the Chief Operating Officer and a member of the Executive Board of DKSH Holding Ltd., a market expansion services group listed on the SIX Swiss Exchange. In 2007, he joined the Executive Board of CEVA Logistics, where he was initially responsible for the Northern European business before assuming the role of Chief Operating Officer in 2010. Over a period of some 25 years, Mr Sidler held various management positions in Africa, Asia and Switzerland with the Panalpina Group before he was appointed its President and CEO in 1998. He is also a member of the Board of Directors at the Swiss liquid chemical logistics company Bertschi AG and he was a member of the Board of Directors at Luxair, the state airline of Luxembourg, as well as the Chairman of the advisory board of the Swiss National Bank for North Eastern Switzerland.

KEY MANAGEMENT BIOGRAPHIES

The following information covering NOL Group's Key Management is provided as required by Rule 1207(4)(b)(iii) of the SGX-ST Listing Manual.

NG YAT CHUNG *Group President & Chief Executive Officer*

Details for Executive Director Ng Yat Chung are provided on page 37 of this Annual Report.

CEDRIC FOO *Group Deputy President & Chief Financial Officer*

Cedric Foo was appointed Group Deputy President in May 2005 and, additionally, Chief Financial Officer from January 2007. He oversees the Group's Corporate Finance and Vessel Procurement/Chartering departments. Prior to re-joining NOL in 2005, Mr Foo served as Singapore's Minister of State in the Ministry of Defence and the Ministry of National Development. He was also Senior Vice President at Singapore Airlines from 2000 to 2002. Mr Foo previously worked at NOL from 1985 to 2000 and held various management positions. A Member of Singapore's Parliament since November 2001, Mr Foo currently serves as Deputy Chairperson of the Government Parliamentary Committee (GPC) for Finance and Trade & Industry. He is also a member of the GPC for Defence and Foreign Affairs. Mr Foo holds a Bachelor of Science degree in Engineering (Naval Architecture and Marine Engineering) from the University of Michigan and a Master of Science (Ocean Systems Management) degree from Massachusetts Institute of Technology.

KENNETH GLENN *President, APL*

Kenneth Glenn was appointed President of APL, NOL's container shipping business in September 2011. He is responsible for the commercial, financial and operational activities of NOL Group's liner business globally. He was formerly President, North Asia from January 2009, and prior to that President, South Asia from August 2006, Senior Vice President, South Asia and Managing Director, India from October 2005. Mr Glenn was previously Senior Vice President of APL's Asia-Europe liner trade. He joined NOL in 2000 after 23 years with Sea-Land Service and CSX Lines during which he held a variety of senior management positions in geographic and trade roles. Mr Glenn has over 35 years' experience in the shipping and maritime industry, during which he has lived in China, the US, Hong Kong, UK, Russia, India and Singapore.

LOOI LEE HWA *Group General Counsel, Chief Compliance Officer & Company Secretary*

Looi Lee Hwa joined the NOL Group in March 2010 and oversees and manages the in-house legal counsel teams, corporate secretariat, compliance, insurance and claims functions of the group globally. Prior to joining NOL, Ms Looi was General Counsel and Company Secretary at Chartered Semiconductor Manufacturing Ltd for seven years. She started her legal career in the oil and gas industry with Singapore Petroleum Company before moving to the semiconductors industry. Ms Looi holds a Bachelor of Law (Honours) degree from the National University of Singapore.

NG SENG HUWI *Group Head, Human Resources*

Ng Seng Huwi was appointed Group Head of Human Resources for NOL in July 2013. He is responsible for developing and implementing HR strategy across the NOL Group and providing HR leadership to support business units globally. Mr Ng has more than 30 years of professional experience, holding a variety of positions in management, engineering, operations and human resources in multi-national companies including Schlumberger, Unilever and Praxair. He has lived and worked in Asia, Australia and Europe in the course of his career. Prior to joining NOL, Mr Ng was Vice President, HR for GlobalFoundries, a semiconductor foundry with manufacturing centres in Germany, the United States and Singapore. Mr Ng holds a Bachelor of Engineering degree from the University of Aberdeen, Scotland, and a Master of Business Administration from the University of Sheffield, England.

BASKARA RAO P. *Group Chief Information Officer*

Baskara Rao P. joined the NOL Group in November 2014 as Group Chief Information Officer. He is responsible for developing IT strategy across the NOL Group and ensuring smooth IT operations to support the businesses globally. Mr Rao has more than 25 years of experience in planning, developing and implementing IT solutions in multi-national companies like GlobalFoundries and the Philips Group of Companies. Prior to joining NOL, Mr Rao was the Executive Vice President of Global Operations at Stone Apple. Mr Rao holds a Master of Business Administration from Herriot-Watt University, Edinburgh, UK, and a Bachelor of Computer Science degree from University Science of Malaysia.

KEY MANAGEMENT BIOGRAPHIES

APL LEADERSHIP TEAM

PETER JONGEPIER *Chief Commercial Officer*

Peter Jongepier was appointed as Chief Commercial Officer in January 2014 and is responsible for the development and implementation of APL's commercial strategy globally. He was previously President, Europe from March 2013 where he led the APL business and operations across Europe and the former Soviet Union. Mr Jongepier has over 30 years' experience in the shipping industry. He joined APL in 1995 and has held a range of senior roles, including Managing Director, Benelux; Vice President for Sales, Europe and later Network Operations, Europe, and Managing Director, France. Prior to joining APL, Mr Jongepier worked with Sea-Land Service and Nedlloyd Group in sales, commercial and management positions in the Netherlands.

CALVIN LEONG *Chief Trade Officer*

Calvin Leong was appointed Chief Trade Officer in January 2014. He oversees APL's global trades, network planning, yield management and empty equipment flow. Before his current appointment, Mr Leong was Senior Vice President for APL's Intra-Asia, Middle East and Australia Trade. He has also held various roles in Strategic Planning, Group Investments, Fleet Procurement and Investor Relations departments in the NOL Group. Prior to joining NOL, Mr Leong was based in China first with the Boston Consulting Group before joining Imerys Minerals where he was responsible for acquiring and growing their Asia Pacific ceramic mineral businesses. Mr Leong holds a Bachelor's degree in Economics from Franklin and Marshall College and a Master of Business Administration with a Finance focus from the Johnson School, Cornell University.

JASON WONG *Chief Procurement & Corporate Operations Officer*

Jason Wong was appointed Chief Procurement & Corporate Operations Officer for APL in February 2016. Mr Wong oversees the global sourcing and procurement of equipment and fuel, as well as managing spend for vessel, terminal, inland transport and depots, and feeder operations. He is also responsible for global marine, technical services, security and environment, and equipment management. Mr Wong held the position of Chief Procurement Officer from January 2014. Prior to that, Mr Wong was previously President, South Asia from July 2012 where he led business and operations for APL across in Singapore, Malaysia, Thailand, Indonesia, Australia, India, Pakistan, Sri Lanka, Bangladesh, Afghanistan and the Middle East. Before that, Mr Wong was Vice President for APL's Intra-Asia, Middle East and Australia trade from May 2006. Prior to this, he has held management positions in equipment management and accounting. Mr Wong has been with the NOL Group for more than 25 years. A Chartered Accountant of Singapore, he holds a Bachelor of Accountancy from the National University of Singapore.

DIRECTORS' REMUNERATION

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

REMUNERATION FOR THE DIRECTORS OF THE COMPANY

The aggregate compensation paid or accrued to the Group CEO for FY2015 is set out in the table below:

Executive Director	Fixed Pay		Variable Pay		Benefits	Total
	Fees	Annual Base Salary	Annual Cash Bonus	Equity Incentives		
	%	%	%	%	%	%
Between US\$ 2,300,000 to US\$ 2,499,999						
Ng Yat Chung	–	33	20	45	2	100

The aggregate compensation paid or accrued to the non-executive directors ("NEDs") for FY2015 is set out in the table below:

Non-Executive Directors	Fixed Pay		Variable Pay		Benefits	Total
	Fees	Annual Base Salary	Annual Cash Bonus	Equity Incentives		
	US\$	US\$	US\$	US\$	US\$	US\$
Kwa Chong Seng (Chairman)	436,904	–	–	–	–	436,904
Robert John Herbold	110,682	–	–	–	–	110,682
Tan Puay Chiang	99,032	–	–	–	–	99,032
Jeanette Wong Kai Yuan	85,924	–	–	–	–	85,924
Low Check Kian	83,012	–	–	–	–	83,012
Quek See Tiat	96,847	–	–	–	–	96,847
Alvin Yeo Khirn Hai	83,800	–	–	–	–	83,800
Tom Behrens-Sørensen	104,857	–	–	–	–	104,857
Bruno Sidler	120,149	–	–	–	–	120,149

Explanatory notes:

The total Directors' Remuneration disclosed in the audited financial statements is computed based on the cost incurred by the Group whereas the above remuneration for the Directors of the Company is derived based on the assumptions as detailed below:

1. Variable Pay includes Annual Cash Bonus and Equity Incentives (Restricted Shares and Performance Shares, if any) that relate to awards for the performance year even though the actual compensation may be realised in different calendar years.
2. Benefits (including housing and allowances) are based on cost to the Group.
3. The fees for NEDs comprise basic Board fee and Board Committee/attendance fees. The fees payable relating to Ms Jeanette Wong Kai Yuan were paid/will be payable to DBS Bank Ltd.

REMUNERATION BANDS FOR KEY MANAGEMENT STAFF

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

REMUNERATION BANDS FOR THE TOP SIX KEY MANAGEMENT STAFF WHO ARE NOT ALSO DIRECTORS OF THE COMPANY

The aggregate compensation paid or accrued to the top six key management staff for FY2015 amounting to US\$5 million is set out in the table below:

	Fixed Pay	Variable Pay				Total %
	Annual Base Salary %	Annual Cash Bonus %	Equity Incentives %	Expatriate Benefits %	Other Benefits %	
For the Financial Year Ended 25 December 2015						
Between US\$ 400,000 to US\$ 599,999						
Jason Wong	59	12	22	–	7	100
Calvin Leong	62	12	16	–	10	100
Between US\$ 600,000 to US\$ 799,999						
Peter Jongepier	45	9	25	2	19	100
Nathaniel Seeds	38	–	–	51	11	100
Between US\$ 1,000,000 to US\$ 1,199,999						
Kenneth Glenn	39	11	18	26	6	100
Between US\$ 1,400,000 to US\$ 1,599,999						
Cedric Foo	33	10	37	–	20	100

Explanatory notes:

The above key management personnel are based on the Group's organisation structure and position holders in FY2015. Nathaniel Seeds left the organisation effective 27 February 2016. The total remuneration of key management personnel disclosed in the audited financial statements is computed based on the cost incurred by the Group whereas the above remuneration bands for the Top Six Key Management Staff who are not also Directors of the Company are derived based on the assumptions as detailed below:

1. Variable Pay includes Annual Cash Bonus and Equity Incentives (Restricted Shares and Performance Shares, if any) that relate to awards for the performance year even though the actual compensation may be realised in different calendar years.
2. Expatriate and Other Benefits are based on cost to the Group. Expatriate Benefits include tax equalisation (derived based on actual/best estimates), housing, cost of living allowances and education benefits.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

The Directors present their statement to the members together with the audited consolidated financial statements of Neptune Orient Lines Limited ("**NOL**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statements of financial position and changes in equity of the Company, expressed in United States Dollars, for the financial year ended 25 December 2015.

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company as set out on pages 56 to 172 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 25 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The Directors of the Company in office at the date of this statement are:

Kwa Chong Seng (Chairman)
Ng Yat Chung (Group President & Chief Executive Officer)
Robert John Herbold
Tan Puay Chiang
Jeanette Wong Kai Yuan
Low Check Kian
Quek See Tiat
Alvin Yeo Khirn Hai
Tom Behrens-Sørensen
Bruno Sidler

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options, Restricted Shares and Performance Shares" on pages 43 to 50.

SHARE OPTIONS, RESTRICTED SHARES AND PERFORMANCE SHARES

The NOL Share Option Plan ("**NOL SOP**") was approved by the shareholders of the Company on 10 November 1999. Share options under the NOL SOP were granted to Directors and employees of the Group. The grant of NOL SOP to non-executive directors had ceased with effect from the financial year ended 28 December 2007. The exercise price of the options was determined based on the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees took into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options will vest after a specified number of years from the grant date.

The NOL Performance Share Plan 2004 ("**NOL PSP 2004**") was approved by the shareholders of the Company on 20 April 2004. Performance shares under the NOL PSP 2004 were awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP 2004, performance shares would vest after a specified number of years from the end of the performance period.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

SHARE OPTIONS, RESTRICTED SHARES AND PERFORMANCE SHARES *(continued)*

The NOL SOP and NOL PSP 2004 were terminated following the adoption of the NOL Restricted Share Plan 2010 ("**NOL RSP 2010**") and the NOL Performance Share Plan 2010 ("**NOL PSP 2010**") by the shareholders of the Company at an Extraordinary General Meeting ("**EGM**") held on 30 August 2010. Options granted and outstanding and performance shares awarded and unvested prior to the termination of the NOL SOP and NOL PSP 2004 will continue to be valid and subject to the terms and conditions of the NOL SOP and NOL PSP 2004 respectively.

The NOL RSP 2010 and NOL PSP 2010 were introduced with a view to increasing the Group's flexibility and effectiveness in rewarding, retaining and motivating key senior management and executives to achieve superior performance. In addition, the NOL RSP 2010 and NOL PSP 2010 will strengthen the Group's competitiveness in attracting and retaining talented key senior management and executives.

Awards of restricted shares under the NOL RSP 2010 to Directors and employees of the Group take into consideration the Group's financial performance as well as the employee's job level, job performance, length of service (pro-rated for employees without full year of service) and contribution to the success and development of the Group. The above criteria will not apply to non-executive directors as such awards, if given, will form part of the directors' remuneration in lieu of cash. Pursuant to the terms of the NOL RSP 2010, the restricted shares will, except in certain special circumstances as approved by the Executive Resource & Compensation Committee ("**ERCC**"), vest after a specified number of years from the award date.

Awards of performance shares under the NOL PSP 2010 to key executives take into account the employee's individual performance, job level and length of service (pro-rated for employees without full year of service). The performance shares will only vest over a specified number of years conditional upon the Group attaining certain performance conditions in future years.

The ERCC is responsible for administering the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010. The ERCC currently comprises five non-executive directors: Kwa Chong Seng (Chairman), Robert John Herbold, Tom Behrens-Sørensen, Jeanette Wong Kai Yuan and Tan Puay Chiang.

(a) Employee Share Option Plan

Details of options granted under the NOL SOP during the financial year ended 25 December 2015 were as follows:

Share Options	(a)	(b)	(c)	(d)	(e)	Total
Date option granted	31/12/04	13/3/06 ³	12/3/07 ⁴	22/2/08 ⁵	20/2/09 ⁶	
Exercise period						
From	31/12/05	13/3/07	12/3/08	22/2/09	20/2/10	
To	30/12/14	12/3/16	11/3/17	21/2/18	19/2/19	
Exercise price per option						
- Before Rights Issue	S\$2.06 ¹	S\$2.20	S\$3.32	S\$3.62	S\$1.15	
- After Rights Issue ²	S\$1.96	S\$2.10	S\$3.22	S\$3.52	S\$1.05	
Number of options outstanding as at						
26 December 2014	3,684,890	10,495,656	4,156,839	5,512,951	10,521,393	34,371,729
During the financial year						
- Options exercised	-	-	-	-	(264,200)	(264,200)
- Options cancelled	-	(2,093,595)	(911,369)	(1,293,076)	(2,479,067)	(6,777,107)
- Options expired	(3,684,890)	-	-	-	-	(3,684,890)
Balance as at 25 December 2015	-	8,402,061	3,245,470	4,219,875	7,778,126	23,645,532

No share options were granted in 2015 for the financial year ended 26 December 2014 as the NOL SOP was terminated on 30 August 2010.

¹ In accordance with the modified rules of the NOL SOP approved by shareholders at the EGM held on 3 January 2006 and the advice of the independent financial advisor, the exercise price of the outstanding share options under the NOL SOP was reduced by S\$0.92 to S\$2.06 as a result of the capital reduction and cash distribution exercise.

² In accordance with the rules of the NOL SOP and the advice of the independent financial advisor, adjustments had been made to the exercise prices and the number of shares comprised in the outstanding share options under the NOL SOP as a result of the Rights Issue. Exercise prices of the outstanding share options were reduced by S\$0.10 except for 1,226,000 share options granted to a Director.

³ From the date of grant, one-third of the share options granted have each vested on 13 March 2007, 13 March 2008 and 13 March 2009.

⁴ From the date of grant, one-third of the share options granted have each vested on 12 March 2008, 12 March 2009 and 12 March 2010.

⁵ From the date of grant, one-third of the share options granted have each vested on 22 February 2009, 22 February 2010 and 22 February 2011.

⁶ From the date of grant, one-third of the share options granted have each vested on 20 February 2010, 20 February 2011 and 20 February 2012.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

SHARE OPTIONS, RESTRICTED SHARES AND PERFORMANCE SHARES *(continued)*

(a) Employee Share Option Plan (continued)

No share options were granted to or exercised by the Directors during the financial year ended 25 December 2015.

As at 25 December 2015 and 15 January 2016, the Directors had no interests in the outstanding share options of the Company.

Details of options granted under the NOL SOP up to 25 December 2015 were as follows:

Aggregate granted/ adjusted since commencement of the NOL SOP to 25 December 2015	Aggregate exercised since commencement of the NOL SOP to 25 December 2015	Aggregate cancelled since commencement of the NOL SOP to 25 December 2015	Aggregate expired since commencement of the NOL SOP to 25 December 2015	Aggregate outstanding as at 25 December 2015
51,927,564	(5,094,001)	(17,976,011)	(5,212,020)	23,645,532

(b) Performance Share Plan 2004

No performance shares were awarded to the executive director and employees in 2015 for the financial year ended 26 December 2014 as the NOL PSP was terminated on 30 August 2010.

There were no outstanding performance shares as at 25 December 2015 and 26 December 2014.

Details of performance shares awarded under the NOL PSP 2004 up to 25 December 2015 were as follows:

Aggregate awarded/ adjusted since commencement of the NOL PSP 2004 to 25 December 2015	Aggregate vested since commencement of the NOL PSP 2004 to 25 December 2015	Aggregate cancelled since commencement of the NOL PSP 2004 to 25 December 2015	Aggregate outstanding as at 25 December 2015
12,567,699	(9,462,343)	(3,105,356)	–

(c) Restricted Share Plan 2010

Subject to the terms and conditions of the NOL RSP 2010, the following table sets forth the number of restricted shares awarded, vested and cancelled during the financial year ended 25 December 2015:

Restricted Shares	(a)	(b)	(c)	Total
Date of award	1/4/13 ⁷	1/4/14 ⁸	1/4/15 ⁹	
Performance period				
From	31/12/11	29/12/12	28/12/13	
To	28/12/12	27/12/13	26/12/14	
Number of shares outstanding as at 26 December 2014	2,322,747	6,101,848	–	8,424,595
During the financial year				
- Shares awarded	–	–	7,455,000	7,455,000
- Shares vested	(1,622,640)	(3,123,679)	(1,782,000)	(6,528,319)
- Shares cancelled	(96,867)	(442,703)	(449,557)	(989,127)
Balance as at 25 December 2015	603,240	2,535,466	5,223,443	8,362,149

Director's Interests:**25 December 2015**

- Ng Yat Chung	192,667	282,667	319,000	794,334
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26 December 2014

- Ng Yat Chung	385,334	424,000	–	809,334
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⁷ From the date of award, 827,661 restricted shares awarded have vested on 1 April 2013, 1,642,919 restricted shares awarded have vested on 1 April 2014, 1,464,287 restricted shares awarded have vested on 1 April 2015 and 158,353 restricted shares awarded have vested on 15 June 2015*. The remaining restricted shares will vest on 1 April 2016.

⁸ From the date of award, 1,970,739 restricted shares awarded have vested on 1 April 2015, 1,145,606 restricted shares awarded have vested on 15 June 2015* and 7,334 restricted shares awarded have vested on 23 October 2015*. The remaining restricted shares awarded will vest on 1 April 2016 and 1 April 2017.

⁹ From the date of award, 1,766,000 restricted shares awarded have vested on 15 June 2015* and 16,000 restricted shares awarded have vested on 24 July 2015*. The remaining restricted shares awarded will vest on 1 April 2016, 1 April 2017 and 1 April 2018.

* Vesting approved by ERCC due to the sale of Logistics business unit.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

SHARE OPTIONS, RESTRICTED SHARES AND PERFORMANCE SHARES *(continued)*

(c) Restricted Share Plan 2010 (continued)

Details of restricted shares awarded to the executive director of the Company under the NOL RSP 2010 up to 25 December 2015 were as follows:

Name of Director	Aggregate awarded since commencement of the NOL RSP 2010 to 25 December 2015	Aggregate vested since commencement of the NOL RSP 2010 to 25 December 2015	Aggregate outstanding as at 25 December 2015
Ng Yat Chung	2,409,000	(1,614,666)	794,334

As at 15 January 2016, Ng Yat Chung's interest in the outstanding restricted shares of the Company was the same as that as at 25 December 2015.

Details of restricted shares awarded under the NOL RSP 2010 up to 25 December 2015 were as follows:

Aggregate awarded since commencement of the NOL RSP 2010 to 25 December 2015	Aggregate vested since commencement of the NOL RSP 2010 to 25 December 2015	Aggregate cancelled since commencement of the NOL RSP 2010 to 25 December 2015	Aggregate outstanding as at 25 December 2015
25,351,850	(14,342,301)	(2,647,400)	8,362,149

(d) Performance Share Plan 2010

Subject to the terms and conditions of the NOL PSP 2010, the following table sets forth the number of performance shares awarded to the executive director and employees, vested and cancelled during the financial year ended 25 December 2015:

Performance Shares	(a)	(b)	(c)	(d)	Total
Date of award	2/4/12 ¹⁰	1/4/13 ¹¹	1/4/14 ¹²	1/4/15 ¹³	
Performance period					
From	01/01/11	31/12/11	29/12/12	28/12/13	
To	30/12/11	28/12/12	27/12/13	26/12/14	
Number of shares outstanding as at 26 December 2014	905,347	2,152,349	4,692,000	–	7,749,696
During the financial year					
- Shares awarded	–	–	–	5,602,000	5,602,000
- Shares vested	(187,846)	(235,916)	(362,752)	–	(786,514)
- Shares cancelled	(717,501)	(1,071,949)	(1,867,790)	(1,461,195)	(5,118,435)
Balance as at 25 December 2015	–	844,484	2,461,458	4,140,805	7,446,747
Director's Interests:					
25 December 2015					
- Ng Yat Chung	–	62,000	603,334	945,000	1,610,334
26 December 2014					
- Ng Yat Chung	153,334	124,000	905,000	–	1,182,334

¹⁰ Excluding performance shares cancelled from the date of award, the remaining performance shares awarded have vested on 31 May 2013, 2 June 2014 and 8 May 2015.

¹¹ Excluding performance shares cancelled from the date of award, 253,584 performance shares awarded have vested on 2 June 2014 and 235,916 performance shares awarded have vested on 8 May 2015. The remaining performance shares awarded will vest on 31 May 2016, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

¹² Excluding performance shares cancelled from the date of award, 362,752 performance shares awarded have vested on 8 May 2015. The remaining performance shares awarded will vest on 31 May 2016 and 31 May 2017, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

¹³ Excluding performance shares cancelled from the date of award, the remaining performance shares awarded will vest on 31 May 2016, 31 May 2017 and 31 May 2018, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

SHARE OPTIONS, RESTRICTED SHARES AND PERFORMANCE SHARES *(continued)*

(d) *Performance Share Plan 2010 (continued)*

Details of performance shares awarded to the executive director of the Company under the NOL PSP 2010 up to 25 December 2015 were as follows:

Name of Director	Aggregate awarded since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate vested since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate cancelled since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate outstanding as at 25 December 2015
Ng Yat Chung	2,496,000	(183,084)	(702,582)	1,610,334

As at 15 January 2016, Ng Yat Chung's interest in the outstanding performance shares of the Company was the same as that as at 25 December 2015.

Details of performance shares awarded under the NOL PSP 2010 up to 25 December 2015 were as follows:

Aggregate awarded since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate vested since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate cancelled since commencement of the NOL PSP 2010 to 25 December 2015	Aggregate outstanding as at 25 December 2015
20,842,000	(1,372,610)	(12,022,643)	7,446,747

Pursuant to provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act, in addition to information disclosed elsewhere in the statement, it is reported that:

- (i) No options were granted by the Company or any subsidiary during the financial year as the NOL SOP was terminated on 30 August 2010 and there were no other unissued shares under option at the end of the financial year.
- (ii) Except as disclosed on pages 46, 49 and 50, no performance shares were awarded by the Company or any subsidiary during the financial year and there were no other unissued performance shares at the end of the financial year.
- (iii) Except as disclosed on pages 47 and 48, no restricted shares were awarded by the Company or any subsidiary during the financial year and there were no other unissued restricted shares at the end of the financial year.
- (iv) No options were granted to controlling shareholders or their associates, or directors and employees of the parent group.
- (v) No performance shares were awarded to controlling shareholders or their associates, or directors and employees of the parent group.
- (vi) No restricted shares were awarded to controlling shareholders or their associates, or directors and employees of the parent group.
- (vii) No employee had received 5% or more of the total number of options, restricted shares and performance shares available under the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010.
- (viii) No options were granted at a discount during the financial year.

During the financial years ended 25 December 2015 and 26 December 2014, no treasury shares were re-issued by the Company pursuant to the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company except as follows:

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 25/12/15	At 26/12/14	At 25/12/15	At 26/12/14
<i>Ordinary shares</i>				
Kwa Chong Seng	2,000,000	400,000	–	–
Ng Yat Chung	1,797,750	1,334,499	–	–
Tan Puay Chiang	100,000	100,000	–	–
<i>S\$400,000,000 4.25% Notes due on 26/04/2017</i>				
Kwa Chong Seng	S\$250,000	S\$250,000	–	–

Details of the Directors' interests in the share options granted under the NOL SOP, performance shares awarded under the NOL PSP 2004 and NOL PSP 2010 and restricted shares awarded under the NOL RSP 2010 have been separately disclosed under "Share Options, Restricted Shares and Performance Shares" on pages 43 to 50.

The Directors' interests in the share capital of the Company as at 15 January 2016 were the same as that as at 25 December 2015.

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of related corporations except as follows:

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 25/12/15	At 26/12/14	At 25/12/15	At 26/12/14
Ascendas Real Estate Investment Trust				
<i>Unit holdings</i>				
Ng Yat Chung	–	–	19,000	–
Quek See Tiat	–	–	34,000	–
Mapletree Industrial Trust Management Ltd.				
<i>Unit holdings</i>				
Ng Yat Chung	–	–	4,000	4,000
Tan Puay Chiang	6,000	6,000	6,000	6,000
Mapletree Treasury Services Limited				
<i>S\$250,000,000 3.88% Notes due on 04/10/2018</i>				
Tan Puay Chiang	S\$250,000	S\$250,000	–	–
<i>S\$250,000,000 4.45% Notes due on 07/03/2018</i>				
Alvin Yeo Khirn Hai	S\$250,000	S\$250,000	–	–
<i>S\$600,000,000 5.125% Perpetual Securities</i>				
Tan Puay Chiang	S\$250,000	S\$250,000	–	–
Olam International Limited				
<i>Ordinary shares</i>				
Kwa Chong Seng	–	–	420,000	420,000
<i>Warrants</i>				
Kwa Chong Seng	–	–	36,594	36,085
Low Check Kian	–	–	1,932,805	1,905,907

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 25/12/15	At 26/12/14	At 25/12/15	At 26/12/14
Singapore Airlines Limited				
<i>Ordinary shares</i>				
Tan Puay Chiang	10,000	10,000	–	–
Jeanette Wong Kai Yuan	–	–	6,600	6,600
Low Check Kian	5,600	5,600	–	–
Alvin Yeo Khirn Hai	–	–	2,800	2,800
Singapore Technologies Engineering Ltd				
<i>Ordinary shares</i>				
Kwa Chong Seng	571,600	521,700	–	–
Tan Puay Chiang	120,000	120,000	–	–
Jeanette Wong Kai Yuan	–	–	10,000	10,000
Quek See Tiat	14,300	4,600	–	–
Singapore Technologies Telemedia Pte Ltd				
<i>S\$250,000,000 4.05% Bonds due on 02/12/2025</i>				
Tan Puay Chiang	S\$250,000	–	–	–
Singapore Telecommunications Limited				
<i>Ordinary shares</i>				
Kwa Chong Seng	26,466	26,466	–	–
Ng Yat Chung	–	–	7,000	7,000
Tan Puay Chiang	133,190	133,190	380	380
Jeanette Wong Kai Yuan	17,821	17,821	–	–
Low Check Kian	1,490	1,490	–	–
Quek See Tiat	–	–	680	680
Alvin Yeo Khirn Hai	–	–	190	190
StarHub Ltd.				
<i>Ordinary shares</i>				
Quek See Tiat	–	–	5,000	5,000
STATS ChipPAC Ltd.				
<i>Ordinary shares</i>				
Tan Puay Chiang	–	10,000	–	–
Tiger Airways Holdings Limited				
<i>Ordinary shares</i>				
Low Check Kian	–	4,500,000	–	–
<i>Perpetual Convertible Capital Securities</i>				
Low Check Kian	937,500	937,500	–	–

The Directors' interests in the share capital of the related corporations as at 15 January 2016 were the same as that as at 25 December 2015.

The related corporations are related to the Company by virtue of a common ultimate holding company, Temasek Holdings (Private) Limited.

AUDIT COMMITTEE

At the date of this statement, the Audit Committee (“**AC**”) consists of four non-executive directors, all of whom are independent. Chaired by Mr Quek See Tiat (since 18 April 2013), the other three members of the Committee are Mr Tan Puay Chiang, Ms Jeanette Wong Kai Yuan and Mr Alvin Yeo Khirn Hai (appointed on 15 April 2015).

The AC is authorised by the Board of Directors (the “**Board**”) to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal auditors and external auditing firm, and to the Management and staff. It has full discretion to invite any director or executive officer to attend its meetings. It is also authorised by the Board to obtain external legal or other independent professional advice as necessary and at the expense of the Company.

The AC’s duties include:

- (a) reviewing with the external auditing firm the audit plan, the scope of the audits, the evaluation of the internal accounting controls, the audit reports and any matters which the external auditing firm wishes to discuss (in the absence of Management, where necessary);
- (b) reviewing the effectiveness and the independence and objectivity of the external auditing firm. Where the external auditing firm also provides non-audit services to the Group, the AC keeps the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (c) reviewing with the internal auditors the internal audit plan, the scope and the results of internal audit procedures, the adequacy and effectiveness of the internal control systems, including financial, operational, compliance and information technology controls;
- (d) reviewing the effectiveness of the Group’s internal audit function;
- (e) reviewing the assistance given by the Group’s officers to the external auditing firm;
- (f) reviewing with the auditors the relevance and appropriateness of the Group’s accounting policies and significant financial reporting issues and judgments, to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group’s financial performance. This includes reviewing the Group’s quarterly and year-end financial statements prior to submission to the Board and/or release to the SGX-ST;
- (g) reviewing arrangements (including procedures for the receipt, retention and treatment of feedback from employees and external parties) whereby concerns about possible improprieties in matters of financial reporting or other matters relating to the Group may be raised in confidence. The AC ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. This includes discussing with the internal auditors and the external auditors and/or reporting to the Board if there is any suspected fraud or irregularity, or suspected infringement of laws or regulations which has or is likely to have a material impact on the Group’s operating results or financial position;
- (h) making recommendations to the Board on the appointment, re-appointment and removal of the external auditing firm, and approving the remuneration and terms of engagement of the external auditing firm;
- (i) meeting with the external auditing firm, and with the internal auditors, without the presence of the Management, at least once annually;
- (j) monitoring the review procedures of Interested Person Transactions and conflict of interest situations that may arise within the Group, including any transaction, procedure or course of action that raises questions on Management’s integrity. The AC is also required to ensure that the directors report such transactions quarterly via SGX-ST quarterly announcements and annually to shareholders via the Annual Report;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

AUDIT COMMITTEE *(continued)*

- (k) liaising and co-ordinating with the Enterprise Risk Management Committee ("**ERM**C") on significant risks of the Group, including the adequacy and effectiveness of the risk management processes and systems;
- (l) keeping abreast with changes to accounting standards and issues which have a direct impact on financial statements; and
- (m) undertaking any other functions agreed by the AC and the Board. This includes an annual review of the AC's terms of reference to ensure that they remain relevant and are updated regularly to align with any regulatory requirements and/or changes from time to time.

In carrying out its duties, the AC is guided by the practical guidance and recommendations of best practices for audit committees of Singapore-listed companies, as set out in the revised Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee on 19 August 2014.

The AC conducts an annual review of the independence and objectivity of Ernst & Young LLP, the Group's external auditing firm. For FY2015, the AC undertook a review of the non-audit services provided by Ernst & Young LLP to assess whether the nature and extent of those services might prejudice the independence and objectivity of the external auditing firm. The AC was satisfied that such services did not affect the independence of the external auditing firm. The AC also reviewed the cost-effectiveness of the audit conducted by the external auditing firm.

The AC has recommended the appointment of PricewaterhouseCoopers LLP as auditor of the Company in place of the retiring auditor, Ernst & Young LLP, at the Company's Annual General Meeting in April 2016. In recommending the appointment of PricewaterhouseCoopers LLP as the external auditing firm for the Company for FY2016, the Company has complied with Rule 712 of the SGX-ST Listing Manual which provides for the appointment of auditors.

AUDITORS

The retiring auditor, Ernst & Young LLP, will not be seeking re-appointment. PricewaterhouseCoopers LLP have expressed their willingness to accept appointment.

On behalf of the Directors



Kwa Chong Seng
Director



Ng Yat Chung
Director

Singapore,
3 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEPTUNE ORIENT LINES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Neptune Orient Lines Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 56 to 172, which comprise the statements of financial position of the Group and the Company as at 25 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

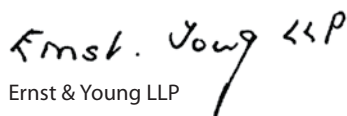
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 25 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Reporting Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.


Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
3 March 2016

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	Note	Group	
		2015 US\$'000	2014 US\$'000
Continuing operations			
Revenue	4	5,382,596	7,025,575
Cost of sales	5	(5,029,914)	(6,723,377)
Gross profit		352,682	302,198
Other gains (net)			
- Miscellaneous	4	31,376	12,970
- Finance and investment income	4	6,653	5,183
Expenses			
- Administrative: IT	5	(80,100)	(78,390)
- Administrative: non-IT	5	(344,551)	(397,556)
- Finance	6	(125,503)	(138,954)
- Other operating	5	(55,834)	(60,070)
Share of results of associated companies	16	(5,055)	1,559
Share of results of joint ventures	17	2,632	1,798
Loss before tax from continuing operations		(217,700)	(351,262)
Tax expense	8	(1,170)	(20,502)
Loss from continuing operations, net of tax		(218,870)	(371,764)
Discontinued operations			
Profit from discontinued operations, net of tax	14(a)	929,946	120,267
Net profit/(loss) for the financial year		711,076	(251,497)
Net profit/(loss) attributable to:			
Equity holders of the Company			
- From continuing operations		(220,439)	(374,353)
- From discontinued operations		927,642	114,512
		707,203	(259,841)
Non-controlling interest			
- From continuing operations		1,569	2,589
- From discontinued operations		2,304	5,755
		3,873	8,344
		711,076	(251,497)

	Note	Group	
		2015 US cts	2014 US cts
Earnings/(Loss) per share			
Basic			
- From continuing operations	9	(8.50)	(14.47)
- From discontinued operations	9	35.77	4.42
Diluted			
- From continuing operations	9	(8.50)	(14.47)
- From discontinued operations	9	35.77	4.42

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	Note	Group	
		2015 US\$'000	2014 US\$'000
Net profit/(loss) for the financial year		711,076	(251,497)
Other comprehensive income:			
Continuing operations			
Items that will not be reclassified to profit or loss:			
Re-measurement of net defined benefit obligations	32	1,792	(15,637)
Tax on pension re-measurement	8	421	9,772
		2,213	(5,865)
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedges		(55,424)	(79,617)
Fair value loss on cash flow hedges transferred to the income statement		78,671	32,209
Fair value gain on available-for-sale financial asset transferred to the income statement		-	(28)
Share of other comprehensive income of associated company	16	785	(4,579)
Currency translation differences		(10,341)	(10,645)
Reclassification of foreign currency translation reserve on liquidation of subsidiary	15	1,959	-
Tax on fair value gain and loss	8	-	13
		15,650	(62,647)
Discontinued operations			
Items that will not be reclassified to profit or loss:			
Re-measurement of net defined benefit obligations	32	(116)	262
Tax on pension re-measurement	8	-	(716)
		(116)	(454)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on cash flow hedges		(141)	479
Fair value gain on cash flow hedges transferred to the income statement		(349)	(108)
Reclassification of hedging reserve on disposal of subsidiaries	14	119	-
Fair value gain/(loss) on available-for-sale financial assets	12	36	(52)
Reclassification of fair value reserve on disposal of subsidiaries	14	8	-
Currency translation differences		(513)	(3,282)
Reclassification of foreign currency translation reserve on disposal of subsidiaries	14	(1,614)	-
		(2,454)	(2,963)
Other comprehensive income for the financial year, net of tax		15,293	(71,929)
Total comprehensive income for the financial year		726,369	(323,426)
Total comprehensive income attributable to:			
Equity holders of the Company			
- From continuing operations		(202,488)	(442,835)
- From discontinued operations		925,235	111,160
		722,747	(331,675)
Non-controlling interest			
- From continuing operations		1,481	2,559
- From discontinued operations		2,141	5,690
		3,622	8,249
		726,369	(323,426)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 25 DECEMBER 2015

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
ASSETS					
Current Assets					
Cash and cash equivalents	10	229,907	1,225,771	46,433	873,859
Trade and other receivables ¹⁴	11	520,458	1,080,359	4,415,043	3,560,275
Available-for-sale financial assets	12	–	24,516	–	–
Inventories at cost		91,720	175,244	–	–
Derivative financial instruments	13	435	726	–	–
Assets of group companies classified as held-for-sale	14	41,073	–	–	–
Other current assets	11	81,606	103,206	4,664	4,377
Total current assets		965,199	2,609,822	4,466,140	4,438,511
Non-current Assets					
Investments in subsidiaries	15	–	–	775,212	1,050,564
Investments in associated companies	16	107,462	160,835	–	–
Investments in joint ventures	17	21,970	21,220	–	–
Property, plant and equipment	18	5,590,142	6,012,433	8,870	9,852
Deferred charges	19	3,509	5,387	3,509	5,387
Intangible assets	20	12,277	31,100	2,172	2,324
Land use rights	21	–	817	–	–
Goodwill arising on consolidation	22	121,036	158,068	–	–
Deferred tax assets	8	39,773	42,575	–	–
Other non-current assets	23	47,368	57,367	125,256	57
Total non-current assets		5,943,537	6,489,802	915,019	1,068,184
Total Assets		6,908,736	9,099,624	5,381,159	5,506,695
LIABILITIES					
Current Liabilities					
Trade and other payables	25	854,661	1,178,233	100,410	107,364
Current tax liabilities		78,509	132,448	2,794	2,722
Borrowings	26	572,551	615,095	350,000	300,000
Provisions	27	29,983	40,378	605	1,881
Deferred income	28	205	5,156	–	–
Derivative financial instruments	13	11,034	30,363	–	2,299
Liabilities of group companies classified as held-for-sale	14	15,988	–	–	–
Other current liabilities ¹⁵	25	140,532	226,949	–	–
Total current liabilities		1,703,463	2,228,622	453,809	414,266
Non-current Liabilities					
Borrowings	26	2,309,811	4,676,308	960,421	2,024,509
Provisions	27	147,838	191,654	–	–
Deferred income	28	581	1,566	–	–
Deferred tax liabilities	8	2,717	6,431	686	628
Derivative financial instruments	13	233,267	160,357	150,397	101,256
Other non-current liabilities	29	18,503	26,809	–	–
Total non-current liabilities		2,712,717	5,063,125	1,111,504	2,126,393
Total Liabilities		4,416,180	7,291,747	1,565,313	2,540,659
Net Assets		2,492,556	1,807,877	3,815,846	2,966,036

¹⁴ Trade receivables include the full freight revenue for voyages, which corresponds to the contractual rights stipulated in the standard Bill of Lading and is inclusive of the freight charges collectable at destination for Free on Board shipments.

¹⁵ Other current liabilities relate mainly to deferred revenue arising from the percentage-of-completion method for revenue recognition.

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

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
EQUITY					
Share capital	31	1,840,260	1,834,341	1,840,260	1,834,341
Treasury shares	31	(5,216)	(5,216)	(5,216)	(5,216)
		1,835,044	1,829,125	1,835,044	1,829,125
Shares held by employee benefit trust	31	(4,326)	(5,719)	-	-
Treasury shares reserve		(1,195)	(1,195)	(1,195)	(1,195)
Foreign currency translation reserve		(35,611)	(25,357)	-	-
Retained earnings		741,348	28,756	1,956,477	1,120,724
Share-based compensation reserve		44,424	44,582	44,424	44,582
Hedging reserve		(36,894)	(60,555)	(18,904)	(27,200)
Fair value reserve		-	(26)	-	-
Pension re-measurement reserve		(64,561)	(67,484)	-	-
Statutory reserve		1,785	6,085	-	-
Other reserve		(5,672)	1,901	-	-
Capital and reserves attributable to equity holders of the Company		2,474,342	1,750,113	3,815,846	2,966,036
Non-controlling interest		18,214	57,764	-	-
Total Equity		2,492,556	1,807,877	3,815,846	2,966,036
Net current (liabilities)/assets		(738,264)	381,200	4,012,331	4,024,245

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

Group

	Note	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000	Treasury shares reserve US\$'000	Foreign currency translation reserve US\$'000
2015						
Balance as at 27 December 2014		1,834,341	(5,216)	(5,719)	(1,195)	(25,357)
Dividends to non-controlling interest		-	-	-	-	-
Employee equity compensation schemes:						
- value of employee services		-	-	-	-	-
- new shares issued	31	5,919	-	-	-	-
Sale of shares by employee benefit trust	31	-	-	1,393	-	-
Disposal of subsidiaries	14, 15	-	-	-	-	-
Acquisition of non-controlling interest without a change in control	15	-	-	-	-	-
Capital contribution by non-controlling interest	15	-	-	-	-	-
Return of capital contribution to non-controlling interest		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	-	(10,254)
Balance as at 25 December 2015		1,840,260	(5,216)	(4,326)	(1,195)	(35,611)
2014						
Balance as at 28 December 2013		1,830,222	(5,216)	(6,146)	(1,195)	(11,990)
Dividends to non-controlling interest		-	-	-	-	-
Employee equity compensation schemes:						
- value of employee services		-	-	-	-	-
- new shares issued	31	4,119	-	-	-	-
Sale of shares by employee benefit trust	31	-	-	427	-	-
Total comprehensive income for the financial year		-	-	-	-	(13,367)
Share of statutory reserves of associated company and joint venture		-	-	-	-	-
Transfer from retained earnings to statutory reserves		-	-	-	-	-
Balance as at 26 December 2014		1,834,341	(5,216)	(5,719)	(1,195)	(25,357)

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

Capital and reserves attributable to equity holders of the Company

Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Pension re-measurement reserve US\$'000	Statutory reserve US\$'000	Other reserve US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
28,756	44,582	(60,555)	(26)	(67,484)	6,085	1,901	1,750,113	57,764	1,807,877
-	-	-	-	-	-	-	-	(12,202)	(12,202)
-	5,561	-	-	-	-	-	5,561	-	5,561
-	(5,719)	-	-	-	-	-	200	-	200
-	-	-	-	-	-	-	1,393	-	1,393
5,389	-	-	-	812	(4,300)	(1,901)	-	(30,734)	(30,734)
-	-	-	-	-	-	(5,672)	(5,672)	(4,313)	(9,985)
-	-	-	-	-	-	-	-	4,324	4,324
-	-	-	-	-	-	-	-	(247)	(247)
707,203	-	23,661	26	2,111	-	-	722,747	3,622	726,369
741,348	44,424	(36,894)	-	(64,561)	1,785	(5,672)	2,474,342	18,214	2,492,556
288,733	44,388	(8,952)	28	(60,674)	6,004	1,901	2,077,103	53,708	2,130,811
-	-	-	-	-	-	-	-	(4,193)	(4,193)
-	4,313	-	-	-	-	-	4,313	-	4,313
-	(4,119)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	427	-	427
(259,841)	-	(51,603)	(54)	(6,810)	-	-	(331,675)	8,249	(323,426)
-	-	-	-	-	(55)	-	(55)	-	(55)
(136)	-	-	-	-	136	-	-	-	-
28,756	44,582	(60,555)	(26)	(67,484)	6,085	1,901	1,750,113	57,764	1,807,877

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

Company

	Note	Share capital US\$'000	Treasury shares US\$'000	Treasury shares reserve US\$'000	Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Total equity US\$'000
2015								
Balance as at 27 December 2014		1,834,341	(5,216)	(1,195)	1,120,724	44,582	(27,200)	2,966,036
Employee equity compensation schemes:								
- value of employee services		-	-	-	-	5,561	-	5,561
- new shares issued	31	5,919	-	-	-	(5,719)	-	200
Total comprehensive income for the financial year		-	-	-	835,753	-	8,296	844,049
Balance as at 25 December 2015		1,840,260	(5,216)	(1,195)	1,956,477	44,424	(18,904)	3,815,846
2014								
Balance as at 28 December 2013		1,830,222	(5,216)	(1,195)	1,168,368	44,388	(11,151)	3,025,416
Employee equity compensation schemes:								
- value of employee services		-	-	-	-	4,313	-	4,313
- new shares issued	31	4,119	-	-	-	(4,119)	-	-
Total comprehensive income for the financial year		-	-	-	(47,644)	-	(16,049)	(63,693)
Balance as at 26 December 2014		1,834,341	(5,216)	(1,195)	1,120,724	44,582	(27,200)	2,966,036

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	Group	
	2015 US\$'000	2014 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(217,700)	(351,262)
Profit before tax from discontinued operations (Note 14)	933,093	134,386
Adjustments for:		
Depreciation and amortisation	383,454	392,504
Fair value (gain)/loss on financial instruments	(7,262)	7,031
Deferred charge expense	1,927	2,424
Interest expense	120,010	125,926
Interest income	(5,452)	(5,604)
Share-based compensation costs	4,193	4,313
Net write-off of inventories	34	414
Fair value loss/(gain) on shares held by employee benefit trust	1,555	(1,178)
Net (profit)/loss on disposal of property, plant and equipment	(6,809)	6,305
Net profit on disposal of assets classified as held-for-sale	–	(2,737)
Net profit on disposal of subsidiaries	(892,479)	–
Net profit on disposal of other assets	(1,843)	(283)
Net profit on disposal of joint venture	–	(1,147)
Fair value gain on interest retained in a former subsidiary	(974)	–
Dividend income from other investment	(1,564)	(670)
Net provision for impairment of assets	–	4,472
Net provision for liabilities	10,828	41,486
Share of results of associated companies	3,531	(9,700)
Share of results of joint ventures	(2,632)	(2,073)
Unrealised currency translation loss/(gain)	2,190	(8,706)
Operating cash flow before working capital changes	324,100	335,901
Changes in operating assets and liabilities		
Receivables and other assets	245,808	811
Inventories	83,277	78,574
Payables	(176,968)	(125,058)
Provisions	(48,059)	(42,079)
Cash generated from operations	428,158	248,149
Interest paid	(126,690)	(117,262)
Interest received	10,447	6,692
Net taxes paid	(35,041)	(68,829)
Net cash inflow from operating activities	276,874	68,750

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	Group	
	2015 US\$'000	2014 US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional interest in a subsidiary, net of cash acquired (Note 15)	(9,985)	–
Acquisition of business (Note 15)	–	(5,651)
Investment in associated companies	(11,923)	(18,692)
Proceeds from loans receivables	5	208
Loan to an associated company	(4,127)	–
Proceeds from disposal of joint venture, net of cash disposed of	–	2,500
Dividends received from associated companies	–	1,365
Dividends received from joint venture	762	721
Dividends received from other investment	1,564	670
Purchase of property, plant and equipment	(110,465)	(350,304)
Purchase of available-for-sale financial assets	(7,372)	(24,885)
Purchase of intangible assets	(2,062)	(3,717)
Proceeds from disposal of subsidiaries, net of cash disposed of (Note 14 and 15)	1,119,747	–
Proceeds from disposal of assets classified as held-for-sale	–	15,034
Proceeds from disposal of property, plant and equipment	38,414	42,558
Proceeds from disposal of other assets	10,884	23,404
Net cash inflow/(outflow) from investing activities	1,025,442	(316,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	999,643	4,639,269
Net cash inflow/(outflow) contributed by employee benefit trust	60	(157)
Dividends paid to non-controlling interest	(10,263)	(4,193)
Return of capital contribution to non-controlling interest	(247)	–
Proceeds from issue of new ordinary shares	200	–
Repayment of borrowings	(3,285,110)	(4,140,056)
Payment of costs incurred in connection with long-term financing	(49)	(2,046)
Net cash (outflow)/inflow from financing activities	(2,295,766)	492,817
Net (Decrease)/Increase in Cash and Cash Equivalents	(993,450)	244,778
Cash and Cash Equivalents at Beginning of Financial Year (Note 10)	1,225,771	980,993
Cash and Cash Equivalents at End of Financial Year	232,321	1,225,771
Cash and Cash Equivalents from continuing operations (Note 10)	229,907	1,225,771
Cash and Cash Equivalents classified as held-for-sale (Note 14)	2,414	–
Cash and Cash Equivalents at End of Financial Year	232,321	1,225,771

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is as follows:

9 North Buona Vista Drive, #14-01, The Metropolis, Singapore 138588.

The principal activities of the Company are those of investment holding and the ownership and charter of vessels, as well as participation in ventures related to these activities and the principal activities of its subsidiaries.

The principal activities of the subsidiaries are:

- i) investment holding and the ownership and charter of vessels and other related assets;
- ii) the provision of transportation services for containerised cargo in the global markets, including but not limited to port to port, intermodal and origin/destination services;
- iii) the provision of supply chain management, warehousing, distribution and customer logistics solutions (by way of a global network of services spanning ocean, air and overland operations) to customers; and
- iv) the provision of other related and complementary services including ship management.

The Group also engages in other incidental activities such as the disposals of vessels, containers and related assets as well as non-core properties and assets from time to time.

Except for the disposal of the Logistics business (Note 14), there has been no significant changes in the nature of these activities during the financial year.

The financial year of 2015 started on 27 December 2014 and ended on 25 December 2015 (2014: 28 December 2013 to 26 December 2014) as the Group and the Company adopted the last Friday of every calendar year to be their accounting year-end date.

The Company's ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

As at 25 December 2015, the Group's current liabilities exceeded its current assets by US\$738.3 million (2014: current assets exceeded current liabilities by US\$381.2 million). As at 25 December 2015, the Group had sufficient undrawn financing facilities committed from large reputable financial institutions to meet its commitments as well as to repay any debts as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment or complexity, are disclosed in Note 3.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year except for the adoption of new interpretations and amendments to published standards discussed as follows:

Interpretations and amendments to published standards effective in 2015

On 27 December 2014, the Group and the Company adopted the new or revised FRS, which are effective for the Group's financial year beginning 27 December 2014.

The following are the FRS that are relevant to the Group and the Company:

Amendments to FRS 102	Share Based Payments
Amendments to FRS 108	Operating Segments

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the financial position and results of the Group and the Company.

2.2 Revenue recognition

Revenue for the Group is earned from the provision of the Group's services after eliminating sales within the Group, and is recognised at the fair value of consideration received or receivable for the rendering of services, net of discount and value-added tax.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group's activities are met as follows:

- (a) Rendering of service – Liner services
Revenue from liner services is recognised on an accrual basis, using the percentage-of-completion method, which is based on the proportion of transit time completed at financial year end date for each bill of lading.
- (b) Rendering of service – Logistics services
The majority of revenue from logistics services is derived from the storage, handling and transportation of customer products. Such revenue is recognised when the services are provided. For shipments in transit, revenue is recognised on an accrual basis, using the percentage-of-completion method. Recognition of handling revenue is deferred until completion of the handling activity. Revenue is also recognised from fees earned upon the performance of certain logistics outsourcing activities, such as freight forwarding and customs clearance services. In this capacity, Logistics business unit acts, in substance, as an agent or broker on behalf of its customers.
- (c) Dividend income
Dividend income is recognised when the right to receive payment is established.

- (d) Rental income
Rental income from operating leases of owned and leased assets is recognised on a straight-line basis over the lease term.
- (e) Interest income
Interest income is recognised on a time-proportion basis, using the effective interest method.

2.3 Group accounting

- (a) Subsidiaries

- (i) *Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

A list of the Group's significant subsidiaries is shown in Note 41.

- (ii) *Acquisition of businesses*

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

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Group accounting *(continued)*

(a) Subsidiaries *(continued)*

(ii) Acquisition of businesses (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to Note 2.7 for the subsequent accounting policy on goodwill.

(iii) Disposals of subsidiaries or businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.10 for the accounting policy of the Company in respect of investments in subsidiaries.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between and including 20% and 50% of the voting rights.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment.

The consideration transferred for the acquisition of an associate comprises the fair value of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the associate.

Acquisition-related costs are capitalised as incurred.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company

or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associated companies or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated companies or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies or joint ventures and its carrying value and recognises the amount in profit or loss.

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

The most recently available audited financial statements of the associated companies and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are non-coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting year. Where necessary, adjustments are made to align the accounting policies with those of the Group.

There are no significant associated companies or joint ventures in the Group.

Please refer to Note 2.10 for the accounting policy of the Company in respect of investments in associated companies and joint ventures.

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.13). The cost of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs incurred for the assets under construction. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Property, plant and equipment *(continued)*

(b) Depreciation

No depreciation is provided on freehold land. Depreciation on freehold buildings and leasehold land and buildings is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives or their lease terms, if shorter. The estimated useful lives are as follows:

Freehold buildings	20 – 32 years
Leasehold land and buildings	1 – 30 years

No depreciation is provided on assets under construction.

Depreciation on vessels in operation is calculated to reduce the cost of such assets to their estimated scrap value. The depreciable amount is allocated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vessels	17 – 25 years
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Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives. The estimated useful lives are as follows:

Plant & machinery and operating equipment	5 – 20 years
Computers and software	2 – 10 years
Motor vehicles, office equipment, furniture, fixtures and fittings	2 – 10 years

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are recognised prospectively in the income statement.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance, will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement within "other gains (net) - miscellaneous".

2.5 Borrowing costs

Borrowing costs are recognised on a time-proportion basis using the effective interest method. Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. All other borrowings costs are expensed in the period they occur.

2.6 Deferred charges

Deferred charges relate to costs incurred in connection with long-term financing facilities which are deferred and amortised on a straight-line basis over the tenure of the financing facilities.

2.7 Goodwill

Goodwill on acquisition of subsidiaries and business on or after 26 December 2009 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries and business prior to 26 December 2009 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as goodwill arising on consolidation and carried at cost less accumulated impairment losses (Note 2.13).

Gains and losses on the disposal of subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

2.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.13).

(a) System technology and software

Where system technology and software is not an integral part of the related hardware, it is treated as an intangible asset. Computer software that is an integral part of the related hardware is treated as part of the hardware and classified as property, plant and equipment (Note 2.4).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Software costs which are assessed as having no continuing economic value are written off to the income statement.

(b) Terminal berthing rights

This represents amounts paid to obtain absolute berthing priority rights for a contractual period of 20 years at one of the terminal facilities.

(c) Licence fee

This represents amounts paid to obtain the rights to operate railway container and automobile freight train transportation services in a country that two subsidiaries of the Company operate in. The validity period of the licences is 20 years.

(d) Customer relationships

This represents the long-term relationships two subsidiaries of the Company have with their key customers, which averages 15 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(e) Non-compete agreement

This represents an agreement whereby the sellers, whom a subsidiary of the Company acquired a trucking and brokerage business from, agree not to compete with the subsidiary in the business. The duration for the agreement is 3.5 years.

Intangible assets are amortised using the straight-line method over their estimated useful lives, which are as follows:

System technology and software	3 – 5 years
Terminal berthing rights	20 years
Licence fee	20 years
Customer relationships	15 years
Non-compete agreement	3.5 years

The amortisation period and amortisation method of intangible assets, other than goodwill, are reviewed at each financial year end. The effects of any revision of the amortisation period or amortisation method are recognised prospectively in the income statement.

2.9 Land use rights

This represents an amount paid to obtain the rights to use the land in a country that a subsidiary operates in.

Land use rights are initially measured at cost, and subsequently carried at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 39 years.

2.10 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses (Note 2.13) in the Company's statement of financial position.

On disposal of investments in subsidiaries, associated companies and joint ventures, the difference between net disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2.11 Assets classified as held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of these financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those maturing later than 12 months after the financial year end which are classified as non-current assets.

The Group classifies the following financial assets as loans and receivables:

- Cash and cash equivalents
- Trade and other receivables
- Loans receivable
- Deposits
- Insurance recoverables

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the financial year end.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have ended or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the consideration received and the carrying amount is recognised in the income statement. Any cumulative amount in the fair value reserve relating to that asset is transferred to the income statement.

(c) Initial measurement

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

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into foreign exchange differences on the amortised cost of the securities and the other changes; the foreign exchange differences are recognised in profit or loss and the other changes are recognised in the other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve within equity, together with the related foreign exchange differences.

(e) Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

(e) Impairment *(continued)*

(i) *Loans and receivables*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as significant financial difficulties or probability of insolvency of the debtor, default or significant delay in payments, historical write-off statistics and potential credit risks.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the allowance for impairment is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior years. The amount of reversal is recognised in the income statement.

(ii) *Available-for-sale financial assets*

Significant or prolonged declines in the fair value of the quoted equity and debt security below its cost and the disappearance of an active trading market for the quoted equity and debt security are objective evidence that the quoted and debt equity security is impaired.

When objective evidence of impairment exists, the fair value declines on available-for-sale financial assets that were recognised in the fair value reserve within equity are transferred to the income statement. The amount transferred is measured as the difference between acquisition cost and the current fair value, less any impairment loss previously recognised as an expense. Impairment loss on equity security is recognised in the income statement and any reversal of impairment loss in a subsequent period is recorded in the fair value reserve within equity. Impairment loss on debt security and any reversal of impairment loss in a subsequent period are recognised in the income statement.

2.13 Impairment of non-financial assets

(a) Goodwill arising on consolidation

Goodwill arising on consolidation is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill arising on consolidation, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised in the income statement when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is recognised in the income statement and shall not be reversed in a subsequent period.

- (b) Intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment, and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to the income statement over the period of the borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank.

2.15 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowings

Borrowings which are due to be settled within twelve months after the financial year end are presented as current borrowings in the statement of financial position. Other borrowings due to be settled more than twelve months after the financial year end are presented as non-current borrowings in the statement of financial position. The presentation of current and non-current borrowings takes into consideration the expected timing of repayments as well as the contractual final maturity dates of the borrowings.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.17 Accounting for leases

(a) When a Group entity is the lessee:

The Group leases certain property, plant and equipment from third parties.

(i) *Finance leases*

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

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

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

The property, plant and equipment acquired under finance leases are depreciated over the useful lives of the assets in accordance with the Group's depreciation policy.

(ii) *Operating leases*

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Rental expenses incurred for certain operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the leases. The difference between the actual lease payment and the amount taken to the income statement is capitalised as deferred lease payables.

Contingent rent is the portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time, for example, market interest rates. Contingent rent is recognised as an expense in the income statement when incurred.

Profits on sale and leaseback transactions which constitute operating leases are recognised immediately in the income statement when such sale and leaseback transactions are established at fair value. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(b) When a Group entity is the lessor:

The Group leases certain assets under operating leases to third parties.

Assets owned by the Group that are leased out under operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and accumulated impairment losses. Rental expenses of leased-in assets which are subsequently leased out to third parties are recognised in the income statement on a straight-line basis over the period of the lease.

Rental income (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term. The difference between the actual lease receipt and the amount taken to the income statement is capitalised as deferred lease receivables.

Contingent rent is the portion of the lease receipts that is not fixed in amount but is based on a factor other than just the passage of time, for example, market interest rates. Contingent rent is recognised as income in the income statement when earned.

2.18 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is derived on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Taxes

Current taxes for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the financial year end.

No provision is made for taxation on qualifying shipping income derived from the operation of the Group's vessels which is exempt from taxation under Section 13A of the Singapore Income Tax Act and the Singapore's Maritime Sector Incentive Approved International Shipping Enterprise Scheme. In the United States of America ("US") in which the Group operates, income arising from liner activities are subject to a tonnage-based tax system under which the computation of tax is based on the tonnages of the qualifying vessel fleet.

A concessionary tax rate is applied to certain qualifying shipping logistics income under the Marine Sector Incentive – Shipping Support Services (or "MSI-SSS"). The incentive also covers income from network companies for corporate management services provided.

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

- where the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;
- in respect of temporary differences associated with investments in subsidiaries, associated companies and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- in respect of deductible temporary differences and carry-forward of unutilised tax credits and unutilised tax losses, if it is not probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unutilised tax credits and unutilised tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxes (continued)

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

Deferred tax assets and liabilities are measured:

- (a) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the financial year end; and
- (b) based on the tax consequence that would follow from the manner in which the Group expects, at the financial year end, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from fair value gain and loss on available-for-sale financial assets and cash flow hedges that are recognised directly in equity are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

2.20 Provisions

Provisions are recognised when the Group has a 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 a reliable estimate of the amount can be made. If it is no longer probable that an outflow of economic resource will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The details and methodology for estimating the amount of provision required are set out in Note 27.

2.21 Employee benefits

- (a) Employee leave entitlement
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial year end.
- (b) Post-employment benefit plans
The Group operates both defined benefit and defined contribution post-employment benefit plans.
 - (i) *Defined benefit plans*
The Group has defined benefit plans which generally call for benefits to be paid to eligible employees of certain subsidiaries at retirement, based on either the "cash balance" credited to each employee's account, or years of credited service and pensionable compensation. Participants entitled to a "cash balance" will receive past accruals credited to their account, but are no longer receiving additional annual accruals. The Group's general policy is to fund pension costs at no less than the statutory requirement.

In addition, certain subsidiaries in the Group contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These contributions are determined in accordance with the provisions of negotiated labour contracts.

For defined benefit plans, pension costs are assessed using the projected unit credit method: Net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligations (measured as the present value of the estimated future cash outflows using interest rates of corporate securities which have terms to maturity approximating the terms of the related liability) reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan. When pension obligations exceed plan assets, the balance is classified as non-current liability. When plan assets exceed pension obligations, the balance is classified as non-current asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Current service costs, net interest costs, past service costs and gains or losses on non-routine settlements are recognised in profit or loss.

(ii) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities. The Group has no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior financial years.

The Group pays contributions to publicly and privately administered post-employment benefit plans on a mandatory, contracted or voluntary basis. The contributions are recognised as employee benefit expense in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(c) Share-based compensation

(i) *Employee Share Option Plan*

Share options under the NOL Share Option Plan ("NOL SOP") were granted to Directors and employees of the Group. The grant of NOL SOP to non-executive directors had ceased with effect from the financial year ended 28 December 2007. The exercise price of the options was determined based on the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees took into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options will vest after a specified number of years from the grant date. The NOL SOP was terminated following the adoption of the NOL Restricted Share Plan 2010 ("NOL RSP 2010") by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 30 August 2010.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the share options at the date of the grant and the number of share options expected to become exercisable by vesting date. Non-market vesting conditions are included in the estimation of the number of options that are expected to become exercisable on vesting date. At every financial year end, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Employee benefits *(continued)*

(c) Share-based compensation *(continued)*

(i) *Employee Share Option Plan (continued)*

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share-based compensation reserve is credited to share capital when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL SOP, the cost of the treasury shares is reversed from the treasury shares account against the proceeds received (net of any directly attributable transaction costs) and the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL SOP are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

(ii) *Restricted Share Plan*

Awards of restricted shares to Directors and employees of the Group under the NOL RSP 2010 take into consideration the Group's financial performance, and the employee's job level, job performance, length of service (pro-rated for employees without full year of service) and contribution to the success and development of the Group. The above criteria will not apply to non-executive directors as such awards, if given, will form part of the directors' remuneration in lieu of cash. Pursuant to the terms of the NOL RSP 2010, the restricted shares will, except in certain special circumstances as approved by the Executive Resource & Compensation Committee ("ERCC"), vest after a specified number of years from the award date.

The fair value of the services from employees received in exchange for the award of the shares under the NOL RSP 2010 is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the shares awarded under the NOL RSP 2010 at the date of the award and the number of shares expected to be vested by vesting date. Non-market vesting conditions are included in the estimation of the number of shares awarded under the NOL RSP 2010 that are expected to vest on vesting date. At every financial year end, the Group revises its estimates of the number of shares awarded under the NOL RSP 2010 that are expected to vest on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

When shares awarded under the NOL RSP 2010 are vested, the balance previously recognised in the share-based compensation reserve is credited to the share capital account when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL RSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL RSP 2010 are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase in the total fair value of the RSP awards due to the modification, as measured at the date of the modification.

(iii) *Performance Share Plan*

Performance shares under the NOL Performance Share Plan 2004 ("NOL PSP 2004") were awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP 2004, performance shares would vest after a specified number of years from the end of the performance period. The NOL PSP 2004 was terminated following the adoption of the NOL Performance Share Plan 2010 ("NOL PSP 2010") by the shareholders of the Company at an EGM held on 30 August 2010.

Awards of performance shares to key executives under the NOL PSP 2010 take into account the employee's individual performance, job level and length of service (pro-rated for employees without full year of service). The performance shares will only vest over a specified number of years conditional upon the Group attaining certain performance conditions in future years.

The fair value of the employee services received in exchange for the award of the performance shares under both the NOL PSP 2004 and NOL PSP 2010 is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the performance shares at the date of the award and the number of performance shares expected to be vested by vesting date. Non-market vesting conditions are included in the estimation of the number of performance shares that are expected to vest on vesting date. At every financial year end, the Group revises its estimates of the number of performance shares that are expected to vest on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

When the performance shares are vested, the balance previously recognised in the share-based compensation reserve is credited to the share capital account when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL PSP 2004 and NOL PSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL PSP 2004 and NOL PSP 2010 are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase in the total fair value of the performance shares due to the modification, as measured at the date of the modification.

(iv) *Staff Share Ownership Scheme*

The Group offers the Staff Share Ownership Scheme to all eligible Singapore employees. Certain companies in the Group will make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees, up to a maximum of S\$250 per month for each employee. All contributions collected will be credited to an employee benefit trust fund which will be used to buy the shares of the Company and for issuance of units to the employees. Cash is paid to employees when they exercise the right to redeem the units or upon full withdrawal from the scheme, which may occur whilst in employment or on their last day of service with the Group. The redemption of units or withdrawal from the scheme is subject to the terms and conditions under the Staff Share Ownership Scheme. The value of the units to be redeemed is based on the weighted average share price for the first three business days immediately following the date of receipt of notification by the Company to the trustee of the redemption or the last day of service of the employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Employee benefits *(continued)*

(c) Share-based compensation *(continued)*

(iv) *Staff Share Ownership Scheme (continued)*

The scheme has ceased to accept new members with effect from 1 July 2014 and has also ceased to make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees since 1 July 2015.

Contributions made by the Group are recognised in the income statement as expense when incurred.

The Group consolidates the employee benefit trust set up for the purpose of the Company's share-based compensation arrangement under the Staff Share Ownership Scheme in accordance with INT FRS 12. Arising from the consolidation of the trust, the Company's shares held by the employee benefit trust are accounted for as part of equity in accordance with FRS 32.

(d) Termination benefits

Termination benefits are payable when employment is terminated involuntarily, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an acceptance by employees under its voluntary redundancy scheme.

2.22 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and the majority of its significant subsidiaries (listed under Note 41) is United States Dollars ("USD"). The financial statements of the Company and the Group are presented in USD and have been rounded to the nearest thousand as indicated.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the financial year end are recognised in the income statement.

(c) Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing exchange rates at the end of the financial year;

(ii) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

- (iii) All resulting currency translation differences are recognised in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing exchange rate at the end of the financial year.

2.23 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

For purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or unrecognised firm commitment that is attributable to a particular risk; or
- cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is not more than 12 months.

(a) Fair value hedge

The fair value changes on the effective portion of derivatives that are designated and qualify as fair value hedges are recognised in the income statement within the same line item as the fair value changes from the hedged item. The fair value changes relating to the ineffective portion of the derivatives are recognised separately in the income statement.

The change in the fair value of a hedging derivative is recognised in income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement in finance costs.

(b) Cash flow hedge

The fair value changes on the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity and transferred to the income statement in the periods when the hedged items affect the income statement. The fair value changes relating to the ineffective portion are recognised immediately in the income statement.

(c) Non-hedging instruments

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Fair value estimation of assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the financial year end. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows analysis, are also used to determine the fair values for the financial instruments.

The fair values of foreign exchange forward contracts, bunker swaps, interest rate swaps and cross currency interest rate swaps are obtained from a number of reputable financial institutions.

The fair values of financial assets and liabilities carried at amortised cost approximate their carrying amounts except as disclosed in the financial statements.

The fair value of non-financial asset is based on comparable market transactions that considered historical sales prices of similar assets that have been transacted in the open market.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Cash and cash equivalents

For purposes of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with banks that are readily convertible to known amounts of cash.

2.27 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against the share capital account if the shares are purchased out of the capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the proceeds received and the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

2.28 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(i) Impairment of goodwill arising on consolidation and assets

The Group assesses whether there are any indicators of impairment for goodwill arising on consolidation and assets at each financial year end. Goodwill arising on consolidation is tested for impairment annually and at other times when such indicators arise. Tangible and intangible assets are tested for impairment when there is any objective evidence or indication that the carrying amounts may not be recoverable.

Recoverable amount is defined as the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by management covering a specified period. Cash flows beyond the specified period are forecasted after considering factors like past macroeconomic events, global trade forecasts, macroeconomic cycle, and industry information. Terminal value is computed using Gordon's growth methodology where the estimated growth rate does not exceed the long-term average growth rate for the relevant industry. Details of the key assumptions applied in the impairment assessment of goodwill arising on consolidation are given in Note 22.

(ii) Residual values and useful lives of property, plant and equipment

The Group reviews the residual values and useful lives of property, plant and equipment as at each financial year end, in accordance with the accounting policy stated in Note 2.4.

Significant assumptions and estimates are required in determining the residual values and useful lives of property, plant and equipment. In determining residual values, the Group considers the net proceeds that would be obtained from the disposal of the assets in the resale or scrap markets, fluctuations in scrap steel prices and industry practice. In determining the useful lives, which is based on the period over which an asset is expected to be available for efficient use, the Group considers factors like insurance coverage requirement, maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of the property, plant and equipment. The carrying amounts of property, plant and equipment as at the financial year end are disclosed in Note 18.

(iii) Impairment of trade receivables

The Group assesses at each financial year end whether there is objective evidence that trade receivables have been impaired. In the assessment, the Group considers factors such as significant financial difficulties or probability of insolvency of the debtor, default or significant delay in payments, historical write-off statistics and potential credit risks.

Impairment was performed on a collective general basis based on historical write-off statistics and on an individual basis based on specific credit risk exposure. The carrying amounts of trade receivables as at the financial year end are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS *(continued)*

(iv) Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgment is required in determining the Group-wide provision for taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based upon information presently available and the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current and deferred tax balances in the period in which such determination is made. The details of taxes for the financial year and as at the financial year end are disclosed in Note 8.

(v) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.20. To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as the existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information. The carrying amounts of provisions as at the financial year end are disclosed in Note 27.

4. REVENUE AND OTHER GAINS (NET)

	Note	Group	
		2015 US\$'000	2014 US\$'000
Revenue:			
Revenue from services rendered	(a)	5,382,596	7,025,575
Other miscellaneous gains (net):			
Net profit/(loss) on disposal of property, plant and equipment		6,905	(6,787)
Net profit on disposal of assets classified as held-for-sale		-	2,737
Net profit/(loss) on disposal of intangible assets		13	(1)
Net profit on disposal of long-term investments		1,830	231
Net profit on disposal/liquidation of subsidiaries		4,100	-
Net profit on disposal of available-for-sale financial asset		-	52
Fair value gain on interest retained in a former subsidiary (Note 16)		974	-
Amortisation of deferred income (Note 28)		4,797	7,324
Government subsidy and refund		172	7,112
Income from provision of shared services support function	(b)	8,816	-
Others		3,769	2,302
		31,376	12,970
Finance and investment income:			
Dividend received		1,564	670
Interest income from deposits and interest-bearing securities		5,003	4,348
Other interest income		86	165
		6,653	5,183
Revenue and other gains (net)		5,420,625	7,043,728

Note:

- (a) Included in revenue from services rendered was sublease charter hire income of US\$13.5 million (2014: US\$13.5 million).
- (b) Income from provision of shared services support function relates to income from provision of financial and accounting services, documentation services, and other related support services in connection with its customers' business operations.

The Group's business is organised and managed separately according to the nature of the services provided.

Please refer to Note 37, which presents revenue and operating results of operating segments for the financial years ended 25 December 2015 and 26 December 2014 and information on assets and liabilities of the operating segments as at those dates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

5. EXPENSES BY FUNCTION

(a) Cost of sales

	Group	
	2015 US\$'000	2014 US\$'000
Depreciation of property, plant and equipment (Note 18)	354,995	351,614
Amortisation of intangible assets (Note 20)	390	410
Total depreciation and amortisation	355,385	352,024
Employee benefits (Note 7)	114,423	113,969
Cost of inventories	598,296	1,281,152
Net write-off of inventories	34	414
Fair value loss on cash flow hedges, transferred from equity		
- bunker swaps	22,346	8,815
Fair value loss on ineffective cash flow hedges		
- bunker swaps	116	182
Total cost of inventories	620,792	1,290,563
Global cargo transportation expenses	3,339,741	4,194,738
Fair value loss on cash flow hedges, transferred from equity		
- foreign exchange forward contracts	23,488	4,155
Total global cargo transportation expenses	3,363,229	4,198,893
Net provision for insurance, litigation and other claims (Note 27)	16,895	26,813
Rental expenses – operating leases	559,190	741,115
Total	5,029,914	6,723,377

(b) Administrative expenses

	Group	
	2015 US\$'000	2014 US\$'000
Auditors' remuneration paid/payable to		
- auditing firm of the Company	1,425	1,419
- affiliates of auditing firm of the Company	316	307
- other auditing firms	-	5
Non-audit fees paid/payable to		
- auditing firm of the Company	470	510
- affiliates of auditing firm of the Company	190	20
Employee benefits (Note 7)	290,353	333,535
Rental expenses – operating leases	20,123	30,146
Office expenses	23,741	26,927
Outsourcing costs	65,838	69,905
Others	22,195	13,172
Total	424,651	475,946

(c) Other operating expenses

	Group	
	2015 US\$'000	2014 US\$'000
Depreciation of property, plant and equipment (Note 18)	27,930	33,046
Amortisation of intangible assets (Note 20)	3,908	3,793
Net provision for impairment of trade and other receivables	31,420	10,624
Impairment loss on property, plant and equipment (Note 18)	–	3,852
Total depreciation, amortisation and impairment	63,258	51,315
Net foreign exchange loss	7,384	6,370
Net write-back of insurance, litigation and other claims (Note 27)	(8,623)	–
Net write-back of onerous contracts (Note 27)	(154)	(102)
Bad debts written off	–	1,731
Write-back of tax related penalties	(6,200)	(1,400)
Others	169	2,156
Total	55,834	60,070

6. FINANCE EXPENSES

	Group	
	2015 US\$'000	2014 US\$'000
Interest expense:		
- Finance leases	19,620	18,367
- Loans	93,682	105,448
- Fair value loss on cash flow hedges, transferred from equity		
- interest rate swaps	6,642	1,758
- Others	9	246
Total interest expense	119,953	125,819
Financing fees	9,983	9,193
Finance expenses accreted on onerous contracts (Note 27)	40	54
Amortisation of deferred charges (Note 19)	1,927	2,304
Net foreign exchange gain	(81,913)	(84,751)
Fair value loss on cash flow hedges, transferred from equity		
- cross currency interest rate swaps	24,990	19,238
Fair value loss/(gain) on fair value hedges (effective)		
- cross currency interest rate swaps	59,016	67,064
- foreign exchange forward contracts	–	(8,442)
Fair value (gain)/loss on fair value hedges (ineffective)		
- cross currency interest rate swaps	(7,751)	1,575
- interest rate swaps	(742)	–
Fair value loss on derivatives		
- cross currency interest rate swaps	–	6,900
Total	125,503	138,954

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

7. EMPLOYEE BENEFITS

	Group	
	2015 US\$'000	2014 US\$'000
Wages, salaries and bonus	371,219	406,784
Employer's contribution to defined contribution plans	23,840	25,388
Net benefit expense relating to defined benefit plans (Note 32)	5,622	5,139
Share-based compensation costs		
- equity-settled	3,882	3,123
Net (write-back of)/provision for restructuring and termination costs	(1,342)	8,248
Fair value loss/(gain) on shares held by employee benefit trust	1,555	(1,178)
	404,776	447,504

Employee benefits included in the income statement was categorised as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Cost of sales (Note 5(a))	114,423	113,969
Administrative expenses (Note 5(b))	290,353	333,535
	404,776	447,504

Disclosures on employee benefits are found in Note 32.

8. TAX EXPENSE

(a) Income and Tonnage Tax Expense

	Group	
	2015 US\$'000	2014 US\$'000
Tax expense attributable to current financial year's results was made up of:		
Current tax		
Singapore	3,525	6,106
Foreign	29,491	48,267
	33,016	54,373
Deferred tax	58	6,440
	33,074	60,813
(Over)/Under provision in respect of prior financial years:		
Current tax	(29,078)	(19,126)
Deferred tax	212	(7,182)
Total income tax expense	4,208	34,505
Tonnage tax expense	109	116
Total tax expense	4,317	34,621
Tax expense is attributable to:		
Continuing operations	1,170	20,502
Discontinued operations (Note 14)	3,147	14,119
	4,317	34,621

The income tax expense for the financial year differed from the amount that would arise using the Singapore standard rate of tax due to the following factors:

	Group	
	2015 US\$'000	2014 US\$'000
Loss before tax from continuing operations	(217,700)	(351,262)
Profit before tax from discontinued operations	933,093	134,386
Less:		
Share of results of associated companies and joint ventures, net of tax	899	(11,773)
Profit/(Loss) before tax and share of results of associated companies and joint ventures	716,292	(228,649)
Tax calculated at a tax rate of 17%	121,770	(38,870)
Effects of different tax rates in other countries	19,238	22,574
Exempt shipping losses	33,254	66,052
Income not subject to tax	(152,717)	(16,447)
Expenses not deductible for tax purposes	5,874	18,935
Incremental tax in certain foreign jurisdictions	4,603	7,273
Utilisation of previously unrecognised tax losses	(112)	(2,306)
Deferred tax assets not recognised	1,041	4,260
Over provision in respect of prior years	(28,866)	(26,308)
Others	123	(658)
	4,208	34,505

Despite the Group making losses (before any capital gains), tax expense was incurred mainly due to certain entities in the Group generating tax-assessable income in the jurisdictions in which they operate or are subject to tonnage tax where applicable.

Subject to the business activities engaged by the entities and the jurisdictions in which these entities operate in, special tax rules may become applicable. For example, income arising from qualifying liner activities is subject to tonnage-based tax in the US, under which the computation of tax is based on the tonnages of the qualifying vessel fleet.

(b) Deferred Taxes

Disclosure of deferred tax effect relating to each component of other comprehensive income:

	Group			
	2015	Before tax US\$'000	Tax credit US\$'000	Net of tax US\$'000
Cash flow hedges		22,757	–	22,757
Available-for-sale financial asset (excluding non-controlling interest's share of available-for-sale financial asset)		18	–	18
Share of other comprehensive income of associated company		785	–	785
Currency translation differences (excluding non-controlling interest's share of translation differences)		(10,599)	–	(10,599)
Net defined benefit obligations (excluding non-controlling interest's share of net defined benefit obligations)		1,690	421	2,111
		14,651	421	15,072

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

8. TAX EXPENSE (continued)

(b) Deferred Taxes (continued)

Disclosure of deferred tax effect relating to each component of other comprehensive income:

Group	Before tax US\$'000	Tax credit US\$'000	Net of tax US\$'000
2014			
Cash flow hedges	(47,037)	13	(47,024)
Available-for-sale financial asset (excluding non-controlling interest's share of available-for-sale financial asset)	(54)	–	(54)
Share of other comprehensive income of associated company	(4,579)	–	(4,579)
Currency translation differences (excluding non-controlling interest's share of translation differences)	(13,367)	–	(13,367)
Net defined benefit obligations (excluding non-controlling interest's share of net defined benefit obligations)	(15,866)	9,056	(6,810)
	(80,903)	9,069	(71,834)

Subject to fulfilling certain statutory requirements in its country of incorporation, an entity or a group of entities is allowed to carry forward unutilised tax losses to offset against its future taxable profits or income. Deferred tax assets are recognised to the extent that it is probable future taxable profits or income is available to realise the related tax benefits. As at 25 December 2015, the Group had no unutilised tax losses that were not recognised as deferred tax assets on the statements of financial position. As at 26 December 2014, the Group had unutilised tax losses of US\$114.6 million that were not recognised as deferred tax assets on the statements of financial position. Except for an amount of US\$109.0 million which would expire between 2016 and 2034, there is no time limit imposed on the utilisation of the remaining tax losses.

Movements in the Group's deferred tax liabilities and assets (prior to offsetting of balances within the same tax jurisdiction) were as follows:

Group

Deferred tax liabilities arising from:

As at 25 December 2015	Accelerated tax depreciation US\$'000	Unremitted foreign sourced income US\$'000	Business combination activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	18,933	2,316	5,705	2,564	29,518
Tax charged/(credited) to					
- income statement	407	284	(544)	3,006	3,153
Disposal of subsidiaries (Note 14 and 15)	(6,916)	–	–	(1,266)	(8,182)
Foreign currency translation	–	–	–	221	221
Balance at end of financial year	12,424	2,600	5,161	4,525	24,710

As at 26 December 2014	Accelerated tax depreciation US\$'000	Unremitted foreign sourced income US\$'000	Business combination activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	15,169	686	5,978	1,255	23,088
Tax charged/(credited) to					
- income statement	3,764	1,630	(273)	1,282	6,403
- equity	-	-	-	12	12
Foreign currency translation	-	-	-	15	15
Balance at end of financial year	18,933	2,316	5,705	2,564	29,518

Deferred tax liabilities arise from business combination activities when the cost of business combinations is allocated by recognising the identifiable assets acquired and/or liabilities assumed at their fair values, but no equivalent adjustment is made for tax purposes.

Group

Deferred tax assets arising from:

As at 25 December 2015	Provisions US\$'000	Unutilised tax losses and unabsorbed capital allowances US\$'000	Leasing related activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	(29,201)	(6,247)	-	(30,214)	(65,662)
Tax charged/(credited) to					
- income statement	497	5,278	(805)	(7,853)	(2,883)
- equity	-	-	-	(421)	(421)
Disposal of subsidiaries (Note 14 and 15)	6,162	946	-	36	7,144
Foreign currency translation	-	3	-	53	56
Balance at end of financial year	(22,542)	(20)	(805)	(38,399)	(61,766)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

8. TAX EXPENSE (continued)

(b) Deferred Taxes (continued)

Group

Deferred tax assets arising from:

As at 26 December 2014	Provisions US\$'000	Unutilised tax losses and unabsorbed capital allowances US\$'000	Leasing related activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	(25,736)	(2,358)	(1,620)	(19,831)	(49,545)
Tax (credited)/charged to					
- income statement	(3,499)	(3,917)	1,620	(1,349)	(7,145)
- equity	-	-	-	(9,081)	(9,081)
Foreign currency translation	34	28	-	47	109
Balance at end of financial year	(29,201)	(6,247)	-	(30,214)	(65,662)

Deferred tax assets from leasing related activities arise from deferred lease payables due to recognition of rental expense on a straight-line basis.

Deferred tax assets from others arise mainly from re-measurement of net defined benefit obligations.

Company

Deferred tax liabilities arising from unremitted foreign sourced income	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	628	607
Tax charged to income statement	58	21
Balance at end of financial year	686	628

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, were shown in the statements of financial position:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Deferred tax assets	(39,773)	(42,575)	-	-
Deferred tax liabilities	2,717	6,431	686	628

9. EARNINGS/(LOSS) PER SHARE

	Group	
	2015	2014
Net loss after tax attributable to equity holders from continuing operations (US\$'000)	(220,439)	(374,353)
Net profit after tax attributable to equity holders from discontinued operations (US\$'000)	927,642	114,512
Weighted average number of ordinary shares in issue for basic and diluted earnings/(loss) per share ('000)	2,593,406	2,586,669
Basic and diluted earnings/(loss) per share (US cts)		
Continuing operations	(8.50)	(14.47)
Discontinued operations	35.77	4.42
Total	27.27	(10.05)

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (adjusted for shares held by employee benefit trust and treasury shares) during the financial year.

Share options, restricted shares and performance shares had been excluded from the calculation of diluted loss per share for the financial years ended 25 December 2015 and 26 December 2014 as their effects would be anti-dilutive (i.e. loss per share would have been reduced in the event that share options, restricted shares or performance shares were exercised or vested). Thus, the diluted loss per share was the same as the basic loss per share for the financial years ended 25 December 2015 and 26 December 2014.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed deposits	54,683	106,394	–	906
Demand deposits	801	11,867	–	–
Bank and cash balances	174,423	1,107,510	46,433	872,953
	229,907	1,225,771	46,433	873,859

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

11. CURRENT ASSETS

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
(a) Trade and Other Receivables					
Trade receivables	(i)	418,874	982,429	–	–
Other receivables and recoverables	(i)	95,017	90,508	7,186	870
Amounts due from subsidiaries (non-trade)		–	–	4,376,396	3,527,885
Loans to subsidiaries		–	–	25,000	24,653
Loans receivable (Note 24)		–	35	–	–
Accrued interest receivables		6,567	7,387	6,461	6,867
		520,458	1,080,359	4,415,043	3,560,275

Amounts in the table above are stated net of impairment provision, if any.

Included in trade and other receivables of the Group as at 25 December 2015 were US\$0.02 million (2014: US\$0.5 million) and US\$0.3 million (2014: US\$0.4 million) due from a fellow subsidiary of the ultimate holding company and a joint venture respectively, which are expected to be repaid within a year.

Note:

(i) *Trade receivables, other receivables and recoverables*

Net impairment loss on trade receivables, other receivables and recoverables of US\$32.0 million (2014: US\$13.1 million) was recognised as an expense and included in "other operating expenses".

Trade receivables include the full freight revenue for voyages, which corresponds to the contractual rights stipulated in the standard Bill of Lading and is inclusive of the freight charges collectable at destination for Free on Board shipments that have not reached destination as at year end.

Details of the aging analysis of trade receivables are separately disclosed in Note 35 (b).

(b) Other Current Assets

Other current assets of the Group amounting to US\$81.6 million (2014: US\$103.2 million) comprised prepaid charter-hire expenses, which are taken to the income statement on a straight-line basis over the charter-hire period. Also included in the Group's other current assets were prepayments and advances, which are taken to the income statement as and when the associated economic benefits are utilised or expired.

Other current assets of the Company amounting to US\$4.7 million (2014: US\$4.4 million) comprised mainly short-term deposits and prepayments.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	24,516	23,626
Additions	7,372	24,885
Disposals	(7,238)	(23,088)
Disposal of subsidiaries (Note 14)	(24,355)	–
Fair value gain/(loss) recognised in equity	36	(52)
Premium amortised to income statement	(331)	(855)
Balance at end of financial year	–	24,516
Less: Current portion	–	24,516
Non-current portion	–	–

The market value of financial assets is determined by reference to the relevant stock exchange quoted bid price. The fair value of financial assets that are not traded in an active market is determined by using valuation techniques described in Note 2.24.

The fair value of the available-for-sale financial assets included the following:

	Group	
	2015 US\$'000	2014 US\$'000
Quoted bonds	–	24,516

The fair value of the quoted bonds is determined by reference to statements as at the financial year end provided by the fund manager. The carrying amount of the investments represents the maximum price risk exposure of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

13. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Note	2015 Fair values		2014 Fair values	
		Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
(a) Current					
Cash flow hedges					
- Bunker swaps	(i)	-	(7,440)	-	(13,377)
- Foreign exchange forward contracts	(ii)	402	(3,491)	726	(14,966)
- Interest rate swaps	(iii)	-	-	-	(2,020)
Fair value hedges					
- Foreign exchange forward contracts	(ii)	33	(103)	-	-
		435	(11,034)	726	(30,363)
(b) Non-current					
Cash flow hedges					
- Cross currency interest rate swaps	(iv)	-	(56,077)	-	(37,084)
- Interest rate swaps	(iii)	-	(2,651)	-	-
Fair value hedges					
- Cross currency interest rate swaps	(iv)	-	(174,539)	-	(123,273)
		-	(233,267)	-	(160,357)
Total		435	(244,301)	726	(190,720)
Company	Note	2015 Fair values		2014 Fair values	
		Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
(a) Current					
Cash flow hedges					
- Foreign exchange forward contracts	(ii)	-	-	-	(2,299)
(b) Non-current					
Cash flow hedges					
- Cross currency interest rate swaps	(iv)	-	(56,077)	-	(37,084)
Fair value hedges					
- Cross currency interest rate swaps	(iv)	-	(94,320)	-	(64,172)
		-	(150,397)	-	(101,256)
Total		-	(150,397)	-	(103,555)

For derivative financial instruments, the estimated amounts of fair values are obtained from a number of reputable financial institutions.

(i) *Bunker swaps*

Bunker swap contracts allow the swap buyer to swap floating price to fixed price for bunker purchases. As at 25 December 2015, the notional amount of outstanding bunker swap contracts was US\$24.7 million (2014: US\$40.3 million), with maturity dates of not more than one year.

(ii) *Foreign exchange forward contracts*

Foreign exchange forward contracts are contracts to buy or sell foreign currencies at agreed exchange rates for settlement on agreed future dates. As at 25 December 2015, the notional amounts of the Group's and the Company's outstanding foreign exchange forward contracts were US\$300.0 million (2014: US\$700.0 million) and Nil (2014: US\$380.5 million) respectively, with maturity dates of not more than one year.

(iii) *Interest rate swaps*

Interest rate swap contracts allow the swap buyer to swap floating interest rates to fixed interest rates. As at 25 December 2015, the Group has interest rate swap contracts with notional amount of US\$287.3 million (2014: US\$315.3 million) where it receives floating interest rate equal to LIBOR and pays fixed interest rates ranging from 1.99% to 2.05%. These interest rate swap contracts will mature in 2022.

(iv) *Cross currency interest rate swaps*

Concurrent with the issuance of Medium Term Notes ("MTN") of S\$1.3 billion (2014: S\$1.3 billion), the Company entered into the following cross currency interest rate swaps with total notional contract amount of US\$1.0 billion (2014: US\$1.0 billion):

- a) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$280.0 million (2014: S\$280.0 million) to US\$ fixed rate liability of US\$206.6 million (2014: US\$206.6 million);
- b) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$300.0 million (2014: S\$300.0 million) to US\$ fixed rate liability of US\$243.6 million (2014: US\$243.6 million);
- c) Cross currency interest rate swaps of a similar duration to convert the 5-Year S\$ fixed rate liability of S\$400.0 million (2014: S\$400.0 million) to US\$ floating rate liability of US\$320.4 million (2014: US\$320.4 million); and
- d) Cross currency interest rate swaps of a similar duration to convert the 7-Year S\$ fixed rate liability of S\$300.0 million (2014: S\$300.0 million) to US\$ floating rate liability of US\$245.7 million (2014: US\$245.7 million).

Under the cross currency interest rate swaps, the Company agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at the maturity date. In addition, the Company will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts. The cumulative fair value changes of the risk hedged was included in the carrying value of the MTN. The cross currency interest rate swaps will mature between 2017 to 2021.

Concurrent with the drawdown of an Islamic unsecured loan, the Company entered into a cross currency interest rate swap with notional contract amount of US\$81.0 million (2014: US\$81.0 million) to convert the S\$ fixed rate liability of S\$100.0 million (2014: S\$100.0 million) to US\$ floating rate liability of US\$81.0 million (2014: US\$81.0 million). The cross currency interest rate swap will mature in 2017.

In addition, concurrent with the drawdown of certain secured loans, a subsidiary of the Company entered into cross currency interest rate swaps to convert the S\$ floating rate liability to US\$ floating rate liability. As at 25 December 2015, the notional amount of outstanding cross currency interest rate swaps was US\$669.8 million (2014: US\$708.7 million) against an underlying S\$ floating rate liability of S\$838.6 million (2014: S\$887.2 million). The cross currency interest rate swaps will mature between 2019 to 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

14. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE

(a) Discontinued operations

On 17 February 2015, the Company entered into a sale and purchase agreement with Kintetsu World Express, Inc. ("KWE") for the sale (the "Transaction") of the Company's Logistics business, APL Logistics Ltd to KWE for an aggregate purchase price of US\$1.2 billion. The Company effected the Transaction by selling all its shares in APL Logistics Ltd to KWE.

On 29 May 2015, the Company completed the sale of the Logistics business to KWE for a cash consideration of US\$1.2 billion, subject to adjustments for the net cash and net working capital of APL Logistics Ltd and its subsidiaries as at the completion date. These adjustments were finalised and the Group recorded a gain on disposal of the Logistics business of US\$888.4 million.

The result of the Logistics business were consolidated as part of the Group's financial results till 29 May 2015 and are presented separately in the income statement as "Discontinued operations".

Income statement disclosures

The results of the Logistics business for the financial years ended 25 December 2015 (up to 29 May 2015) and 26 December 2014 are as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Revenue (Note 37)	638,759	1,591,207
Expenses	(596,611)	(1,472,316)
Other gains (net)	2,566	15,495
Gain on disposal of subsidiaries	888,379	–
Profit before tax from discontinued operations	933,093	134,386
Tax expense (Note 8)	(3,147)	(14,119)
Profit from discontinued operations, net of tax	929,946	120,267

Statement of financial position disclosures

The value of assets and liabilities of the Logistics business recorded in the consolidated financial statements as at 29 May 2015, and the effects of the disposal were as follows:

	Group US\$'000
Cash and cash equivalents	77,171
Trade and other receivables	316,022
Available-for-sale financial assets (Note 12)	24,355
Inventories at cost	213
Derivative financial instruments	183
Other current assets	20,262
Investment in associated company	52,756
Property, plant and equipment (Note 18)	78,827
Intangible assets (Note 20)	11,792
Land use rights (Note 21)	824
Goodwill arising from consolidation (Note 22)	41,184
Deferred tax assets (Note 8)	2,756
Other non-current assets	5,596
Total assets	631,941
Trade and other payables	229,858
Current tax liabilities	22,724
Borrowings	31,852
Provisions	15,650
Deferred income (Note 28)	1,225
Derivative financial instruments	301
Other current liabilities	6,324
Deferred tax liabilities (Note 8)	3,830
Other non-current liabilities	2,196
Total liabilities	313,960
Net assets derecognised	317,981
Less: Non-controlling interests	(39,034)
Net assets disposed of	278,947

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

14. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE (continued)

(a) Discontinued operations (continued)

Cash flow statement disclosures

The cash flows attributable to the Logistics business are as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Operating cash inflows	13,667	52,395
Investing cash outflows	(13,518)	(22,905)
Financing cash inflows/(outflows)	25,910	(6,072)
Total cash inflows	<u>26,059</u>	<u>23,418</u>
		Effects on cash flows of the Group 2015 US\$'000
Cash consideration		1,238,000
Less: Transaction and transaction related costs paid/payable		(46,841)
Less: Cash and cash equivalents of subsidiaries		(77,171)
Net cash inflow on disposal of subsidiaries		<u>1,113,988</u>
Gain on disposal:		Group 2015 US\$'000
Cash consideration		1,238,000
Less: Net assets disposed of		(278,947)
Less: Transaction and transaction related costs		(72,161)
Add: Reclassification of foreign currency translation reserve, hedging reserve and fair value reserve from equity on disposal of subsidiaries		<u>1,487</u>
Gain on disposal		<u>888,379</u>

(b) Assets and liabilities of group companies classified as held-for-sale

During the financial year ended 25 December 2015, a wholly-owned subsidiary of the Group, NOL Liner (Pte.) Ltd entered into an agreement for the sale of the entire interest of its subsidiary, India Infrastructure & Logistics Private Limited ("IILPL") and its associate, APL Logistics Vascor Automotive Private Limited ("Vascor India").

As at 25 December 2015, the assets and liabilities of IILPL have been presented in the Statement of Financial Position as "Assets of group companies classified as held-for-sale" and "Liabilities of group companies classified as held-for-sale" respectively. The disposal of IILPL was completed on 15 January 2016 (Note 39).

	Group US\$'000
Cash and cash equivalents	2,414
Trade and other receivables	6,547
Other current assets	5,603
Property, plant and equipment (Note 18)	14,080
Intangible assets (Note 20)	4,336
Assets of group companies classified as held-for-sale	32,980
Trade and other payables	3,914
Current tax liabilities	84
Borrowings	11,965
Other non-current liabilities	25
Liabilities of group companies classified as held-for-sale	15,988
Net assets of group companies classified as held-for-sale	16,992

As at 25 December 2015, the Group's investment in associate, Vascor India, has been presented in the Statement of Financial Position as "Assets of group companies classified as held-for-sale".

	Group US\$'000
Investment in associated company (Note 16)	8,093

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

14. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE (continued)

(c) Assets classified as held-for-sale

In line with the Group's strategy to better manage its fleet through a combination of modernising and trimming older vessels and to release capital for strategic investment, the management approved the disposal of four vessels in 2013. Together with two vessels and one property which were classified as held-for-sale in 2012, these four vessels were disposed of in 2013. The remaining vessel and land and buildings were disposed of in 2014.

Group

2014	Vessels US\$'000	Land and Buildings US\$'000	Total US\$'000
Beginning of financial year	8,298	3,999	12,297
Disposals	(8,298)	(3,999)	(12,297)
End of financial year	-	-	-

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 US\$'000	2014 US\$'000
Unquoted equity shares, at cost	775,212	1,066,663
Provision for impairment in value	-	(16,099)
	775,212	1,050,564

As a global liner and logistics group, there are operations by subsidiaries in certain countries which impose foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority.

Disposal/liquidation of subsidiaries

During the financial year ended 25 December 2015, the Group disposed of its interests in APL Lanka (Private) Limited, for a cash consideration of US\$16.8 million and liquidated its wholly-owned dormant subsidiary, NOL Singapore Agency (Pte) Ltd.

The value of assets and liabilities of these subsidiaries recorded in the consolidated financial statements as at the date of disposal/liquidation, and the effects of the disposal/liquidation were as follows:

	Group US\$'000
Cash and cash equivalents	3,101
Trade and other receivables	60
Other current assets	27
Property, plant and equipment (Note 18)	45
Deferred tax assets (Note 8)	36
Other non-current assets	19
Total assets	3,288
Trade and other payables	65
Current tax liabilities	640
Other non-current liabilities	127
Total liabilities	832
Net assets derecognised	2,456
Less: Non-controlling interest	8,300
Net assets disposed of	10,756
	Effects on cash flows of the Group US\$'000
Cash consideration	16,815
Less: Consideration receivable	(7,955)
Less: Cash and cash equivalents of subsidiary	(3,101)
Net cash inflow on disposal of subsidiary	5,759
Gain on disposal/liquidation:	
	Group US\$'000
Cash consideration	16,815
Less: Net assets disposed of	(10,756)
Add: Reclassification of foreign currency translation reserve from equity on liquidation of subsidiary	(1,959)
Gain on disposal/liquidation	4,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Acquisition of additional interest in a subsidiary

On 30 December 2014, APL Logistics Ltd acquired the remaining 24% equity interest in ILLPL from its non-controlling interest for a cash consideration of US\$10.0 million. ILLPL is an India based company that operates freight rail train services in India. As a result of this acquisition, ILLPL became a wholly-owned subsidiary of APL Logistics Ltd.

The carrying value of the net assets of ILLPL as at 30 December 2014 was US\$17.6 million and the carrying value of the additional interest acquired was US\$4.3 million. The difference of US\$5.7 million between the consideration and the carrying value of the additional interest acquired has been recognised as "Other reserve" within equity.

The following summarises the effect of the change in the Group's ownership interest in ILLPL on the equity attributable to owners of the Company:

	Group US\$'000
Consideration paid on acquisition of non-controlling interest	9,985
Decrease in equity attributable to non-controlling interest	(4,313)
	<hr/>
Decrease in equity attributable to equity holders of the Company	<u>5,672</u>

Acquisition of business

On 10 February 2015, a wholly-owned subsidiary of the Group entered into an arrangement with CFR Rinkens, LLC, a California limited liability company ("CFR"), for the purpose of transporting vehicles via rail within the United States of America, Mexico and Canada. The subsidiary, named APLL/CFR AD Holdings, LLC, a Delaware limited liability company is owned 51% by the Group and 49% by CFR. The total initial capital contributions by the Group and CFR collectively equals approximately US\$9 million, which include US\$0.2 million (Note 18) of property, plant and equipment contributed by CFR. As a result, goodwill of US\$4.2 million (Note 22) and capital contribution by non-controlling interest of US\$4.3 million were recognised.

On 26 July 2014, a subsidiary of the Company, Vascor Ltd, incorporated three subsidiaries to operate the business of logistics services in dedicated contract carriage, one-way asset based transportation and brokerage transportation that was acquired from Commonwealth Express, LLC and Commonwealth Brokerage, LLC (collectively referred to as "Commonwealth") for a consideration of US\$6.2 million. The Group acquired the business to extend its customer base within the trucking and brokerage business.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date with respect to Commonwealth acquisition, were as follows:

	Fair value recognised on acquisition US\$'000
Property, plant and equipment (Note 18)	3,989
Intangible assets (Note 20)	2,028
Trade and other receivables	1,360
Other current assets	147
	<u>7,524</u>
Trade and other payables	1,391
Current tax payable	7
	<u>1,398</u>
Total identifiable net assets at fair value	6,126
Add: Goodwill arising from acquisition (Note 22)	25
Purchase consideration	<u>6,151</u>
	Effects on cash flows of the Group US\$'000
Purchase consideration	6,151
Less: Consideration not yet paid	<u>(500)</u>
Net cash outflow on acquisition of business	<u>5,651</u>

- (a) Acquisition-related costs
Acquisition-related costs of US\$0.5 million were included in administrative expenses in the consolidated income statement.
- (b) Goodwill
Goodwill of US\$0.03 million was recognised on this acquisition based on the difference between the purchase consideration and the fair value of the identifiable assets and liabilities at the date of acquisition. This goodwill arising from the acquisition was attributable to the synergies expected to arise from the customer network and economies of scale in combining the operations of the Group with those of Commonwealth.
- (c) Revenue and profit contribution
The acquired business contributed revenue of US\$7.3 million and net loss of US\$0.02 million to the Group for the period from 26 July 2014 to 26 December 2014.

Had the Group acquired the business from 28 December 2013, consolidated revenue and consolidated net loss attributable to equity holders of the Company for the financial year ended 26 December 2014 would have been US\$8,623.4 million and US\$260.1 million respectively.

Details of the significant subsidiaries of the Group are set out in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

16. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Unquoted equity shares, at cost	133,170	115,247	1	1
Quoted equity shares, at cost	–	3,775	–	–
	133,170	119,022	1	1
Goodwill on incorporation of an associated company	4,006	4,006	–	–
Share of post-acquisition reserves:				
Balance at beginning of financial year	37,807	44,703	–	–
Share of results after tax				
- continuing operations	(5,055)	1,559	–	–
- discontinued operations	1,524	8,141	–	–
Share of other comprehensive income of associated company				
- continuing operations	785	(4,579)	–	–
Share of other reserves of associated company	–	(42)	–	–
Dividends received	–	(1,365)	–	–
Foreign currency translation	(7,701)	(10,610)	–	–
Disposal of subsidiaries	(48,981)	–	–	–
Balance at end of financial year	(21,621)	37,807	–	–
Provision for impairment in value	–	–	(1)	(1)
Reclassification to assets of group companies classified as held-for-sale (Note 14)	(8,093)	–	–	–
	107,462	160,835	–	–

On 29 May 2015, upon completion of the disposal of APL Logistics Ltd, 50.05% of the shareholding in Vascor India, an India based company that transports automobiles in containers in India, is held indirectly by APL Logistics Ltd and other third parties. The Group holds the remaining 49.95% interest in Vascor India through NOL Liner (Pte.) Ltd. Vascor India ceased to be a subsidiary of the Group and becomes an associated company of the Group.

The effects of the loss of control of Vascor India were as follows:

	Group US\$'000
Purchase consideration	6,000
Less: Non-controlling interest	(5,026)
Fair value gain on interest retained in a former subsidiary (Note 4)	974

As at 25 December 2015, the Group's investment in associate, Vascor India, has been presented in the Statement of Financial Position as "Assets of group companies classified as held-for-sale".

	Group	
	2015 US\$'000	2014 US\$'000
Fair value of investment in an associated company for which there are published price quotations	–	34,705

The summarised financial information of the associated companies was as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Revenue	63,065	933,315
Net (loss)/profit after tax	(29,580)	40,849
Total assets	975,115	1,568,171
Total liabilities	(517,450)	(847,012)

As a global liner and logistics group, there are operations by associated companies in certain countries which impose foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority. These operations are not significant to the Group or the Company.

There are no significant associated companies in the Group.

17. INVESTMENTS IN JOINT VENTURES

	Group	
	2015 US\$'000	2014 US\$'000
Unquoted equity shares, at cost	10,402	10,402
Share of post-acquisition reserves:		
Balance at beginning of financial year	10,818	10,650
Share of results after tax		
- continuing operations	2,632	1,798
- discontinued operations	–	275
Share of other reserves of joint venture	–	(13)
Dividends received	(762)	(721)
Disposal	–	(1,031)
Foreign currency translation	(1,120)	(140)
Balance at end of financial year	11,568	10,818
	21,970	21,220

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

17. INVESTMENTS IN JOINT VENTURES *(continued)*

The Group's share of results after tax of the joint ventures was as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Revenue	14,850	16,495
Cost of sales	(5,810)	(8,294)
Other expenses	(6,408)	(6,128)
Net profit after tax	2,632	2,073

The Group's share of assets and liabilities of the joint ventures comprised:

	Group	
	2015 US\$'000	2014 US\$'000
Non-current assets	14,334	16,362
Current assets	10,638	9,110
Non-current liabilities	(628)	(1,884)
Current liabilities	(2,374)	(2,368)
Net assets	21,970	21,220

As a global liner and logistics group, there are operations by joint ventures in certain countries which impose foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority. These operations are not significant to the Group.

There are no significant joint ventures in the Group.

18. PROPERTY, PLANT AND EQUIPMENT**Group**

2015	Vessels in operation US\$'000	Freehold land and buildings US\$'000	Leasehold land and buildings US\$'000	Plant & machinery and operating equipment US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost							
Beginning of financial year	5,890,535	38,431	96,356	1,937,465	420,503	53,547	8,436,837
Additions	11,612	2,510	2,413	46,933	46,686	311	110,465
Acquisition of business (Note 15)	–	–	–	175	–	–	175
Additions via finance lease	–	–	–	777	–	–	777
Disposal of subsidiaries (Note 14 and 15)	–	(5,051)	(13,688)	(56,326)	(59,308)	(15,362)	(149,735)
Disposals	–	–	(4,655)	(120,922)	(38,911)	(10,606)	(175,094)
Reclassification	–	–	280	(7)	168	(441)	–
Reclassification to assets of group companies classified as held-for-sale (Note 14)	–	(3,625)	–	(14,081)	(180)	(95)	(17,981)
Foreign currency translation	–	(129)	(576)	(873)	(646)	(133)	(2,357)
End of financial year	5,902,147	32,136	80,130	1,793,141	368,312	27,221	8,203,087
Accumulated depreciation and accumulated impairment losses							
Beginning of financial year	1,185,638	4,058	70,085	943,719	177,388	43,516	2,424,404
Depreciation charged during the financial year							
- continuing operations (Note 5)	225,991	484	5,192	127,706	22,518	1,034	382,925
- discontinued operations	–	2	132	478	293	95	1,000
Disposal of subsidiaries (Note 14 and 15)	–	(916)	(9,538)	(24,388)	(25,984)	(10,037)	(70,863)
Disposals	–	–	(4,043)	(88,162)	(16,896)	(10,434)	(119,535)
Reclassification to assets of group companies classified as held-for-sale (Note 14)	–	–	–	(3,693)	(135)	(73)	(3,901)
Foreign currency translation	–	94	(309)	(346)	(556)	32	(1,085)
End of financial year	1,411,629	3,722	61,519	955,314	156,628	24,133	2,612,945
Net book value							
End of financial year	4,490,518	28,414	18,611	837,827	211,684	3,088	5,590,142

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

2014	Vessels in operation US\$'000	Vessels under construction US\$'000	Freehold land and buildings US\$'000	Leasehold land and buildings US\$'000	Plant & machinery and operating equipment US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost								
Beginning of financial year	4,674,400	970,903	36,555	102,745	1,997,746	403,398	49,281	8,235,028
Additions	14,817	240,476	–	13,122	37,866	36,577	4,220	347,078
Additions via finance lease	–	–	–	–	13,450	–	6	13,456
Acquisition of business (Note 15)	–	–	–	–	3,960	18	11	3,989
Disposals	(34)	–	–	(19,355)	(115,394)	(21,170)	(2,840)	(158,793)
Transfer upon completion	1,211,379	(1,211,379)	–	–	–	–	–	–
Reclassification	(10,027)	–	–	464	4,519	3,984	1,060	–
Reclassification to intangible assets (Note 20)	–	–	–	–	–	(431)	(8)	(439)
Foreign currency translation	–	–	1,876	(620)	(4,682)	(1,873)	1,817	(3,482)
End of financial year	5,890,535	–	38,431	96,356	1,937,465	420,503	53,547	8,436,837
Accumulated depreciation and accumulated impairment losses								
Beginning of financial year	970,268	–	2,976	79,330	877,153	165,409	42,384	2,137,520
Depreciation charged during the financial year								
- continuing operations (Note 5)	215,370	–	529	7,086	133,548	26,565	1,562	384,660
- discontinued operations	–	–	16	1,454	3,748	3,146	1,140	9,504
Impairment charged during the financial year (Note 5)	–	–	–	–	3,852	–	–	3,852
Disposals	–	–	–	(17,487)	(73,328)	(16,559)	(2,556)	(109,930)
Reclassification	–	–	–	56	(752)	695	1	–
Foreign currency translation	–	–	537	(354)	(502)	(1,868)	985	(1,202)
End of financial year	1,185,638	–	4,058	70,085	943,719	177,388	43,516	2,424,404
Net book value								
End of financial year	4,704,897	–	34,373	26,271	993,746	243,115	10,031	6,012,433

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

For impairment assessment purposes, management considers the entire fleet of vessels and other equipment as one single CGU. These assets operate as one integrated network in the delivery of transportation services. Please refer to Note 22 for impairment analysis.

Company

2015	Leasehold land and buildings US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost				
Beginning of financial year	10,792	8,219	7,564	26,575
Additions	425	304	22	751
Transfer from a subsidiary	–	2	–	2
Disposals	(2,194)	(17)	(7,392)	(9,603)
End of financial year	9,023	8,508	194	17,725
Accumulated depreciation and accumulated impairment losses				
Beginning of financial year	3,403	5,876	7,444	16,723
Depreciation charged during the financial year	695	779	28	1,502
Disposals	(2,011)	(17)	(7,342)	(9,370)
End of financial year	2,087	6,638	130	8,855
Net book value				
End of financial year	6,936	1,870	64	8,870

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2014	Vessels in operation US\$'000	Vessels under construction US\$'000	Leasehold land and buildings US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost						
Beginning of financial year	–	970,903	3,391	7,372	7,791	989,457
Additions	119	240,476	7,401	838	45	248,879
Transfer upon completion	1,211,379	(1,211,379)	–	–	–	–
Transfer to a subsidiary	–	–	–	(8)	–	(8)
Disposals	(1,211,498)	–	–	–	(272)	(1,211,770)
Reclassification from intangible assets (Note 20)	–	–	–	17	–	17
End of financial year	–	–	10,792	8,219	7,564	26,575
Accumulated depreciation and accumulated impairment losses						
Beginning of financial year	–	–	2,929	4,972	7,557	15,458
Depreciation charged during the financial year	–	–	474	910	98	1,482
Transfer to a subsidiary	–	–	–	(6)	–	(6)
Disposals	–	–	–	–	(211)	(211)
End of financial year	–	–	3,403	5,876	7,444	16,723
Net book value						
End of financial year	–	–	7,389	2,343	120	9,852

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

- (a) As at the financial year end, the net book value of vessels of the Group under finance lease agreements amounted to US\$235.2 million (2014: US\$247.0 million). Net book value of other property, plant and equipment, such as equipment and motor vehicles, under finance lease agreements as at 25 December 2015 amounted to US\$11.3 million (2014: US\$13.7 million).

Finance leases and instalment arrangements for acquisitions of property, plant and equipment are disclosed under Note 30 to the financial statements.

- (b) As at the financial year end, the net book value of vessels of the Group charged by way of legal mortgages to banks for term loans (Note 26) amounted to US\$1,795.5 million (2014: US\$3,979.4 million).

Securities provided by way of charges on vessels of the Group include assignments, in applicable circumstances, of insurance claims.

- (c) In 2014, net borrowing costs of US\$9.0 million, which arose on the financing arrangements specifically entered into for the construction of vessels, were capitalised with effective interest rates ranging from 3.86% to 5.45% per annum.

- (d) The following shows the net book value of vessels of the Group that are chartered/leased out to third parties under operating leases as at end of the financial year:

	Group	
	2015 US\$'000	2014 US\$'000
Cost	528,749	658,504
Accumulated depreciation	(41,608)	(29,736)
Net book value	487,141	628,768

The depreciation charge for vessels chartered out under operating leases in 2015 is US\$22.1 million (2014: US\$21.9 million).

19. DEFERRED CHARGES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	5,387	5,765	5,387	5,267
Additions during the financial year	49	2,046	49	2,046
Amount amortised during the financial year				
- continuing operations (Note 6)	(1,927)	(2,304)	(1,927)	(1,926)
- discontinued operations	-	(120)	-	-
Balance at end of financial year	3,509	5,387	3,509	5,387

Deferred charges relate to costs incurred in connection with long-term financing facilities which are deferred and amortised on a straight-line basis over the tenure of the financing facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

20. INTANGIBLE ASSETS

Group

2015	System technology and software US\$'000	Terminal berthing rights US\$'000	Licence fee US\$'000	Customer relationships US\$'000	Non-compet agreement US\$'000	Total US\$'000
Cost						
Beginning of financial year	53,754	14,000	8,669	9,307	104	85,834
Additions	2,062	–	–	–	–	2,062
Disposal of subsidiaries (Note 14)	(27,381)	–	(783)	(9,307)	(104)	(37,575)
Disposals	(920)	–	–	–	–	(920)
Reclassification to assets of group companies classified as held-for-sale (Note 14)	(233)	–	(7,572)	–	–	(7,805)
Foreign currency translation	(53)	–	(314)	–	–	(367)
End of financial year	27,229	14,000	–	–	–	41,229
Accumulated amortisation and accumulated impairment losses						
Beginning of financial year	43,088	7,451	3,001	1,181	13	54,734
Amount amortised during the financial year						
- continuing operations (Note 5)	3,184	724	390	–	–	4,298
- discontinued operations	137	–	–	72	2	211
Disposals	(811)	–	–	–	–	(811)
Disposal of subsidiaries (Note 14)	(24,503)	–	(12)	(1,253)	(15)	(25,783)
Reclassification to assets of group companies classified as held-for-sale (Note 14)	(219)	–	(3,250)	–	–	(3,469)
Foreign currency translation	(99)	–	(129)	–	–	(228)
End of financial year	20,777	8,175	–	–	–	28,952
Net book value						
End of financial year	6,452	5,825	–	–	–	12,277

Group

2014	System technology and software US\$'000	Terminal berthing rights US\$'000	Licence fee US\$'000	Customer relationships US\$'000	Non-compet agreement US\$'000	Total US\$'000
Cost						
Beginning of financial year	51,019	14,000	8,066	7,450	–	80,535
Additions	2,905	–	812	–	–	3,717
Acquisition of business (Note 15)	67	–	–	1,857	104	2,028
Disposals	(660)	–	–	–	–	(660)
Reclassification from property, plant and equipment (Note 18)	439	–	–	–	–	439
Foreign currency translation	(16)	–	(209)	–	–	(225)
End of financial year	53,754	14,000	8,669	9,307	104	85,834
Accumulated amortisation and accumulated impairment losses						
Beginning of financial year	39,297	6,727	2,655	611	–	49,290
Amount amortised during the financial year						
- continuing operations (Note 5)	3,069	724	410	–	–	4,203
- discontinued operations	1,379	–	12	570	13	1,974
Disposals	(642)	–	–	–	–	(642)
Foreign currency translation	(15)	–	(76)	–	–	(91)
End of financial year	43,088	7,451	3,001	1,181	13	54,734
Net book value						
End of financial year	10,666	6,549	5,668	8,126	91	31,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

20. INTANGIBLE ASSETS (continued)

Company

	System technology and software	
	2015 US\$'000	2014 US\$'000
Cost		
Beginning of financial year	3,937	3,397
Additions	587	870
Transfer to a subsidiary	-	(313)
Reclassification to property, plant and equipment (Note 18)	-	(17)
End of financial year	4,524	3,937
Accumulated amortisation and accumulated impairment losses		
Beginning of financial year	1,613	1,016
Amount amortised during the financial year	739	597
End of financial year	2,352	1,613
Net book value		
End of financial year	2,172	2,324

Amortisation of intangible assets included in the income statement was categorised as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Cost of sales		
- continuing operations (Note 5(a))	390	410
- discontinued operations	74	595
Other operating expenses		
- continuing operations (Note 5(c))	3,908	3,793
- discontinued operations	137	1,379
Total	4,509	6,177

21. LAND USE RIGHTS

	Group	
	2015 US\$'000	2014 US\$'000
Cost		
Beginning of financial year	862	876
Disposal of subsidiaries (Note 14)	(871)	–
Foreign currency translation	9	(14)
End of financial year	–	862
Accumulated amortisation		
Beginning of financial year	45	21
Amount amortised during the financial year	2	25
Disposal of subsidiaries (Note 14)	(47)	–
Foreign currency translation	–	(1)
End of financial year	–	45
Net book value		
End of financial year	–	817
Amount to be amortised:		
- Not later than one year	–	24
- Later than one year but not later than five years	–	98
- Later than five years	–	695

The Group has land use rights in a country that a subsidiary operates in. The land use rights are transferable.

22. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2015 US\$'000	2014 US\$'000
Cost		
Beginning of financial year	329,863	329,838
Acquisition of business (Note 15)	4,152	25
Disposal of subsidiaries (Note 14)	(200,492)	–
End of financial year	133,523	329,863
Accumulated impairment losses		
Beginning of financial year	171,795	171,175
Impairment charge	–	620
Disposal of subsidiaries (Note 14)	(159,308)	–
End of financial year	12,487	171,795
Net book value		
	121,036	158,068

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

22. GOODWILL ARISING ON CONSOLIDATION (continued)

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified within the operating segments.

A segment-level summary of the goodwill allocation was presented below.

	Note	Group	
		2015 US\$'000	2014 US\$'000
Liner	(a)	121,036	121,036
Logistics		–	37,032
Global logistics business segment		–	8,059
Customs brokerage business		–	28,948
Trucking and brokerage business		–	25
Net book value		121,036	158,068

(a) *Liner*

The recoverable amount of the liner business is the higher of the fair value less cost to sell and value-in-use. Fair value less cost to sell considers CMA CGM S.A.'s pre-conditional voluntary cash offer made on 7 December 2015 to purchase all issued and paid up ordinary shares of the Company at S\$1.30 per share.

The value-in-use calculations use discounted cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated to perpetuity based on certain assumptions provided below using estimated rate of growth. Management has considered in its business plan that the shipping industry remains volatile and freight rates are expected to remain under pressure with overcapacity.

Cash flows beyond the five-year period considers factors like past macroeconomic events, global trade forecasts, macroeconomic cycle, and industry information. It is estimated based on past experience of normal shipping cycles and a severe recession in a span of 40 years, specifically using certain historical events which had major negative impact on the macro economy as reference points. The Group has built in a ratio of 32 normal shipping cycle years : 8 recession years normalised to 2020 forecasted fleet capacity in its estimation of cash flows beyond the five-year period (2014: ratio of 35 : 5 years and normalised to 2019 forecasted fleet capacity). Historical operating cash flows from 1999 to 2008 is used as a proxy to derive the average free cash flow in a normal shipping cycle and that from 2009 to 2013 is used as a proxy to derive the average free cash flow in a severe recession. The terminal value operating cash flows computed using this basis is broadly supported by the historical average operating cash flows achievement.

The terminal value of the liner business is computed based on Gordon's growth methodology using a constant growth rate of 2% (2014: 2%) per annum. The estimated growth rate does not exceed the long-term average growth rate for the industry in which the liner business operates.

Discount rate of 7% (2014: 6%) per annum is used to determine the recoverable amount of the liner business. The discount rate represents current market assessments of the time value of money and individual risks specific to the liner business which has not been incorporated in the cash flow estimates. The discount rate calculation was estimated based on the industry average weighted average cost of capital derived using the capital asset pricing model.

As at the financial year end, the recoverable amount of the liner business (which is determined to be its value-in-use) exceeds its carrying amount by US\$1.5 billion (2014: US\$6.3 billion). Reasonably possible changes to the following key assumptions used in management's assessment of recoverable amount (holding other assumptions unchanged) will result in changes in the amount at which the recoverable amount exceeds the carrying amount ("surplus") as follows:

2015	Discount Rate		Growth Rate		Shipping Cycle Ratio	
	+1% US\$'000	-1% US\$'000	+1% US\$'000	-1% US\$'000	35:5 US\$'000	30:10 US\$'000
Increase/(Decrease) in the surplus	(1,405,100)	2,129,203	3,042,920	(1,933,134)	2,032,830	(1,355,220)

2014	Discount Rate		Growth Rate		Shipping Cycle Ratio	
	+1% US\$'000	-1% US\$'000	+1% US\$'000	-1% US\$'000	40:0 US\$'000	30:10 US\$'000
Increase/(Decrease) in the surplus	(2,740,801)	4,598,683	5,852,158	(3,397,264)	4,412,196	(4,412,196)

As at the financial year end, had key assumptions been changed as follows (holding other assumptions unchanged), the recoverable amount of the liner business will be equal to its carrying amount:

- 2015: - increase in discount rate of 1.2%
 - decrease in growth rate of 0.8%
 - shipping cycle years ratio of 29 normal shipping cycle years : 11 recession years
- 2014: - increase in discount rate of 3.5%
 - decrease in growth rate of 2.5%
 - shipping cycle years ratio of 27 normal shipping cycle years : 13 recession years

23. OTHER NON-CURRENT ASSETS

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Loan to an associated company	(a)	4,127	-	-	-
Loans receivable (net of impairment provision) (Note 24)		126	156	-	-
Long-term deposits	(b)	8,217	11,327	-	-
Net defined benefit pension plan assets (Note 32)		24	27	-	-
Long-term investments	(c)	14,079	15,293	59	57
Insurance recoverables		20,596	30,534	-	-
Amount due from subsidiary (non-trade)	(d)	-	-	125,197	-
Others		199	30	-	-
		47,368	57,367	125,256	57

Notes:

- (a) Loan to an associated company is unsecured, non interest-bearing and is to be settled either in cash or converted to equity contribution. The loan is not expected to be repaid within the next 12 months.
- (b) Long-term deposits comprise mainly deposits placed with port and terminal authorities for operating in terminals. These deposits are refundable on cessation of operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

23. OTHER NON-CURRENT ASSETS (continued)

Notes: (continued)

- (c) Long-term investments comprise mainly trust assets that do not qualify as financial assets and do not fall under the categories described in FRS 39. These trust assets are held by a trust which was established by one of the subsidiaries with the objective of providing some security to employees participating in the deferred compensation plans maintained by the subsidiary. Under these deferred compensation plans, current compensation was deferred to a future date and taxes are not assessed until the date of payment.
- (d) Amount due from subsidiary is non-trade related, unsecured, non interest-bearing and is not expected to be repaid within the next 12 months. The amount is expected to be converted to equity contribution.

24. LOANS RECEIVABLE

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Loans receivable	1,269	1,334	1,143	1,143
Provision for impairment loss	(1,143)	(1,143)	(1,143)	(1,143)
	126	191	-	-
Amount receivables within 12 months (Note 11)	-	(35)	-	-
	126	156	-	-

25. CURRENT LIABILITIES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
(a) Trade and Other Payables				
Trade payables and accrued operating expenses	757,806	1,103,307	27,283	22,706
Accrued interest payable	23,387	27,451	14,202	14,840
Sundry payables	73,468	46,428	541	48
Amounts due to subsidiaries (non-trade)	-	-	58,384	68,723
Dividend payable	-	1,047	-	1,047
	854,661	1,178,233	100,410	107,364

Included in trade payables and accrued operating expenses of the Group were US\$15.1 million (2014: US\$18.4 million) and US\$0.9 million (2014: US\$0.9 million) due to fellow subsidiaries of the ultimate holding company and a joint venture respectively. These balances were trade in nature.

(b) Other Current Liabilities

Other current liabilities relate mainly to deferred revenue, which arises from the percentage-of-completion method for revenue recognition.

26. BORROWINGS

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
(a) Current					
Secured:					
Borrowings	(i)	112,708	204,394	-	-
Finance lease liabilities (Note 30)		11,139	10,746	-	-
		123,847	215,140	-	-
Unsecured:					
Borrowings	(ii)	448,704	399,955	350,000	300,000
Total current borrowings		572,551	615,095	350,000	300,000
(b) Non-current					
Secured:					
Borrowings	(i)	992,696	2,284,694	-	-
Finance lease liabilities (Note 30)		255,323	267,081	-	-
		1,248,019	2,551,775	-	-
Unsecured:					
Borrowings	(ii)	68,985	1,076,027	68,985	1,076,027
Senior Debentures due 2024	(iii)	101,371	100,024	-	-
Medium Term Notes	(iv)	891,436	948,482	891,436	948,482
		1,061,792	2,124,533	960,421	2,024,509
Total non-current borrowings		2,309,811	4,676,308	960,421	2,024,509
Total borrowings		2,882,362	5,291,403	1,310,421	2,324,509

Notes:*(i) Secured borrowings*

The loans are secured mainly on vessels (Note 18) and repayable in instalments pursuant to their respective loan agreements.

Concurrent with the drawdown of certain secured loans, a subsidiary of the Company entered into cross currency interest rate swaps to convert the S\$ floating rate liability to US\$ floating rate liability. As at 25 December 2015, the notional amount of outstanding cross currency interest rate swaps was US\$669.8 million (2014: US\$708.7 million) against an underlying S\$ floating rate liability of S\$838.6 million (2014: S\$887.2 million).

(ii) Unsecured borrowings

These loans are repayable upon maturity of contracts pursuant to their respective loan agreements.

Concurrent with the drawdown of an Islamic unsecured loan of S\$100.0 million (2014: S\$100.0 million), the Company entered into a cross currency interest rate swap with notional contract amount of US\$81.0 million (2014: US\$81.0 million) to convert the S\$ fixed rate liability of S\$100.0 million (2014: S\$100.0 million) to US\$ floating rate liability of US\$81.0 million (2014: US\$81.0 million).

(iii) Senior Debentures due 2024

A subsidiary of the Company, APL Limited, issued 8% Senior Debentures in 1994. Coupon payments are due semi-annually. The Senior Debentures have an effective interest rate of 10.60% (2014: 10.60%) per annum. The agreement on the Senior Debentures contains, among other restrictions, a covenant that limits APL Limited's ability to allow liens on assets. The Company does not provide a parent guarantee on the performance of the Senior Debentures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

26. BORROWINGS (continued)

Notes: (continued)

(iv) Medium Term Notes

The total facility drawn down under the Euro MTN Programme as at 25 December 2015 is S\$1.3 billion (2014: S\$1.3 billion), consisting of:

- a) S\$280.0 million (2014: S\$280.0 million) 10-Year Fixed Rate Notes Due 2020. The S\$280.0 million MTN will mature on 9 September 2020 and bear an interest of 4.65% per annum payable semi-annually. The purpose of the issue was to partially finance the 2010 order of 12 new container ships which were delivered between 2012 and 2014;
- b) S\$300.0 million (2014: S\$300.0 million) 10-Year Fixed Rate Notes Due 2021. The S\$300.0 million MTN will mature on 22 June 2021 and bear an interest of 4.40% per annum payable semi-annually. The purpose of the issue was to partially finance the 2011 order of 12 new container ships which were delivered between 2013 and 2014;
- c) S\$400.0 million (2014: S\$400.0 million) 5-Year Fixed Rate Notes Due 2017. The S\$400.0 million MTN will mature on 26 April 2017 and bear an interest of 4.25% per annum payable semi-annually. The purpose of the issue was to partially finance general corporate funding purposes and investments; and
- d) S\$300.0 million (2014: S\$300.0 million) 7-Year Fixed Rate Notes Due 2019. The S\$300.0 million MTN will mature on 8 November 2019 and bear an interest of 4.40% per annum payable semi-annually. The purpose of the issue was to partially finance general corporate funding purposes and investments.

Concurrent with the issuance of MTN of S\$1.3 billion (2014: S\$1.3 billion), the Company entered into the following cross currency interest rate swaps with total notional contract amount of US\$1.0 billion (2014: US\$1.0 billion):

- e) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$280.0 million (2014: S\$280.0 million) to US\$ fixed rate liability of US\$206.6 million (2014: US\$206.6 million);
- f) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$300.0 million (2014: S\$300.0 million) to US\$ fixed rate liability of US\$243.6 million (2014: US\$243.6 million);
- g) Cross currency interest rate swaps of a similar duration to convert the 5-Year S\$ fixed rate liability of S\$400.0 million (2014: S\$400.0 million) to US\$ floating rate liability of US\$320.4 million (2014: US\$320.4 million); and
- h) Cross currency interest rate swaps of a similar duration to convert the 7-Year S\$ fixed rate liability of S\$300.0 million (2014: S\$300.0 million) to US\$ floating rate liability of US\$245.7 million (2014: US\$245.7 million).

Under the cross currency interest rate swaps, the Company agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at the maturity date. In addition, the Company will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts (Note 13). The cumulative fair value changes of the risk hedged was included in the carrying value of the MTN.

(c) Carrying amounts and fair values information

The fair values of borrowings at the financial year end are based on expected future cash flows, discounted using borrowing rates which would be available to the Group and the Company at the financial year end, or where obtainable, an estimate from reputable financial institutions.

The following fair values are for information purposes only and were not recognised in the financial statements.

The estimated fair values of the Group's and the Company's borrowings approximated their carrying amounts as shown in the statements of financial position except for certain borrowings disclosed as follows:

Group	Carrying amounts		Fair values	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Senior Debentures due 2024	101,371	100,024	83,396	98,713
Medium Term Notes	413,073	438,064	312,968	436,487

Company	Carrying amounts		Fair values	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Medium Term Notes	413,073	438,064	312,968	436,487

The fair values of the Medium Term Notes exclude the fair values of the cross currency interest rate swaps. The fair values of the cross currency interest rate swaps are disclosed in Note 35 (f).

(d) Maturity profile of borrowings

The current borrowings were repayable within the next 12 months.

The maturity profiles of non-current borrowings of the Group were as follows:

Group

As at 25 December 2015	Secured	Unsecured	Secured	Total
	borrowings	borrowings	finance lease	
	US\$'000	US\$'000	liabilities	US\$'000
Amount repayable in:				
2017	105,716	347,473	11,751	464,940
2018	96,386	–	12,498	108,884
2019	155,460	199,875	12,715	368,050
2020	92,884	199,407	13,539	305,830
Thereafter	542,250	315,037	204,820	1,062,107
	992,696	1,061,792	255,323	2,309,811

As at 26 December 2014	Secured	Unsecured	Secured	Total
	borrowings	borrowings	finance lease	
	US\$'000	US\$'000	liabilities	US\$'000
Amount repayable in:				
2016	229,091	427,644	11,432	668,167
2017	218,132	620,189	11,942	850,263
2018	208,803	225,000	12,647	446,450
2019	321,663	313,612	12,680	647,955
Thereafter	1,307,005	538,088	218,380	2,063,473
	2,284,694	2,124,533	267,081	4,676,308

The secured borrowings and finance lease liabilities are secured mainly on vessels.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

26. BORROWINGS (continued)

(d) Maturity profile of borrowings (continued)

The maturity profiles of non-current borrowings of the Company were as follows:

Company

	Unsecured borrowings US\$'000
As at 25 December 2015	
Amount repayable in:	
2017	347,473
2018	–
2019	199,875
2020	199,407
Thereafter	213,666
	<u>960,421</u>
As at 26 December 2014	
Amount repayable in:	
2016	427,644
2017	620,189
2018	225,000
2019	313,612
Thereafter	438,064
	<u>2,024,509</u>

(e) Effective interest rates

The effective interest rates as at the financial year end, before and after taking into account the effects of hedging, were as follows:

	Group	
	2015	2014
	%	%
Secured borrowings	0.72 – 3.55	0.66 – 3.80
Unsecured borrowings ¹⁶	0.37 – 10.60	0.11 – 10.60
Finance lease liabilities ¹⁷	6.70	6.70

¹⁶ Unsecured borrowings comprise Senior Debentures due 2024, Medium Term Notes and other unsecured borrowings.

¹⁷ The finance lease liabilities relate to long-term charter of vessels with original tenure of up to 20 years. There are other relatively insignificant leases for assets, such as plant and machinery equipment, with effective interest rates ranging from 2.00% to 6.00% (2014: 0.13% to 7.59%) per annum.

After taking into account the effects of hedging, the exposure of borrowings of the Group to interest rate changes and the periods in which the borrowings 'repriced' or mature, whichever is earlier, were as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Variable rates		
- Repriced within one year	1,814,109	4,160,501
Fixed rates		
- Mature within one year	38,780	38,387
- Mature between two to five years	360,471	159,263
- Mature after five years	669,002	933,252
	2,882,362	5,291,403

27. PROVISIONS

		Group		Company	
	Note	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
(a) Current					
Provision for restructuring and termination costs	(i)	3,756	12,775	605	1,881
Provision for insurance, litigation and other claims	(ii)	26,147	27,445	-	-
Provision for onerous contracts - leased premises	(iii)	80	158	-	-
		29,983	40,378	605	1,881
(b) Non-current					
Provision for net defined benefit pension plan obligations (Note 32)		86,915	94,298	-	-
Provision for insurance, litigation and other claims	(ii)	60,923	97,228	-	-
Provision for onerous contracts - leased premises	(iii)	-	128	-	-
		147,838	191,654	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

27. PROVISIONS (continued)

Notes:

(i) <i>Movements in provision for restructuring and termination costs were as follows:</i>	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	12,775	16,042	1,881	2,138
Provision made during the financial year				
- continuing operations	9,379	8,561	666	91
- discontinued operations	505	1,465	-	-
Provision utilised during the financial year	(8,409)	(12,261)	(945)	(343)
Provision written back during the financial year				
- continuing operations	(9,868)	(313)	(920)	-
- discontinued operations	-	(638)	-	-
Disposal of subsidiaries	(512)	-	-	-
Foreign currency translation	(114)	(81)	(77)	(5)
Balance at end of financial year	3,756	12,775	605	1,881

Restructuring and termination provisions relate mainly to employee termination payments and lease termination penalties. They are recognised in the financial year in which the Group has a legal and constructive obligation to pay. Costs related to the on-going activities of the Group are not provided in advance.

(ii) <i>Movements in provision for insurance, litigation and other claims were as follows:</i>	Group	
	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	124,673	117,198
Provision made during the financial year		
- continuing operations (Note 5)	26,135	30,256
- discontinued operations	5,635	7,339
Provision utilised during the financial year	(38,466)	(25,294)
Provision written back during the financial year		
- continuing operations (Note 5)	(17,863)	(3,443)
- discontinued operations	(2,129)	(1,693)
Disposal of subsidiaries	(11,142)	-
Foreign currency translation	227	310
Balance at end of financial year	87,070	124,673

Other than the provisions made above, the Group may be liable for vessel damages, litigation and other claims initiated by third parties and/or government authorities in various jurisdictions in which the Group carries out its business operations. Based upon information presently available and advice by the Group's legal counsel, management believes that the Group is not liable under such claims, and/or that it is not possible to estimate the amount of additional losses, if any, that might result from adverse judgments against the Group.

	Group	
	2015 US\$'000	2014 US\$'000
<i>(iii) Movements in provision for onerous contracts - leased premises were as follows:</i>		
Balance at beginning of financial year	286	1,928
Provision made during the financial year		
- continuing operations (Note 5)	-	216
Finance expenses accreted on onerous contracts		
- continuing operations (Note 6)	40	54
Provision utilised during the financial year	(92)	(1,594)
Provision written back during the financial year		
- continuing operations (Note 5)	(154)	(318)
Balance at end of financial year	80	286

Arising from the restructuring activities that the Group undertook, provision was made for onerous contracts relating to leased premises, estimated based on the extent to which unavoidable costs of meeting the obligations under the non-cancellable lease contracts exceed the economic benefits expected to be received under them.

28. DEFERRED INCOME

	Group	
	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	6,722	13,686
Additions during the financial year	271	898
Amount amortised during the financial year		
- continuing operations (Note 4)	(4,797)	(7,324)
- discontinued operations	(185)	(538)
Disposal of subsidiaries (Note 14)	(1,225)	-
Balance at end of financial year	786	6,722
Less: Current portion	(205)	(5,156)
Non-current portion	581	1,566

Deferred income relates mainly to the deferred gain on sale and leaseback of assets (refer to Note 2.17) and government grants received to equip container ships for cold-ironing and to electrify berths to reduce air pollution. The deferred government grants are amortised and taken to the income statement on a straight-line basis over the useful life of the assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

29. OTHER NON-CURRENT LIABILITIES

	Group	
	2015 US\$'000	2014 US\$'000
Deferred lease payables	2,408	4,177
Others	16,095	22,632
	18,503	26,809

Rental expenses incurred for certain operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the leases. The difference between the actual lease payment and the amount taken to the income statement is capitalised as deferred lease payables.

Deferred lease payables are amortised and taken to the income statement on a straight-line basis over the remaining tenure of the lease.

Other non-current liabilities includes deferred vendor incentive and long-term asset retirement obligations.

Deferred vendor incentive relates to a contract incentive received from a vendor that is amortised and taken to the income statement over the term of the contract.

Long-term asset retirement obligations represent the estimated costs of reinstating various leased spaces to their original condition at the expiration of the leases.

30. FINANCE LEASE LIABILITIES

Finance lease liabilities (secured) were related mainly to vessels acquired under finance leases.

As at 25 December 2015

Future Lease Payments	Group US\$'000
Amount repayable in one year or less	28,225
Amount repayable in:	
2017	28,135
2018	28,135
2019	27,561
2020	27,542
Thereafter	277,498
Minimum lease payments	417,096
Less: Future finance charges	(150,634)
Total finance lease liabilities	<u>266,462</u>
Representing finance lease liabilities:	
Not later than one year (Note 26)	11,139
Later than one year but not later than five years (Note 26)	50,503
Later than five years (Note 26)	204,820
Total finance lease liabilities	<u>266,462</u>

As at 26 December 2014

Future Lease Payments	Group US\$'000
Amount repayable in one year or less	28,531
Amount repayable in:	
2016	28,541
2017	28,337
2018	28,288
2019	27,525
Thereafter	305,063
Minimum lease payments	446,285
Less: Future finance charges	(168,458)
Total finance lease liabilities	<u>277,827</u>
Representing finance lease liabilities:	
Not later than one year (Note 26)	10,746
Later than one year but not later than five years (Note 26)	48,701
Later than five years (Note 26)	218,380
Total finance lease liabilities	<u>277,827</u>

These leases terminate at various dates and some of the lease agreements provide options to purchase the leased assets at specified values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

31. SHARE CAPITAL, TREASURY SHARES AND SHARES HELD BY EMPLOYEE BENEFIT TRUST

	Number of shares			Amount		
	Issued share capital	Treasury shares	Shares held by employee benefit trust	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000
2015						
Balance at beginning of financial year	2,595,548,209	(1,726,717)	(5,716,851)	1,834,341	(5,216)	(5,719)
Employee equity compensation schemes						
- new shares issued	7,579,033	-	-	5,919	-	-
Sale of shares by employee benefit trust	-	-	1,580,000	-	-	1,393
Balance at end of financial year	<u>2,603,127,242</u>	<u>(1,726,717)</u>	<u>(4,136,851)</u>	<u>1,840,260</u>	<u>(5,216)</u>	<u>(4,326)</u>
2014						
Balance at beginning of financial year	2,591,758,446	(1,726,717)	(5,869,851)	1,830,222	(5,216)	(6,146)
Employee equity compensation schemes						
- new shares issued	3,789,763	-	-	4,119	-	-
Sale of shares by employee benefit trust	-	-	153,000	-	-	427
Balance at end of financial year	<u>2,595,548,209</u>	<u>(1,726,717)</u>	<u>(5,716,851)</u>	<u>1,834,341</u>	<u>(5,216)</u>	<u>(5,719)</u>

All issued shares are fully paid. The ordinary shares have no par value.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares (except treasury shares) carry one vote per share.

(a) *Share options, restricted shares and performance shares*

During the financial year ended 25 December 2015, 7,314,833 (2014: 3,789,763) new ordinary shares were issued to fulfil the Company's obligation under the NOL RSP 2010 and NOL PSP 2010.

During the financial year ended 25 December 2015, the Company issued 264,200 (2014: Nil) new ordinary shares to the participants of the NOL SOP who exercised their options to purchase ordinary shares at the subscription price of S\$1.05 per share.

The newly issued shares rank pari passu in all respects with the previously issued shares.

(b) *Treasury shares*

During both the financial years, no shares were purchased for the purposes of fulfilling the Company's obligations under the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010. In addition, no treasury shares were re-issued by the Company pursuant to the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010.

(c) *Shares held by employee benefit trust*

The Company has set up an employee benefit trust fund whose purpose is to purchase and hold the Company's shares acquired from the Singapore Exchange for issuance of units to employees under the Staff Share Ownership Scheme.

32. EMPLOYEE BENEFITS

(a) Equity Compensation Benefits

The Group offers the following employee equity compensation plans:

- (i) Employee Share Option Plan (terminated with effect from 30 August 2010)
- (ii) Performance Share Plan 2004 (terminated with effect from 30 August 2010)
- (iii) Restricted Share Plan 2010 (with effect from 30 August 2010)
- (iv) Performance Share Plan 2010 (with effect from 30 August 2010)
- (v) Staff Share Ownership Scheme

(i) Employee Share Option Plan

Share options under the NOL SOP were granted to Directors and employees of the Group. The exercise price of the options was determined based on the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees took into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options would vest after a specified number of years from the grant date.

Details of options granted under the NOL SOP during the financial year ended 25 December 2015 were as follows:

Share Options	(a)	(b)	(c)	(d)	(e)	Total
Date option granted	31/12/04	13/3/06 ²⁰	12/3/07 ²¹	22/2/08 ²²	20/2/09 ²³	
Exercise period						
From	31/12/05	13/3/07	12/3/08	22/2/09	20/2/10	
To	30/12/14	12/3/16	11/3/17	21/2/18	19/2/19	
Exercise price per option						
- Before Rights Issue	S\$2.06 ¹⁸	S\$2.20	S\$3.32	S\$3.62	S\$1.15	
- After Rights Issue ¹⁹	S\$1.96	S\$2.10	S\$3.22	S\$3.52	S\$1.05	
Number of options outstanding						
as at 26 December 2014	3,684,890	10,495,656	4,156,839	5,512,951	10,521,393	34,371,729
During the financial year						
- Options exercised	-	-	-	-	(264,200)	(264,200)
- Options cancelled	-	(2,093,595)	(911,369)	(1,293,076)	(2,479,067)	(6,777,107)
- Options expired	(3,684,890)	-	-	-	-	(3,684,890)
Balance as at 25 December 2015	-	8,402,061	3,245,470	4,219,875	7,778,126	23,645,532

No share options were granted in 2015 for the financial year ended 26 December 2014 as the NOL SOP was terminated on 30 August 2010.

¹⁸ In accordance with the modified rules of the NOL SOP approved by shareholders at the EGM held on 3 January 2006 and the advice of the independent financial advisor, the exercise price of the outstanding share options under the NOL SOP was reduced by S\$0.92 to S\$2.06 as a result of the capital reduction and cash distribution exercise.

¹⁹ In accordance with the rules of the NOL SOP and the advice of the independent financial advisor, adjustments had been made to the exercise prices and the number of shares comprised in the outstanding share options under the NOL SOP as a result of the Rights Issue. Exercise prices of the outstanding share options were reduced by S\$0.10 except for 1,226,000 share options granted to a Director.

²⁰ From the date of grant, one-third of the share options granted have each vested on 13 March 2007, 13 March 2008 and 13 March 2009.

²¹ From the date of grant, one-third of the share options granted have each vested on 12 March 2008, 12 March 2009 and 12 March 2010.

²² From the date of grant, one-third of the share options granted have each vested on 22 February 2009, 22 February 2010 and 22 February 2011.

²³ From the date of grant, one-third of the share options granted have each vested on 20 February 2010, 20 February 2011 and 20 February 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

32. EMPLOYEE BENEFITS *(continued)*

(a) Equity Compensation Benefits *(continued)*

(i) Employee Share Option Plan *(continued)*

Details of movement and weighted average exercise prices of the NOL SOP were as follows:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as at beginning of financial year	34,371,729	S\$2.13	36,487,845	S\$2.13
During the financial year				
- Options exercised	(264,200)	S\$1.05	-	-
- Options cancelled	(6,777,107)	S\$2.14	(2,116,116)	S\$2.19
- Options expired	(3,684,890)	S\$1.96	-	-
Balance as at end of financial year	23,645,532	S\$2.16	34,371,729	S\$2.13
Exercisable as at end of financial year	23,645,532	S\$2.16	34,371,729	S\$2.13

The weighted average share price at the date of exercise for options exercised was S\$1.18. The range of exercise prices for options outstanding as at 25 December 2015 and 26 December 2014 was from S\$1.05 to S\$3.52. The weighted average remaining contractual life for these options was 1.7 years (2014: 2.4 years).

The NOL SOP was terminated following the adoption of the NOL RSP 2010 by the shareholders of the Company at an EGM held on 30 August 2010. Options granted and outstanding prior to the termination of the NOL SOP will continue to be valid and subject to the terms and conditions of the NOL SOP.

(ii) Performance Share Plan 2004

Performance shares under the NOL PSP 2004 were awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP 2004, performance shares would vest after a specified number of years from the end of the performance period.

The NOL PSP 2004 was terminated following the adoption of the NOL PSP 2010 by the shareholders of the Company at the EGM held on 30 August 2010. Performance shares awarded and unvested prior to the termination of the NOL PSP 2004 will continue to be valid and subject to the terms and conditions of the NOL PSP 2004.

No performance shares were awarded in 2015 for the financial year ended 26 December 2014 as the NOL PSP 2004 was terminated on 30 August 2010.

There were no outstanding performance shares under the NOL PSP 2004 as at 25 December 2015 and 26 December 2014.

(iii) Restricted Share Plan 2010

Awards of restricted shares to the Directors and employees of the Group under the NOL RSP 2010 approved at an EGM held on 30 August 2010 take into consideration the Group's financial performance as well as the employee's job level, job performance, length of service (pro-rated for employees without full year of service) and contribution to the success and development of the Group. The above criteria will not apply to non-executive directors as such awards, if given, will form part of the directors' remuneration in lieu of cash. Pursuant to the terms of the NOL RSP 2010, the restricted shares will, except in certain special circumstances as approved by the ERCC, vest after a specified number of years from the award date.

Details of restricted shares awarded, vested and cancelled under the NOL RSP 2010 during the financial year ended 25 December 2015 were as follows:

Restricted Shares	(a)	(b)	(c)	Total
Date of award	1/4/13 ²⁴	1/4/14 ²⁵	1/4/15 ²⁶	
Performance period				
From	31/12/11	29/12/12	28/12/13	
To	28/12/12	27/12/13	26/12/14	
Number of shares outstanding as at 26 December 2014	2,322,747	6,101,848	–	8,424,595
During the financial year				
- Shares awarded	–	–	7,455,000	7,455,000
- Shares vested	(1,622,640)	(3,123,679)	(1,782,000)	(6,528,319)
- Shares cancelled	(96,867)	(442,703)	(449,557)	(989,127)
Balance as at 25 December 2015	603,240	2,535,466	5,223,443	8,362,149

²⁴ From the date of award, 827,661 restricted shares awarded have vested on 1 April 2013, 1,642,919 restricted shares awarded have vested on 1 April 2014, 1,464,287 restricted shares awarded have vested on 1 April 2015 and 158,353 restricted shares awarded vested on 15 June 2015*. The remaining restricted shares will vest on 1 April 2016.

²⁵ From the date of award, 1,970,739 restricted shares awarded have vested on 1 April 2015, 1,145,606 restricted shares awarded have vested on 15 June 2015* and 7,334 restricted shares awarded have vested on 23 October 2015*. The remaining restricted shares awarded will vest on 1 April 2016 and 1 April 2017.

²⁶ From the date of award, 1,766,000 restricted shares awarded have vested on 15 June 2015* and 16,000 restricted shares awarded have vested on 24 July 2015*. The remaining restricted shares awarded will vest on 1 April 2016, 1 April 2017 and 1 April 2018.

* Vesting approved by ERCC due to the sale of Logistics business unit.

The weighted average fair value of the restricted shares awarded under the NOL RSP 2010 during the financial year ended 25 December 2015 was S\$1.01 (2014: S\$0.98).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

32. EMPLOYEE BENEFITS (continued)

(a) Equity Compensation Benefits (continued)

(iii) Restricted Share Plan 2010 (continued)

The fair value of the NOL RSP 2010 awarded on 1 April 2015 was determined using the Black Scholes Discrete Option Pricing Model on the date of award. The significant inputs into the model and the fair values determined were:

Restricted Shares

Award date	1 April 2015	1 April 2015	1 April 2015
Vesting date	1 April 2016	1 April 2017	1 April 2018
Contractual life	366 days	731 days	1,096 days
Share price	S\$1.01	S\$1.01	S\$1.01
Exercise price	Nil	Nil	Nil
Expected dividend yield	0.00%	0.21%	0.15%
Risk-free rate	1.09%	1.28%	1.48%
Expected volatility ²⁷	29.42%	29.42%	29.42%
Fair value per restricted share	S\$1.01	S\$1.01	S\$1.01

²⁷ The expected volatilities are based on the historical volatility of the Company's share price over the previous 5 years immediately preceding the award date.

(iv) Performance Share Plan 2010

Awards of performance shares to key executives under the NOL PSP 2010 approved at an EGM held on 30 August 2010 take into account the employee's individual performance, job level and length of service (pro-rated for employees without full year of service). The performance shares will only vest over a specified number of years conditional upon the Group attaining certain performance conditions in future years.

Details of performance shares awarded to the executive director and employees, vested and cancelled under the NOL PSP 2010 during the financial year ended 25 December 2015 were as follows:

Performance Shares	(a)	(b)	(c)	(d)	Total
Date of award	2/4/12 ²⁸	1/4/13 ²⁹	1/4/14 ³⁰	1/4/15 ³¹	
Performance period					
From	01/01/11	31/12/11	29/12/12	28/12/13	
To	30/12/11	28/12/12	27/12/13	26/12/14	
Number of shares outstanding as at 26 December 2014	905,347	2,152,349	4,692,000	–	7,749,696
During the financial year					
- Shares awarded	–	–	–	5,602,000	5,602,000
- Shares vested	(187,846)	(235,916)	(362,752)	–	(786,514)
- Shares cancelled	(717,501)	(1,071,949)	(1,867,790)	(1,461,195)	(5,118,435)
Balance as at 25 December 2015	–	844,484	2,461,458	4,140,805	7,446,747

²⁸ Excluding performance shares cancelled from the date of award, the remaining performance shares awarded have vested on 31 May 2013, 2 June 2014 and 8 May 2015.

²⁹ Excluding performance shares cancelled from the date of award, 253,584 performance shares awarded have vested on 2 June 2014 and 235,916 performance shares awarded have vested on 8 May 2015. The remaining performance shares awarded will vest on 31 May 2016, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

³⁰ Excluding performance shares cancelled from the date of award, 362,752 performance shares awarded have vested on 8 May 2015. The remaining performance shares awarded will vest on 31 May 2016 and 31 May 2017, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

³¹ Excluding performance shares cancelled from the date of award, the remaining performance shares awarded will vest on 31 May 2016, 31 May 2017 and 31 May 2018, conditional upon the Group attaining certain performance conditions in the prescribed future performance periods.

The weighted average fair value of the performance shares awarded under the NOL PSP 2010 during the financial year ended 25 December 2015 was S\$1.01 (2014: S\$0.97).

The fair value of the NOL PSP 2010 awarded on 1 April 2015 was determined using the Black Scholes Discrete Option Pricing Model on the date of award. The significant inputs into the model and the fair values determined were:

Performance Shares

Award date	1 April 2015	1 April 2015	1 April 2015
Vesting date	1 June 2016	31 May 2017	31 May 2018
Contractual life	426 days	791 days	1,156 days
Share price	S\$1.01	S\$1.01	S\$1.01
Exercise price	Nil	Nil	Nil
Expected dividend yield	0.35%	0.19%	0.13%
Risk-free rate	1.12%	1.32%	1.52%
Expected volatility ³²	29.42%	29.42%	29.42%
Fair value per performance share	S\$1.01	S\$1.01	S\$1.01

³² The expected volatilities are based on the historical volatility of the Company's share price over the previous 5 years immediately preceding the award date.

(v) Staff Share Ownership Scheme

The Group offers the Staff Share Ownership Scheme to all eligible Singapore employees. Certain companies in the Group will make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees, up to a maximum of S\$250 per month for each employee. All contributions collected will be credited to an employee benefit trust fund which will be used to buy the shares of the Company for issuance of units to the employees. Cash is paid to employees when they exercise the right to redeem the units or upon full withdrawal from the scheme, which may occur whilst in employment or on their last day of service with the Group. The redemption of units or withdrawal from the scheme is subject to the terms and conditions under the Staff Share Ownership Scheme. The Group consolidates the trust and the Company's shares held by the employee benefit trust are accounted for as part of equity in accordance with FRS 32.

The scheme has ceased to accept new members with effect from 1 July 2014 and has also ceased making corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees with effect from 1 July 2015.

The fair value of the shares held under the Staff Share Ownership Scheme was determined based on the closing bid price of NOL shares as at 25 December 2015.

The number of shares held by employee benefit trust as at 25 December 2015 is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

32. EMPLOYEE BENEFITS *(continued)*

(b) Post-Employment Defined Benefit Plans

The Group has several defined benefit plans covering eligible employees of certain subsidiaries. Defined benefits for employees are generally based on the final pensionable salary and years of service. In addition, certain subsidiaries in the Group contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These contributions are determined in accordance with the provisions of negotiated labor contracts.

The Group also shares the cost of its health care benefits with eligible retired employees of certain subsidiaries and recognises the cost of providing health care and other benefits to retirees over the term of employee service and throughout retirement.

The following tables summarised the components of net benefit expense and the funded status recognised in the consolidated financial statements.

Net Benefit Expense

	Defined benefit plans		Post-retirement benefits	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Current service cost	3,311	5,691	216	202
Net interest expense on benefit obligations	1,965	1,350	1,755	1,903
Plan administration costs	934	873	-	-
Curtailement gain	-	(3,163)	(2,183)	(739)
	6,210	4,751	(212)	1,366
Net benefit expense:				
Continuing operations (Note 7)	5,834	3,773	(212)	1,366
Discontinued operations	376	978	-	-
	6,210	4,751	(212)	1,366

Re-measurement of Net Defined Benefit Obligations

	Defined benefit plans		Post-retirement benefits	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Re-measurement:				
- (Gain)/loss arising from change in actuarial assumptions	(4,903)	20,199	(560)	6,361
- (Gain)/loss arising from change in experience adjustments	(1,324)	(4,139)	1,024	(3,523)
- Return on plan assets	4,321	(3,145)	-	-
Foreign currency translation	(234)	(378)	-	-
	(2,140)	12,537	464	2,838
Re-measurement of net defined benefit obligations:				
Continuing operations	(2,256)	12,799	464	2,838
Discontinued operations	116	(262)	-	-
	(2,140)	12,537	464	2,838

Net Benefit (Asset)/Liability

	Defined benefit plans		Post-retirement benefits	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Present value of funded benefit obligations	173,540	189,548	–	–
Fair value of plan assets	(146,176)	(162,764)	–	–
	27,364	26,784	–	–
Present value of unfunded benefit obligations	16,555	21,294	42,972	46,193
Net benefit liability	43,919	48,078	42,972	46,193
Represented by:				
Non-current asset (Note 23)	(24)	(27)	–	–
Non-current liability (Note 27)	43,943	48,105	42,972	46,193
Net benefit liability	43,919	48,078	42,972	46,193

The changes in the present value of defined benefit obligations were as follows:

Present Value of Defined Benefit Obligations

	Defined benefit plans		Post-retirement benefits	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Present value of defined benefit obligations at beginning of financial year	210,842	212,228	46,193	45,503
Current service cost	3,311	5,691	216	202
Interest expense	8,712	8,478	1,755	1,903
Re-measurement:				
- (Gain)/loss arising from change in actuarial assumptions	(4,903)	20,199	(560)	6,361
- (Gain)/loss arising from change in experience adjustments	(1,324)	(4,139)	1,024	(3,523)
Curtailment gain	–	(3,163)	(2,183)	(739)
Settlements	–	(19,512)	–	–
Benefits paid	(20,229)	(7,734)	(3,473)	(3,514)
Foreign currency translation	(1,235)	(1,206)	–	–
Disposal of subsidiaries	(5,079)	–	–	–
Present value of defined benefit obligations at end of financial year	190,095	210,842	42,972	46,193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

32. EMPLOYEE BENEFITS *(continued)*

(b) Post-Employment Defined Benefit Plans *(continued)*

The changes in the fair value of plan assets were as follows:

Fair Value of Plan Assets

	Defined benefit plans		Post-retirement benefits	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Fair value of plan assets at beginning of financial year	162,764	178,043	-	-
Interest income	6,747	7,128	-	-
Plan administration costs	(934)	(873)	-	-
Re-measurement:				
- Return on plan assets	(4,321)	3,145	-	-
Employer contributions	3,351	3,137	3,473	3,514
Settlements	-	(19,512)	-	-
Benefits paid	(19,967)	(7,727)	(3,473)	(3,514)
Foreign currency translation	(381)	(577)	-	-
Disposal of subsidiaries	(1,083)	-	-	-
Fair value of plan assets at end of financial year	146,176	162,764	-	-

The fair value of plan assets by each asset class is as follows:

	2015 US\$'000	2014 US\$'000
Investment Funds		
BlackRock Alpha Tilts CIT Fund	20,547	22,920
GMO ERISA CIT International Equity Fund	–	13,980
Harding Loevner Mutual Fund	27,379	14,272
Royce Small Cap Value Mutual Fund	5,544	6,861
Wells Fargo Small Cap Growth Mutual Fund	6,892	7,401
Others	379	72
	60,741	65,506
Equity Securities		
Consumer Goods and Services	5,878	6,913
Information & Technology	9,571	10,181
Healthcare	6,933	9,033
Financial Institution & Insurance	5,502	5,425
Media	2,795	3,279
Transportation	1,056	2,338
Energy	1,477	2,573
Food & Beverage	855	1,321
Others	2,166	3,136
	36,233	44,199
Debt Securities		
Treasury Bonds	13,661	17,966
Government debt securities	2,286	892
AAA rated debt securities	5,475	8,499
AA rated debt securities	669	1,185
A rated debt securities	5,212	8,112
BBB rated debt securities	6,528	4,954
BB rated debt securities	1,641	386
Unrated debt securities	213	56
Asset-backed securities	1,056	–
Collateralised Pass Throughs	1,716	–
	38,457	42,050
Cash and cash equivalents	10,745	11,009
Total	146,176	162,764

Majority of the investment funds, equity and debt instruments held have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

32. EMPLOYEE BENEFITS *(continued)*

(b) Post-Employment Defined Benefit Plans *(continued)*

The principal actuarial assumptions used in determining defined benefit obligations and post-retirement benefit obligations for the Group's plans were shown below:

Defined Benefit Plans	2015 %	2014 %
Weighted average discount rate	3.6	3.6
Rate of increase in compensation levels	2.7	2.9
Expected long-term rate of return on plan assets	6.4	6.4

The long-term rate of return on plan assets is based on the expected ten year annualised rate of return projected by external financial consultants, taking into consideration the Group's target asset allocation, capital market assumptions and expenses. While the capital market assumptions are forward looking, they are anchored on modelling and analysis of historical returns.

Post-retirement Benefits	2015 %	2014 %
Weighted average discount rate	3.8	4.0
Rate of increase in cost of post-retirement benefits	6.5	7.0

The rate of increase in cost of post-retirement benefits was assumed to reduce to 4.5% by 2019 and thereafter.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming all other assumptions were held constant:

	Weighted average Increase/ Decrease %	2015	
		Defined benefit plans US\$'000	Post- retirement benefits US\$'000
Discount rate	+0.9	172,646	38,711
	-0.9	211,441	48,166
Rate of increase in compensation levels	+0.9	194,605	N/A
	-0.9	186,076	N/A
Rate of increase in cost of post-retirement benefits	+1.0	N/A	47,833
	-1.0	N/A	38,905
	Weighted average Increase/ Decrease %	2014	
		Defined benefit plans US\$'000	Post- retirement benefits US\$'000
Discount rate	+0.9	190,441	41,809
	-0.9	236,113	51,518
Rate of increase in compensation levels	+0.9	215,421	N/A
	-0.9	206,605	N/A
Rate of increase in cost of post-retirement benefits	+1.0	N/A	52,112
	-1.0	N/A	41,374

N/A: Not Applicable

The Group's investment strategy is to manage plan assets with a long-term perspective to ensure that there are sufficient assets to support benefit payments to participants over the life of the plans. The investment strategy is a Total Return strategy and is not meant to explicitly hedge the liabilities; there is a mismatch between the assets and liabilities. Majority of the plan assets are invested in equity securities because equity portfolios have historically provided higher returns than debt portfolios over extended time horizons and are expected to do so in the future. Correspondingly, equity investments also entail greater risk than debt investments. To mitigate the risk of loss in the plans' equity portfolio, the Group invests in a broad range of equity types. Equity diversification includes large-capitalisation and small-capitalisation companies, growth-oriented and value-oriented investments, and US and non-US securities.

The Group's current weighted average target asset allocation consists of 66% (2014: 67%) of equity instruments and 34% (2014: 33%) of other investments.

The expected contributions to be paid in the next financial year for defined benefit plans and post-retirement benefits participated by the Group's employees are US\$2.5 million (2014: US\$2.2 million) and US\$1.6 million (2014: US\$3.5 million).

The weighted average duration of the defined benefit plans and post-retirement benefits at the end of the reporting period is 11.6 years (2014: 13.2 years) and 14.9 years (2014: 13.7 years) respectively.

33. CONTINGENT LIABILITIES

Protection and Indemnity Insurance

Protection and Indemnity ("P&I") insurance has been arranged to cover the legal liability of the Group for its shipping operations. Vessels operated by the Group are entered in P&I Clubs which are mutual protection and indemnity associations. In addition, these clubs are also members of the International Group of P&I Clubs. A member of the mutual association is subject to calls payable to the associations based on the member's claims records as well as the claim records of all other members in the International Group of P&I Clubs. In a mutual association, premiums are paid as advance calls during the policy year and these premiums form a basic fund out of which claims and other outgoings are met. This fund is invested and any income earned is added to it. This fund is supplemented, if necessary, by calls made after the end of the policy year so that when the policy year is finally closed, there is neither profit nor loss. A contingent liability exists for the Group to the extent that the aggregate claims records of all the members of the associations show significant deterioration which may result in additional calls and substantial increase in reinsurance costs on the members, the quantum of which is not readily ascertainable.

Litigation and Claims

Other than those for which provisions were made in the consolidated financial statements, the Group may be liable for vessel damages, litigation and other claims initiated by third parties and/or government authorities in various jurisdictions in which the Group carries out its business operations.

Based upon information presently available and advice by the Group's legal counsel, management believes that the Group is not liable under such claims, and/or that it is not possible to estimate the amount of additional losses, if any, that might result from adverse judgments against the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

33. CONTINGENT LIABILITIES *(continued)*

Pension Plan Obligations

In 2014, the Group was advised by the American Maritime Officers Pension Plan (the "Plan") that the Plan had determined that the Group had experienced a complete withdrawal from the Plan in 2013. As a result, the Plan assessed withdrawal liability of US\$18.5 million, payable in 80 quarterly equal instalments. The Group has contested this determination and demanded arbitration to resolve the dispute. The dispute was resolved in November 2015, resulting in a settlement of US\$9.0 million. As a result, withdrawal liability is extinguished as at 25 December 2015.

Other than the above, the Group has not undertaken, and does not presently intend, to withdraw from any multi-employer plans to which it contributes, nor are there any known intentions to terminate the plans. Under the Multi-Employer Pension Plan Amendments Act of 1980 in the US, should either event occur with respect to a plan, the Group may be liable for its proportionate share of the plan's unfunded vested benefits. Based on the most current information available from the plan actuaries, the estimated share of these unfunded vested benefits attributable to operations of the Group as of 25 December 2015 and 26 December 2014 were US\$201.2 million and US\$149.2 million respectively.

Employment Agreements

The Group had entered into employment agreements with certain of its executive officers. Each of the agreements provides for certain payments to the officer upon termination of employment by the Group other than as a result of death, disability (in most cases), or justified cause, as defined. In addition, the agreements with certain senior executives provide for certain payments to the officer if the officer terminates his or her employment under certain circumstances following a change in control of certain legal entities of the Group. The estimated maximum future commitment under the foregoing termination provisions of these employment agreements, in the aggregate, was US\$2.0 million as at 25 December 2015 (2014: US\$2.7 million).

Tax Exposures

The Group may become contingently liable for assessments by the tax authorities for its operational activities.

The U.S. Internal Revenue Service ("the IRS") audited the 2007, 2008 and 2009 US federal tax returns of APL Limited. In May 2014, the IRS issued a Revenue Agent Report ("RAR") with certain adjustments. APL Limited disagrees with the IRS's adjustments and consequently filed its protest letter on 12 June 2014, requesting the matter be referred to the IRS Office of Appeals. The IRS has audited the 2010, 2011 and 2012 US federal tax returns of APL Limited and has issued a Notice of Proposed Adjustments ("NOPA") in July 2015, raising the same issues that were raised in the 2007 to 2009 cycle. APL Limited has requested for these issues to be considered and resolved in connection with the appeals proceedings for 2007 to 2009 cycle. The Group is not able to determine with certainty the ultimate outcome of the IRS eventual assessment. As at 25 December 2015, based on available facts and information, the Group believes that it has provided adequate provisions for the open matters referred to in the RAR and NOPA.

Other than the provisions made in the consolidated financial statements, based upon information presently available and the best estimates of whether additional taxes will be due, management believes that the Group is not liable under such assessments and/or that it is not possible to estimate the amount of additional tax provisions, if any, that might result from adverse assessments raised against the Group.

Guarantees

In addition to the above, the Company had contingent liabilities in respect of:

	Note	Company	
		2015 US\$'000	2014 US\$'000
i) Drawdown bank loans		1,288,626	2,440,954
ii) Performance guarantees provided to vendors and lessors for default payments	(a)	1,106,492	1,330,888
iii) Guarantees issued by financial institutions		35,003	57,662
		2,430,121	3,829,504

Note:

- (a) This represents the estimated maximum guarantees provided by the Company to the vendors and lessors for the subsidiaries' default payment primarily on capital expenditure and leasing of vessels and terminal. The guarantee amount will reduce accordingly upon progressive and lease payment made by the subsidiaries.

Certain subsidiaries of the Company had given corporate guarantees to external parties in the ordinary course of business, insuring them from loss or damage due to non-performance by other subsidiaries or by the affiliates of the Group. Under certain circumstances or at the request of the external parties, performance guarantees were given by financial institutions and insurance companies, without recourse to the Company. This arrangement guarantees payment to the third parties in case the subsidiaries default on payment. The aggregate amount of such types of guarantees given by the financial institutions and insurance companies (without recourse to the Company) amounted to US\$10.9 million (2014: US\$11.8 million) for the financial year ended 25 December 2015.

The Company had also provided US\$668.7 million (2014: US\$679.2 million) guarantees for credit facilities granted to subsidiaries which were unutilised as at the financial year end.

The Group is a party to other various inquiries, administrative proceedings, litigation and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, based upon information presently available, and in light of legal and other defenses and insurance coverage and other potential sources of payment available to the Group, management believes that the final outcome of these matters will not have a material adverse impact on the Group's consolidated financial position or operations.

34. COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted for as at the financial year end but not recognised in the financial statements were analysed as follows:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Capital commitments in respect of property, plant and equipment	38,015	74,908	317	534

As at 25 December 2015 and 26 December 2014, the Group and the Company had an uncalled capital contribution commitment in respect of its investment in an associated company. The outstanding commitment existed to the extent that the request for additional funds by the associated company for its business and its container terminal project might result in additional calls on its shareholders, the quantum of which is not ascertainable at the present time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

34. COMMITMENTS (continued)

(b) Operating Lease Commitments – Where the Group and Company are Lessees

The future aggregate minimum lease payable under non-cancellable operating leases of the Group were analysed as follows:

Group

As at 25 December 2015	Vessels US\$'000	Containers US\$'000	Terminals US\$'000	Chassis US\$'000	Others US\$'000	Total US\$'000
Amount repayable in one year or less	172,157	15,004	65,789	679	25,228	278,857
Amount repayable in:						
2017	123,442	6,804	56,837	–	15,312	202,395
2018	116,626	5,274	49,056	–	9,688	180,644
2019	113,003	2,533	49,056	–	8,244	172,836
2020	69,455	2,533	49,056	–	5,020	126,064
Thereafter	142,909	4,014	267,337	–	3,167	417,427
	737,592	36,162	537,131	679	66,659	1,378,223

As at 26 December 2014	Vessels US\$'000	Containers US\$'000	Terminals US\$'000	Chassis US\$'000	Others US\$'000	Total US\$'000
Amount repayable in one year or less	266,916	50,845	68,986	508	54,026	441,281
Amount repayable in:						
2016	159,032	15,112	56,919	–	37,656	268,719
2017	123,442	6,804	57,047	–	22,805	210,098
2018	116,626	5,274	49,056	–	12,785	183,741
2019	113,003	2,533	49,056	–	10,486	175,078
Thereafter	212,364	6,547	321,733	–	10,619	551,263
	991,383	87,115	602,797	508	148,377	1,830,180

The main operating lease arrangements entered into by the Group as a lessee were related to long-term non-cancellable lease agreements for vessels. These leases have different terms and terminate at various dates. Specific clauses like rental escalation, renewal rights and purchase options can be found in some of these lease agreements.

Operating lease commitments included under others relate mainly to warehouse space, warehouse equipment, inland container yards, housing rental, office space and land.

Certain lease agreements entered by the Group included novation clauses or clauses with similar effect. Subject to specific conditions stated in the agreements, these clauses enforce the landlord to continue the lease arrangements with the Group's customers, upon termination of the service contracts between the Group and its customers. Aggregate amount of operating lease commitments that incorporated such clauses was US\$Nil million (2014: US\$26.2 million) as at the financial year end.

The future aggregate minimum lease payable under non-cancellable operating leases of the Company were analysed as follows:

Company

As at 25 December 2015	Office space US\$'000
Amount repayable in one year or less	5,195
Amount repayable in:	
2017	5,195
2018	5,195
2019	5,195
2020	2,584
	23,364
As at 26 December 2014	Office space US\$'000
Amount repayable in one year or less	5,508
Amount repayable in:	
2016	5,508
2017	5,508
2018	5,508
2019	5,508
Thereafter	2,740
	30,280

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

34. COMMITMENTS (continued)

(c) Operating Lease Commitments – Where the Group and Company are Lessors

(i) For Leased-in Assets

The future minimum lease payments receivable under non-cancellable sub-leases relating to a lease-in and a simultaneous lease-out arrangement of the Group and the Company were as follows:

Group

As at 25 December 2015	Vessels US\$'000	Others US\$'000	Total US\$'000
Amount receivable in one year or less	3,800	6,861	10,661
Amount receivable in:			
2017	–	1,852	1,852
2018	–	1,138	1,138
2019	–	1,099	1,099
2020	–	549	549
	3,800	11,499	15,299
As at 26 December 2014	Vessels US\$'000	Others US\$'000	Total US\$'000
Amount receivable in one year or less	4,071	4,032	8,103
Amount receivable in:			
2016	–	4,148	4,148
	4,071	8,180	12,251

Operating lease commitments included under others were related mainly to office space.

Company

As at 25 December 2015	Office space US\$'000
Amount receivable in one year or less	3,585
Amount receivable in:	
2017	3,585
2018	3,585
2019	3,585
2020	1,793
	16,133
As at 26 December 2014	Office space US\$'000
Amount receivable in one year or less	3,535
Amount receivable in:	
2016	3,535
2017	3,535
2018	3,536
2019	3,536
Thereafter	1,768
	19,445

(ii) For Owned Assets

The future minimum lease payments receivable under non-cancellable leases relating to a lease-out arrangement for owned assets of the Group were as follows:

Group

As at 25 December 2015	Vessels US\$'000
Amount receivable in one year or less	56,678
Amount receivable in:	
2017	8,909
	65,587

As at 26 December 2014	Vessels US\$'000
Amount receivable in one year or less	93,185
Amount receivable in:	
2016	65,280
2017	9,625
	168,090

Company

The Company had no future minimum lease payments receivable under non-cancellable leases relating to a lease-out arrangement for owned assets as at 25 December 2015 and 26 December 2014.

35. FINANCIAL RISK MANAGEMENT

The Group is exposed to various market risks which include fluctuations in foreign currency exchange rates, interest rates and bunker prices. In order to minimise the potential volatility on the financial performance of the Group, financial risk management programmes (e.g. use of financial derivative instruments) are employed to hedge against certain market risks. The Group does not engage in speculative trading.

The Board of Directors (the "Board") has overall responsibility for managing the Group's financial risks. The Board has established the Enterprise Risk Management Committee which oversees the risk management processes and reviews the compliance of risk management measures in the Group. Various business and operating units are involved in identifying the significant underlying risks of the Group.

Financial risk management is carried out by the Corporate Finance Division in accordance with policies approved by the Board. The Corporate Finance Division identifies, evaluates and executes the financial risk management programmes in close cooperation with the Group's business and operating units.

Internal controls are efficiently achieved by way of segregating the duties of the front (i.e. Group Treasury department), middle (i.e. Group Treasury Operations department) and back (i.e. Group Accounting department) offices. In addition, internal guidelines for approved dealing limits are in place to prevent unauthorised transactions. The Audit Committee, assisted by the internal auditors and/or external auditing firm, evaluates the effectiveness of the internal control systems associated with the financial risk management programmes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT *(continued)*

The Board is regularly updated on the Group's hedging activities.

There has been no change in the approach in which the Group measures and manages the above-mentioned financial risks.

The analysis under this section has included the assets and liabilities of group companies classified as held-for-sale.

(a) Market Risk Factors

The Group is exposed to the following risks:

(i) Currency risk

The Group's revenue streams are denominated primarily in USD, the functional currency of the Company and the majority of its significant subsidiaries (listed under Note 41). The Group's currency risk exposures result mainly from cash outflow pertaining to operating costs that are denominated in non-USD currencies, which include the Euro, the Singapore Dollar ("SGD") and Chinese Renminbi ("CNY"). Any appreciation/depreciation in such foreign currencies will result in higher/lower operating costs to the Group when measured in USD terms. The Group uses foreign exchange forward contracts and cross currency interest rate swaps where appropriate to hedge against the various currency risks.

The Group also hedges its non-USD exposures from certain corporate actions such as dividend declarations and equity raising as and when they are determined. In addition, the Group seeks to borrow in the same currency as its assets or investments which are primarily denominated in USD.

For disclosure purpose under this section, the Group identifies its three major foreign currency risk exposures, based on the foreign exchange exposures on the statement of financial position as at end of each financial year, resulting from fluctuations in foreign currency exchange rates. As such, the three foreign currencies selected may not necessarily be the same as the last financial year.

As at 25 December 2015, the Group had identified CNY, Japanese Yen ("JPY") and Indian Rupee ("INR") (2014: CNY, SGD and INR) as the three major foreign currencies bearing relatively high foreign exchange risks as defined under FRS 107.

From a cash flow perspective, the Group's aggregate exposure to the above foreign currencies was the equivalent of about US\$71.5 million (2014: US\$279 million) during the financial year ended 25 December 2015. Every 1% change in the exchange rate of these three foreign currencies would impact the Group's profit before tax by approximately US\$0.7 million (2014: US\$2.8 million), before taking into account the hedges and recovery from customers.

Quantitative Information and Sensitivity Analysis Required Under FRS 107:

As at the financial year end, the Group and the Company had assessed the foreign exchange exposure of the major items in their statements of financial position as follows:

Group	CNY US\$'000	2015 JPY US\$'000	INR US\$'000	CNY US\$'000	2014 SGD US\$'000	INR US\$'000
Trade and other receivables	9,674	10,051	22,317	27,770	17,189	18,530
Cash and cash equivalents	13,108	2,718	51,520	34,884	5,536	64,906
Long term deposits	692	4,029	1,328	1,774	–	2,127
Borrowings	–	(9,837)	(11,965)	–	–	–
Trade and other payables	(42,623)	(24,101)	(37,842)	(96,995)	(55,528)	(33,438)
Gross statement of financial position exposure	(19,149)	(17,140)	25,358	(32,567)	(32,803)	52,125

Company	2015 SGD US\$'000	2014 SGD US\$'000
Trade and other receivables	37,564	11,257
Cash and cash equivalents	549	3,108
Trade and other payables	(11,075)	(14,220)
Gross statement of financial position exposure	27,038	145

Volatility of respective foreign currencies against USD	2015 %	2014 %
CNY	7	4
SGD	7	6
INR	8	9
JPY	9	N/A

N/A: Not Applicable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk Factors (continued)

(i) Currency risk (continued)

Based on the above volatility of the respective foreign currencies against the USD as at the financial year end, the Group's and Company's equity and income statement would have increased/(decreased) by the amounts shown below. This analysis assumed that all other variables remained constant.

Group	2015		2014	
	Equity US\$'000	Income statement US\$'000	Equity US\$'000	Income statement US\$'000
CNY against USD				
- strengthened	2,760	(1,866)	4,682	(1,261)
- weakened	(2,760)	1,866	(4,682)	1,261
SGD against USD				
- strengthened	N/A	N/A	2,710	(2,191)
- weakened	N/A	N/A	(2,710)	2,191
INR against USD				
- strengthened	(465)	(1,291)	6,515	3,692
- weakened	465	1,291	(6,515)	(3,692)
JPY against USD				
- strengthened	(1,560)	(1,560)	N/A	N/A
- weakened	1,560	1,560	N/A	N/A

Company	2015		2014	
	Equity US\$'000	Income statement US\$'000	Equity US\$'000	Income statement US\$'000
SGD against USD				
- strengthened	1,893	1,893	9	9
- weakened	(1,893)	(1,893)	(9)	(9)

N/A: Not Applicable

(ii) Interest rate risk

For the Group, interest rate risk is the risk of increase in interest rates that will result in higher borrowing costs. The Group's interest rate exposure results mainly from its floating-rate debt obligations which are primarily denominated in USD.

To manage interest rate risk, the Group, where appropriate, uses interest rate swaps and cross currency interest rate swaps.

Quantitative Information and Sensitivity Analysis Required Under FRS 107:

As at the financial year end, the breakdown of the Group's and the Company's interest-bearing financial instruments were:

	Carrying amounts			
	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Fixed rate instruments				
Financial assets	175,387	1,107,510	46,433	872,953
Financial liabilities	(1,080,218)	(1,130,902)	(413,073)	(438,064)
Derivative financial liabilities	(58,728)	(39,104)	(56,077)	(37,084)
Variable rate instruments				
Financial assets	56,934	118,280	-	906
Financial liabilities	(1,814,109)	(4,160,501)	(897,348)	(1,886,445)
Derivative financial liabilities	(174,539)	(123,273)	(94,320)	(64,172)

Sensitivity analysis for variable rate instruments

Based on the outstanding financial instruments as at 25 December 2015, an increase/decrease of 30 basis points in interest rates would have decreased/increased the Group's income statement and equity by approximately US\$4.3 million. An increase/decrease of 30 basis points in interest rates would have decreased/increased the Company's equity and income statement by approximately US\$2.4 million.

Based on the outstanding financial instruments as at 26 December 2014, an increase/decrease of 30 basis points in interest rates would have decreased/increased the Group's income statement and equity by approximately US\$10.8 million. An increase/decrease of 30 basis points in interest rates would have decreased/increased the Company's equity and income statement by approximately US\$5.2 million.

The above analysis excluded the financial impact from the interest expense on borrowings taken up for vessels financing which had been capitalised when incurred.

Risk variables were based on volatility in interest rates and current base rates. This analysis assumed that all other variables remained constant.

(iii) *Bunker price risk*

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

To manage bunker price risk, the Group, where appropriate, uses bunker swap and bunker call option contracts. The Group's general risk management policy is to hedge its forecast bunker cost exposure not covered by customer service contracts, whenever they are identified.

During the financial year ended 25 December 2015, the Group consumed approximately 1.8 million (2014: 2.2 million) metric tons of bunker. The average price of bunker in 2015 was about US\$333 per metric ton (2014: US\$578 per metric ton) which translated to approximately US\$585.3 million (2014: US\$1.27 billion) of bunker cost. Before accounting for hedges and recovery from customers, every 1% change in bunker price will impact the Group's bunker cost by approximately US\$5.9 million (2014: US\$12.7 million).

Quantitative Information and Sensitivity Analysis Required Under FRS 107:

Quantitative information on bunker swaps entered into by the Group as at the financial year end was disclosed in Note 13.

Based on volatility in bunker price of 40% (2014: 38%) as at the financial year end, the Group's equity and income statement would have increased/(decreased) by the amounts shown below, as a result of changes in fair value of bunker swaps. This analysis assumed that all other variables remained constant.

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FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Market Risk Factors *(continued)*

(iii) Bunker price risk *(continued)*

<u>Group</u>	<u>Equity</u> <u>US\$'000</u>	<u>Income</u> <u>statement</u> <u>US\$'000</u>
2015		
Fair value changes on derivatives from increase in bunker price		
- Swaps	4,379	31
Fair value changes on derivatives from decrease in bunker price		
- Swaps	(4,379)	(31)
2014		
Fair value changes on derivatives from increase in bunker price		
- Swaps	6,140	43
Fair value changes on derivatives from decrease in bunker price		
- Swaps	(6,140)	(43)

(b) Credit and Counterparty Risks

(i) Credit risk

For the Group, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group has implemented policies to ensure that credit sales of products and services are made to customers with certain quality of credit standing. Credit review, which takes into account qualitative and quantitative factors like the business performance and profile of the customer, is performed on customers and approved by management before the credit term is granted. Management monitors the credit exposure on an on-going basis through the annual credit evaluation exercise and reviewing collection status of the customers on a regular basis.

For other financial assets, the Group adopts the policy of dealing only with counterparties of high credit quality.

As at the financial year end, the carrying amount of the financial assets (net of impairment provision, if any) represented the maximum credit exposure of the Group and the Company. The major classes of financial assets of the Group and the Company and their corresponding carrying values were tabulated as follows:

	Carrying amounts			
	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	425,064	982,429	-	-
Cash and cash equivalents	232,321	1,225,771	46,433	873,859
Amounts due from subsidiaries (non-trade and loans)	-	-	4,526,593	3,552,538
	657,385	2,208,200	4,573,026	4,426,397

The credit risk for the Group's trade receivables was as follows:

Group	2015 US\$'000	2014 US\$'000
<u>By geographical areas</u>		
Americas	220,720	576,444
Europe	52,929	145,103
Asia/Middle East	151,415	260,882
	425,064	982,429

The aging of the Group's trade receivables as at the financial year end was as follows:

Group	2015 US\$'000	2014 US\$'000
Current	326,454	730,227
Past due one to 30 days	37,632	138,640
Past due 31 to 120 days	28,996	89,756
Past due 121 days to one year	31,776	23,574
More than one year	206	232
	425,064	982,429

Financial assets that are current and not impaired

Cash and cash equivalents and derivative financial instruments that are current and not impaired are deposits placed with, and/or financial instruments entered into with, reputable financial institutions having high credit-ratings assigned by international credit-rating agencies. Trade receivables that are current and not impaired mainly relate to freight charges collectable at destination for Free on Board shipments that have not reached destination as at year end (as the full freight revenue for voyages are recognised as trade receivables). Trade receivables that are current but where collectability issues are foreseen and where the customers are having significant financial difficulties or have filed for bankruptcy/insolvency in court may be subject to impairment.

Financial assets that are past due but not impaired

The Group has trade receivables amounting to US\$54.1 million (2014: US\$103.5 million) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging as at financial year end is as follows:

Group	2015 US\$'000	2014 US\$'000
Past due one to 30 days	8,978	43,590
Past due 31 to 120 days	13,333	36,621
Past due 121 days to one year	31,776	23,273
	54,087	103,484

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit and Counterparty Risks (continued)

(i) Credit risk (continued)

Financial assets that are impaired

As at the financial year end, trade receivables were the major financial assets of the Group that were subject to impairment. Impairment was performed on a collective general basis based on historical write-off statistics and on an individual basis based on specific credit risk exposure. The carrying amount of the Group's trade receivables and the corresponding provision for impairment were shown as follows:

<u>Group</u>	<u>2015</u> <u>US\$'000</u>	<u>2014</u> <u>US\$'000</u>
Gross amount	261,895	591,795
Less: Provision for impairment	(25,491)	(23,702)
	236,404	568,093

The movements in the allowance for impairment were as follows:

Beginning of financial year	23,702	21,211
Disposal of subsidiaries	(4,256)	–
Allowance made during the financial year	21,936	15,399
Allowance written back during the financial year	(659)	(825)
Allowance utilised during the financial year	(15,232)	(12,110)
Foreign currency translation	–	27
End of financial year	25,491	23,702

The allowance accounts in respect of trade receivables are used to record impairment losses. The receivables amount will remain outstanding in the financial books until management considers that the subject trade receivables are irrecoverable after all possible collection efforts are exhausted. Management approval is required for write-off of trade receivables.

Collaterals

The Group has a lien on all cargoes as long as the cargoes remain in the Group's possession. Such lien may be enforced by the Group through public auction or private treaty, without notice to the customer.

(ii) Counterparty risk

To manage counterparty risk associated with the placement of cash deposits and the purchase of derivative hedging instruments, the Group primarily deals with counterparties having a credit rating of BBB equivalent or better as assigned by international credit-rating agencies. The Group also limits its exposure to any individual counterparty. Counterparty risk exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material losses suffered by the Group in the event of non-performance by counterparties.

(c) Liquidity Risk

For the Group, liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's exposure to liquidity risk may also arise from mismatches of the maturities of financial assets and liabilities. In order to meet the Group's operational and investment needs on a continual basis, the Group maintains sufficient liquidity through a combination of cash, committed revolving facilities (which can be drawn down on short notice) and proactive plans to raise capital, either in the form of new debt or new equity. The Company had established a US\$1.5 billion multi-currency Medium Term Note Programme under which the Company had issued S\$1.3 billion (equivalent to US\$1.0 billion) bonds. The Group's operational and investment needs for cash flows are determined through its cash flows projections and are managed through the Group's debt financing plans.

The following were the contractual maturities of financial liabilities of the Group, including interest payments:

Group

	Contractual cash flows US\$'000	Within 2016 US\$'000	From 2017 to 2021 US\$'000	Thereafter US\$'000
As at 25 December 2015				
Non-derivative financial liabilities				
Secured borrowings	1,324,067	138,930	646,362	538,775
Unsecured borrowings	549,241	466,043	83,198	–
Senior Debentures due 2024	195,678	9,318	46,590	139,770
Medium Term Notes due 2017	340,697	13,523	327,174	–
Medium Term Notes due 2019	286,390	10,193	276,197	–
Medium Term Notes due 2020	262,680	11,226	251,454	–
Medium Term Notes due 2021	317,696	13,498	304,198	–
Finance lease liabilities	417,096	28,225	138,842	250,029
Trade and other payables	858,575	858,575	–	–
Derivative financial liabilities				
Bunker swaps	7,447	7,447	–	–
Foreign exchange forward contracts	3,606	3,606	–	–
Commitments				
Capital commitments	38,015	33,960	4,055	–
Operating lease commitments	1,378,223	278,857	783,229	316,137
	5,979,411	1,873,401	2,861,299	1,244,711
As at 26 December 2014				
Non-derivative financial liabilities				
Secured borrowings	2,856,634	259,468	1,380,932	1,216,234
Unsecured borrowings	1,541,286	420,428	1,120,858	–
Senior Debentures due 2024	204,996	9,318	46,590	149,088
Medium Term Notes due 2017	352,519	12,821	339,698	–
Medium Term Notes due 2019	293,515	9,558	283,957	–
Medium Term Notes due 2020	273,876	11,195	262,681	–
Medium Term Notes due 2021	331,156	13,461	67,378	250,317
Finance lease liabilities	446,285	28,531	140,236	277,518
Trade and other payables	1,178,233	1,178,233	–	–
Derivative financial liabilities				
Bunker swaps	13,379	13,379	–	–
Foreign exchange forward contracts	12,708	12,708	–	–
Commitments				
Capital commitments	74,908	64,769	10,139	–
Operating lease commitments	1,830,180	441,281	964,153	424,746
	9,409,675	2,475,150	4,616,622	2,317,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk (continued)

The following were the contractual maturities of financial liabilities of the Company, including interest payments:

Company

As at 25 December 2015	Contractual cash flows US\$'000	Within 2016 US\$'000	From 2017 to 2021 US\$'000	Thereafter US\$'000
Non-derivative financial liabilities				
Unsecured borrowings	436,870	353,672	83,198	–
Medium Term Notes due 2017	340,697	13,523	327,174	–
Medium Term Notes due 2019	286,390	10,193	276,197	–
Medium Term Notes due 2020	262,680	11,226	251,454	–
Medium Term Notes due 2021	317,696	13,498	304,198	–
Trade and other payables	100,410	100,410	–	–
Commitments				
Capital commitments	317	317	–	–
Operating lease commitments	23,364	5,195	18,169	–
Guarantees ³³	1,323,629	1,323,629	–	–
	3,092,053	1,831,663	1,260,390	–

As at 26 December 2014	Contractual cash flows US\$'000	Within 2015 US\$'000	From 2016 to 2020 US\$'000	Thereafter US\$'000
Non-derivative financial liabilities				
Unsecured borrowings	1,441,021	320,163	1,120,858	–
Medium Term Notes due 2017	352,519	12,821	339,698	–
Medium Term Notes due 2019	293,515	9,558	283,957	–
Medium Term Notes due 2020	273,876	11,195	262,681	–
Medium Term Notes due 2021	331,156	13,461	67,378	250,317
Trade and other payables	107,364	107,364	–	–
Commitments				
Capital commitments	534	534	–	–
Operating lease commitments	30,280	5,508	24,772	–
Guarantees ³³	2,498,616	2,498,616	–	–
	5,328,881	2,979,220	2,099,344	250,317

³³ This represented the maximum amount of the financial guarantee contracts arising from corporate guarantees for credit facilities drawn down by the Company's subsidiaries and guarantees issued by financial institutions. They were allocated to the earliest period in which the guarantees could be called.

The Group has sufficient undrawn financing facilities (both secured and unsecured) committed from large reputable financial institutions to meet its capital and operating lease commitments as well as to repay any debts as and when they fall due.

(d) Capital Management

The Group's capital management objectives are:

- (i) to maintain a capital base to ensure that the Group has adequate financial resources to continue as a going concern; and
- (ii) to maximise the return on invested capital.

Specifically, the Group monitors its capital base from two perspectives:

- (1) For cash flow planning, the Group forecasts its estimated operational cash flows, its investment and capital expenditure plans, its existing debt obligations and its dividend payouts based on its dividend policy. Where shortfalls are anticipated, the Group makes proactive plans to raise capital, either in the form of new debt or new equity. For any plans to increase debt or equity, the Group monitors the net book gearing ratio to ensure the capital structure will continue to maintain market confidence in the Group.

Net Book Gearing =	$\frac{\text{Borrowings less Cash \& Cash equivalents}}{\text{Total Equity}}$
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As at 25 December 2015, the Group's net book gearing was 1.07 times (2014: 2.25 times).

- (2) To maximise the return on invested capital, the Group considers borrowings, present value of future operating lease commitments and shareholders' equity (excluding assets under construction) as its capital base. The Group monitors Return on Invested Capital ("ROIC") which is defined as:

ROIC =	$\frac{\text{Net Operating Profit After Tax}}{\text{Average Capital Employed}}$
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The Group's ROIC for the financial year 2015 was 0.4% (2014: -0.5%).

In view of the volatility of the container shipping industry, the Board will decide on dividend payments after taking into consideration the profitability, investment opportunities and the overall capital management plan of the Group.

Resulting from the recovery of operating and administrative charges between the Company and its subsidiaries and deployment of effective working capital management strategy at the operating unit level, the Company carries non-trade intercompany balances with its subsidiaries, which are unsecured, repayable on demand and interest-free.

The Group and the Company were in compliance with all externally imposed capital requirements in certain countries, where applicable, for the financial years ended 25 December 2015 and 26 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Classification of Financial Instruments

Set out below is a comparison by category the carrying amounts of the Group's financial instruments that are carried in the financial statements:

Group

	Loans and receivables US\$'000	Derivatives used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
2015					
Assets					
Cash and cash equivalents	232,321	-	-	-	232,321
Trade and other receivables	527,005	-	-	-	527,005
Derivative financial instruments	-	435	-	-	435
Loans receivable	126	-	-	-	126
Deposits	12,722	-	-	-	12,722
Insurance recoverables	20,596	-	-	-	20,596
Total financial assets	792,770	435	-	-	793,205
Total non-financial assets					6,115,531
Total assets					6,908,736

Liabilities

Trade and other payables	-	-	858,575	-	858,575
Borrowings	-	-	1,752,434	1,141,893	2,894,327
Derivative financial instruments	-	244,301	-	-	244,301
Total financial liabilities	-	244,301	2,611,009	1,141,893	3,997,203
Total non-financial liabilities					418,977
Total liabilities					4,416,180

	Loans and receivables US\$'000	Available-for- sale financial assets US\$'000	Derivatives used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
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2014

Assets

Cash and cash equivalents	1,225,771	-	-	-	-	1,225,771
Trade and other receivables	1,080,359	-	-	-	-	1,080,359
Available-for-sale financial assets	-	24,516	-	-	-	24,516
Derivative financial instruments	-	-	726	-	-	726
Loans receivable	156	-	-	-	-	156
Deposits	19,604	-	-	-	-	19,604
Insurance recoverables	30,534	-	-	-	-	30,534
Total financial assets	2,356,424	24,516	726	-	-	2,381,666
Total non-financial assets						6,717,958
Total assets						9,099,624

Liabilities

Trade and other payables	-	-	-	1,178,233	-	1,178,233
Borrowings	-	-	-	4,051,671	1,239,732	5,291,403
Derivative financial instruments	-	-	190,720	-	-	190,720
Total financial liabilities	-	-	190,720	5,229,904	1,239,732	6,660,356
Total non-financial liabilities						631,391
Total liabilities						7,291,747

Set out below is a comparison by category the carrying amounts of the Company's financial instruments that are carried in the financial statements:

Company

	Loans and receivables US\$'000	Derivatives used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
2015					
Assets					
Cash and cash equivalents	46,433	–	–	–	46,433
Trade and other receivables	4,415,043	–	–	–	4,415,043
Deposits	1,312	–	–	–	1,312
Non-current amount due from subsidiary	125,197	–	–	–	125,197
Total financial assets	4,587,985	–	–	–	4,587,985
Total non-financial assets					793,174
Total assets					5,381,159
Liabilities					
Trade and other payables	–	–	100,410	–	100,410
Borrowings	–	–	763,073	547,348	1,310,421
Derivative financial instruments	–	150,397	–	–	150,397
Total financial liabilities	–	150,397	863,483	547,348	1,561,228
Total non-financial liabilities					4,085
Total liabilities					1,565,313
2014					
Assets					
Cash and cash equivalents	873,859	–	–	–	873,859
Trade and other receivables	3,560,275	–	–	–	3,560,275
Deposits	1,492	–	–	–	1,492
Total financial assets	4,435,626	–	–	–	4,435,626
Total non-financial assets					1,071,069
Total assets					5,506,695
Liabilities					
Trade and other payables	–	–	107,364	–	107,364
Borrowings	–	–	1,740,708	583,801	2,324,509
Derivative financial instruments	–	103,555	–	–	103,555
Total financial liabilities	–	103,555	1,848,072	583,801	2,535,428
Total non-financial liabilities					5,231
Total liabilities					2,540,659

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair Value Measurement

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

Assets and liabilities measured at fair value

The fair values of the assets/(liabilities) of the Group measured at fair value were based on Level 2 inputs and were presented in the following tables.

Group	Level 2	
	Assets US\$'000	Liabilities US\$'000
As at 25 December 2015		
Derivative financial instruments		
- Bunker swaps	-	(7,440)
- Foreign exchange forward contracts	435	(3,594)
- Interest rate swaps	-	(2,651)
- Cross currency interest rate swaps	-	(230,616)
Borrowings		
- Medium Term Notes	-	(478,363)
- Secured borrowings	-	(594,545)
- Unsecured borrowings	-	(68,985)
	435	(1,386,194)
As at 26 December 2014		
Available-for-sale financial assets		
- Quoted bonds	24,516	-
Derivative financial instruments		
- Bunker swaps	-	(13,377)
- Foreign exchange forward contracts	726	(14,966)
- Interest rate swaps	-	(2,020)
- Cross currency interest rate swaps	-	(160,357)
Borrowings		
- Medium Term Notes	-	(510,418)
- Secured borrowings	-	(655,931)
- Unsecured borrowings	-	(73,383)
	25,242	(1,430,452)

The fair values of the liabilities of the Company measured at fair value were based on Level 2 inputs and were presented in the following tables.

Company	Level 2 Liabilities US\$'000
As at 25 December 2015	
Derivative financial instruments	
- Cross currency interest rate swaps	(150,397)
Borrowings	
- Medium Term Notes	(478,363)
- Unsecured borrowings	(68,985)
	<u>(697,745)</u>
As at 26 December 2014	
Derivative financial instruments	
- Foreign exchange forward contracts	(2,299)
- Cross currency interest rate swaps	(101,256)
Borrowings	
- Medium Term Notes	(510,418)
- Unsecured borrowings	(73,383)
	<u>(687,356)</u>

The fair value of the quoted bonds is determined by reference to statements as at the financial year end provided by the fund manager.

The fair values of foreign exchange forward contracts, bunker swaps, interest rate swaps and cross currency interest rate swaps were obtained from a number of reputable financial institutions. Management has verified the fair values against Bloomberg or independent sources.

The fair values of financial assets and liabilities carried at amortised cost approximated their carrying amounts except as disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair Value Measurement (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed

The fair values of the assets/(liabilities) of the Group and the Company not measured at fair value were based on Level 1 inputs and were presented in the following tables.

Group	Level 1 Liabilities US\$'000
As at 25 December 2015	
Borrowings	
- Medium Term Notes	(312,968)
- Senior Debentures due 2024	(83,396)
	<u>(396,364)</u>

	Level 1 Assets US\$'000	Level 1 Liabilities US\$'000
As at 26 December 2014		
Associated company	34,705	-
Borrowings		
- Medium Term Notes	-	(436,487)
- Senior Debentures due 2024	-	(98,713)
	<u>34,705</u>	<u>(535,200)</u>

Company	Level 1 Liabilities US\$'000
As at 25 December 2015	
Borrowings	
- Medium Term Notes	<u>(312,968)</u>

	Level 1 Liabilities US\$'000
As at 26 December 2014	
Borrowings	
- Medium Term Notes	<u>(436,487)</u>

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Company has non-current interest-free receivable extended to a subsidiary which is not expected to be repaid until the cash flows of the subsidiary permit. It is impractical to determine the fair value of the receivable as the timing of the future cash flow repatriation cannot be estimated reliably. Therefore, such receivable is carried at cost.

36. RELATED PARTY TRANSACTIONS

(a) Sale and Purchase of Goods and Services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year on terms agreed between the parties. Related parties include the ultimate holding company, fellow subsidiaries, associated companies and joint ventures of the ultimate holding company and associated companies and joint ventures of the Group.

	Group	
	2015	2014
	US\$'000	US\$'000
Purchases of services from:		
- fellow subsidiaries, associated companies and joint ventures of the ultimate holding company	159,355	215,427
- a joint venture	5,544	5,956
Services rendered to:		
- fellow subsidiaries, associated companies and joint ventures of the ultimate holding company	(3,253)	(2,141)
- a joint venture	(209)	(185)
Directors' fee paid to:		
- associated companies of the ultimate holding company	82	106

(b) Restricted Shares Awarded to Executive Director under the NOL RSP 2010

Under the NOL RSP 2010, 319,000 (2014: 424,000) restricted shares were awarded to an executive director of the Company during the financial year ended 25 December 2015. The outstanding number of restricted shares awarded to the executive director of the Company as at 25 December 2015 was 794,334 (2014: 809,334). The restricted shares were given on the same terms and conditions as those offered to other employees of the Group.

(c) Performance Shares Awarded to Executive Director under the NOL PSP 2010

Under the NOL PSP 2010, 945,000 (2014: 905,000) performance shares were awarded to an executive director of the Company during the financial year ended 25 December 2015. The outstanding number of performance shares awarded to the executive director of the Company as at 25 December 2015 was 1,610,334 (2014: 1,182,334). The performance shares were given on the same terms and conditions as those offered to other employees of the Group.

(d) Key Management Personnel Remuneration

The remuneration of the key management personnel includes base salary, performance bonus, share options, restricted shares, performance shares, benefits (including expatriate benefits) and Directors' fees.

The total remuneration of key management personnel disclosed under this note is computed based on the cost incurred by the Group whereas the remuneration information disclosed under the "Remuneration for the Directors of the Company" and "Remuneration Bands for the Top Six Key Management Staff who are not also Directors of the Company" in the Corporate Governance report is derived based on the following:

- variable pay includes annual cash bonus and equity incentives (restricted shares and performance shares, if any) that relate to awards for the performance year even though the actual compensation may be realised in different calendar years; and
- expatriate and other benefits are based on cost to the Group. Expatriate benefits include tax equalisation, housing, cost of living allowances and education benefits, etc. Tax equalisation costs are derived based on actual or best estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

36. RELATED PARTY TRANSACTIONS *(continued)*

(d) Key Management Personnel Remuneration *(continued)*

Key management personnel remuneration was as follows:

	Group	
	2015	2014
	US\$'000	US\$'000
Salaries, other short-term employee benefits and Directors' fees	8,695	7,372
Post-employment benefit plans	135	191
Share-based compensation costs	1,328	2,394
	10,158	9,957

Included in the above was total compensation to Directors of the Company amounting to US\$3.2 million (2014: US\$3.3 million).

Notes:

- (a) Key management personnel for 2015 and 2014 included:
- Executive director: Ng Yat Chung (Group President and Chief Executive Officer).
 - Non-executive directors: Kwa Chong Seng, Robert John Herbold, Tan Puay Chiang, Jeanette Wong Kai Yuan, Low Check Kian, Quek See Tiat, Alvin Yeo Khirn Hai, Tom Behrens-Sørensen and Bruno Sidler.
 - Corporate: Cedric Foo (Group Deputy President and Chief Financial Officer).
 - Business Units: Kenneth Glenn (President, Liner) and Beat Simon (President, Logistics, ceased to be part of the Group effective 29 May 2015 due to the sale of the Logistics business unit).
 - APL Leadership Team: Jason Wong (Chief Procurement & Corporate Operations Officer, redesignated in February 2016), Peter Jongepier (Chief Commercial Officer), Nathaniel Seeds (Chief Operations Officer, terminated in February 2016) and Calvin Leong Ve-yang (Chief Trade Officer).
- (b) Included in 2014, but not in 2015, was the remuneration for:
- Non-executive directors: Timothy Charles Harris (retired in April 2014) and Wu Yibing (retired in April 2014).
- (c) Tax equalisation costs are derived based on actual or best estimates.

37. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS

Segment Reporting By Operating Segments

For management purposes, the Group is organised into business units based on their services, and has two reportable operating segments as follows:

1. Liner
 - Global liners provide operations of container transportation, terminals and provision of other related services. It offers container shipping services in major trade lanes such as Transpacific, Intra-Asia, Transatlantic, Latin America and Asia-Europe.
2. Logistics (discontinued operations)
 - Global logistics provider with a comprehensive network of facilities and services to support the global supply chain management needs of customers. The range of services include consolidation, warehousing, global freight management (ocean, air, truck and rail), domestic distribution networks, international deconsolidation and information technologies that provide timely and accurate information to effectively manage supply chain activities.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The terms of inter-segment sales are established by negotiation between the various business units.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on earnings before net finance and tax items.

Unallocated income statement items represent certain finance items which are managed on a group basis and are not allocated to operating segments. However, costs are sometimes incurred at the enterprise level on behalf of a segment. Such costs are segment expenses if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis.

Segment assets comprise primarily property, plant and equipment, intangible assets, goodwill arising on consolidation, inventories, receivables, operating cash and other investments and exclude fixed and demand deposits. Segment liabilities comprise primarily operating liabilities and exclude certain borrowings which are managed on a group basis and not allocated to operating segments.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, excluding those acquired through business combinations and finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

37. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS *(continued)*

Segment Reporting By Operating Segments – Financial Year Ended 25 December 2015

	Liner US\$'000	Logistics (Discontinued operations) US\$'000	Elimination US\$'000	Total US\$'000
Revenue				
External sales	5,382,596	638,759	–	6,021,355
Inter-segment sales	27,873	4,355	(32,228)	–
Total revenue	5,410,469	643,114	(32,228)	6,021,355
Segment result	(79,686)	914,836	–	835,150
Share of results of associated companies	(5,055)	1,524	–	(3,531)
Share of results of joint ventures	2,632	–	–	2,632
Non-controlling interest	(1,569)	(2,304)	–	(3,873)
(Loss)/Earnings before net finance and tax items	(83,678)	914,056	–	830,378
Net finance expense	(107,513)	(258)	–	(107,771)
Tax expense	(1,170)	(3,147)	–	(4,317)
Unallocated finance expense				(11,087)
Net profit attributable to equity holders of the Company				707,203
Segment assets	6,779,304	–	–	6,779,304
Associated companies	107,462	–	–	107,462
Joint ventures	21,970	–	–	21,970
Consolidated total assets				6,908,736
Segment liabilities	4,416,180	–	–	4,416,180
Consolidated total liabilities				4,416,180
Other segment items:				
Capital expenditures				
– property, plant and equipment	96,400	14,065	–	110,465
– intangible assets	1,783	279	–	2,062
Depreciation	382,925	1,000	–	383,925
Amortisation	(499)	28	–	(471)
Net provision for impairment	31,420	525	–	31,945
Other non-cash expenses	6,931	4,344	–	11,275

Segment Reporting By Operating Segments – Financial Year Ended 26 December 2014

	Liner US\$'000	Logistics (Discontinued operations) US\$'000	Elimination US\$'000	Total US\$'000
Revenue				
External sales	7,025,575	1,591,207	–	8,616,782
Inter-segment sales	74,719	2,234	(76,953)	–
Total revenue	<u>7,100,294</u>	<u>1,593,441</u>	<u>(76,953)</u>	<u>8,616,782</u>
Segment result	(156,219)	61,033	–	(95,186)
Share of results of associated companies	1,559	8,141	–	9,700
Share of results of joint ventures	1,798	275	–	2,073
Non-controlling interest	(2,589)	(5,755)	–	(8,344)
(Loss)/Earnings before net finance and tax items	(155,451)	63,694	–	(91,757)
Net finance expense	(112,717)	(95)	–	(112,812)
Tax expense	(20,502)	(14,119)	–	(34,621)
Unallocated finance expense				(20,651)
Net loss attributable to equity holders of the Company				<u>(259,841)</u>
Segment assets	8,261,087	607,801	(69,580)	8,799,308
Associated companies	110,560	50,275	–	160,835
Joint ventures	21,220	–	–	21,220
Unallocated assets				118,261
Consolidated total assets				<u>9,099,624</u>
Segment liabilities	5,044,679	363,731	(69,580)	5,338,830
Unallocated liabilities				1,952,917
Consolidated total liabilities				<u>7,291,747</u>
Other segment items:				
Capital expenditures				
– property, plant and equipment	327,937	19,141	–	347,078
– intangible assets	2,150	1,567	–	3,717
Depreciation	384,660	9,504	–	394,164
Amortisation	(3,121)	1,461	–	(1,660)
Net provision for impairment	14,476	3,066	–	17,542
Other non-cash expenses	46,747	7,743	–	54,490

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

37. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS *(continued)*

Segment Reporting By Geographical Segments

In respect of liner activities which cover the world's major shipping lanes, the geographical segments of external sales are reported as follows:

<u>Geographical Segments</u>	<u>Trade Lanes</u>
Asia/Middle East	Intra-Asia
Europe	Asia-Europe Transatlantic
Americas	Transpacific Latin America

In respect of logistics activities, the geographical segments of external sales are reported based on the country where the services were significantly performed.

In respect of other activities, the geographical segments of external sales are reported based on the country of domicile of customers.

The Directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of vessels, drydocking costs and containers to specific geographical segments as defined under FRS 108 *Operating Segments*. These vessels, together with the related drydocking costs, and containers are primarily utilised across geographic markets for shipment of cargoes throughout the world. This is in line with industry practice.

	<u>Sales</u>		<u>Non-current Assets</u>	
	<u>2015</u> <u>US\$'000</u>	<u>2014</u> <u>US\$'000</u>	<u>2015</u> <u>US\$'000</u>	<u>2014</u> <u>US\$'000</u>
Asia/Middle East	1,749,515	2,411,955	395,230	514,854
Europe	974,134	1,650,248	68,914	82,539
Americas	3,297,706	4,554,579	264,082	327,620
Discontinued operations (Note 14)	(638,759)	(1,591,207)	-	-
Subtotal	5,382,596	7,025,575	728,226	925,013
Vessels	-	-	4,490,518	4,704,897
Containers	-	-	611,108	725,557
Drydocking costs	-	-	53,291	61,199
Total	5,382,596	7,025,575	5,883,143	6,416,666

Non-current assets information presented above consisted mainly of property, plant and equipment, intangible assets, goodwill arising on consolidation, and deferred charges as presented in the consolidated statement of financial position.

38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 19 Employee Benefits	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 115 and FRS 109, the Group does not expect the adoption of the above standards to have material impact on the financial statements in the period of initial application.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS.

The Group is currently assessing the impact of the new standard.

FRS 109 Financial Instruments

In December 2014, the Accounting Standards Council Singapore issued the final version of FRS 109 *Financial Instruments* which reflects all phases of the financial instruments project and replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group is currently assessing the impact of the new standard.

39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 31 December 2015, the Group has terminated the Post-retirement Welfare Plan of certain retired employees except for union-represented employees. The termination of the plan is expected to result in a gain of approximately US\$34 million in FY2016.

On 15 January 2016, NOL Liner (Pte.) Ltd. completed the sale of its interest in IILPL to APL Logistics Ltd for an aggregate consideration of US\$38.7 million. Consequently, IILPL ceased to be a subsidiary of the Group. The consideration of the sale was satisfied by way of set-off against US\$38.7 million owing from NOL Liner (Pte.) Ltd. to APL Logistics Ltd as part of the Transaction (Note 14). The sale is expected to result in a gain on disposal of approximately US\$14 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

40. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 3 March 2016.

41. LISTING OF SIGNIFICANT SUBSIDIARIES

Details of significant subsidiaries of the Group were as follows:

Subsidiaries	Effective group equity interest		Country of incorporation/ Place of operation	Principal activities
	2015 %	2014 %		
Direct Interest:				
NOL Liner (Pte.) Ltd. ^{(a),(e)}	100	100	Singapore	Shipping services
APL Logistics Ltd ^{(a),(e)}	- ^(d)	100	Singapore	Logistics services
Indirect Interest:				
American President Lines, Ltd ^(a)	100	100	United States of America	Shipping services
APL Co. Pte Ltd ^(a)	100	100	Singapore	Shipping services
APL Logistics Transportation Management Services, Ltd. ^{(b),(e)}	- ^(d)	100	United States of America	Logistics services
APL Logistics Warehouse Management Services, Inc. ^{(b),(e)}	- ^(d)	100	United States of America	Logistics services
APL Logistics Warehouse Management Services de Mexico, S.A. de C.V. ^{(b),(e)}	- ^(d)	100	Mexico	Logistics services
APL Logistics (China) Ltd. ^{(b),(e)}	- ^(d)	100	China	Logistics services
Vascor, Ltd ^{(b),(c),(e)}	- ^(d)	50	United States of America	Logistics services

Notes:

^(a) Audited by Ernst & Young LLP, Singapore

^(b) Audited by Ernst & Young firms outside Singapore

^(c) Deemed to be a subsidiary as the Group controls the entity via veto rights

^(d) Logistics business was disposed as of 29 May 2015 (Note 14).

^(e) These subsidiaries are identified based on the significance of their respective revenue to the revenue of the business unit to which they belong to.

In appointing the external auditing firms for the Company and certain of its subsidiaries, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

VALUE ADDED STATEMENT

FOR THE FINANCIAL YEAR ENDED 25 DECEMBER 2015

	2015 ³⁴ US\$'000	2014 ³⁴ US\$'000
Revenue	6,021,355	8,616,782
Less: purchase of goods and services	(5,236,279)	(7,704,754)
Value added from business unit operations	785,076	912,028
Share of results of associated companies	(3,531)	9,700
Share of results of joint ventures	2,632	2,073
Other gains (net)	927,451	25,232
Value added available for distribution	1,711,628	949,033
Distribution :		
To employees in the form of employee benefits	479,060	621,925
To providers of capital in the form of:		
(a) interest on borrowings	120,010	125,926
(b) dividends to non-controlling interest	-	10,594
To government in the form of freight and income taxes	17,557	58,515
Retained for future capital requirements:		
(a) depreciation	383,925	394,164
(b) non-controlling interest's share of profits in subsidiaries	3,873	6,050
(c) retained profit/(loss)	707,203	(268,141)
	1,711,628	949,033
	2015	2014
	US\$	US\$
Value added per employee	161,642	70,169
Value added per US\$ employment cost	3.57	1.53
Value added per US\$ investment in property, plant and equipment (before depreciation and impairment losses)	0.21	0.11
Value added per US\$ sales	0.28	0.11
	2015	2014
Additional Information :		
Average number of employees	10,589	13,525
Cost of property, plant and equipment (before depreciation and impairment losses) in US\$'000	8,203,087	8,436,837

³⁴ Includes both continuing and discontinued operations

The Value Added Statement does not form part of the audited financial statements.

SIMPLIFIED GROUP FINANCIAL POSITION

AS AT 25 DECEMBER 2015

	2015 US\$'000	2014 US\$'000
What we owned	6,908,736	9,099,624

	2015	
	US\$'000	%
Property, plant and equipment	5,590,142	80.9
Trade receivables	418,874	6.1
Inventories at cost	91,720	1.3
Other assets	808,000	11.7
	<u>6,908,736</u>	<u>100.0</u>

	2015 US\$'000	2014 US\$'000
What we owed	6,908,736	9,099,624

	2015	
	US\$'000	%
Share capital	1,840,260	26.6
Treasury shares	(5,216)	-0.1
Shares held by employee benefit trust	(4,326)	-0.1
Reserves	643,624	9.4
Borrowings	2,882,362	41.7
Other current liabilities	1,130,912	16.4
Other non-current liabilities & non-controlling interest	421,120	6.1
	<u>6,908,736</u>	<u>100.0</u>

The Simplified Group Financial Position does not form part of the audited financial statements.

FIVE-YEAR GROUP FINANCIAL STATISTICS

	2015 ³⁵ US\$'000	2014 ³⁵ US\$'000	2013 US\$'000	2012 ^{36,37} US\$'000 (Restated)	2011 ³⁶ US\$'000 (Restated)
Income					
Revenue	6,021,355	8,616,782	8,831,193	9,511,631	9,210,704
Profit/(Loss) before tax and non-controlling interest	715,393	(216,876)	(15,837)	(351,136)	(423,056)
Profit/(Loss) after tax and non-controlling interest	707,203	(259,841)	(76,298)	(412,497)	(474,168)
Selected Balance Sheet Data					
Current assets	965,199	2,609,822	2,466,643	2,524,126	1,765,707
Investments in associated companies	107,462	160,835	149,039	111,831	98,191
Investments in joint ventures	21,970	21,220	21,374	26,588	28,992
Available-for-sale financial asset	–	–	83	37	53
Property, plant and equipment	5,590,142	6,012,433	6,097,508	5,228,962	4,789,588
Investment property	–	–	–	–	15,862
Deferred charges	3,509	5,387	5,765	10,909	14,283
Intangible assets	12,277	31,100	31,245	35,947	26,676
Land use rights	–	817	855	–	–
Goodwill arising on consolidation	121,036	158,068	158,663	158,043	129,095
Deferred tax assets	39,773	42,575	33,437	44,224	33,477
Derivative financial instruments	–	–	13,340	29,859	7,344
Other non-current assets	47,368	57,367	51,083	49,463	49,338
Total Assets	6,908,736	9,099,624	9,029,035	8,219,989	6,958,606
Current borrowings	572,551	615,095	599,119	429,246	422,095
Other current liabilities	1,130,912	1,613,527	1,712,848	1,723,125	1,698,597
Non-current borrowings	2,309,811	4,676,308	4,266,827	3,546,621	1,931,746
Deferred income	581	1,566	6,016	15,370	3,904
Deferred tax liabilities	2,717	6,431	6,980	5,446	8,900
Provisions and other non-current liabilities	399,608	378,820	306,434	307,073	316,396
Total Liabilities	4,416,180	7,291,747	6,898,224	6,026,881	4,381,638
Net Assets	2,492,556	1,807,877	2,130,811	2,193,108	2,576,968
Share capital and reserves	2,474,342	1,750,113	2,077,103	2,139,419	2,525,764
Non-controlling interest	18,214	57,764	53,708	53,689	51,204
	2,492,556	1,807,877	2,130,811	2,193,108	2,576,968
Selected Ratios					
	2015 ³⁵	2014 ³⁵	2013	2012 ^{36,37}	2011 ³⁶
Return on ordinary share capital and reserves	31%	-14%	-4%	-18%	-16%
Return on total assets	9%	-3%	-1%	-5%	-7%
Net tangible assets per share (in US\$)	0.89	0.59	0.74	0.76	0.92
Current assets to current liabilities	57%	117%	107%	117%	83%
Share capital and reserves to total assets	36%	19%	23%	26%	36%

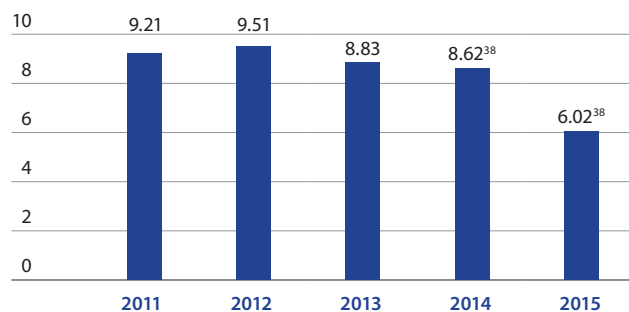
³⁵ Includes both continuing and discontinued operations.

³⁶ Restated for comparative purpose due to retrospective application of Amendments to FRS 19: *Employee Benefits (Revised)*, which is effective from financial year 2013.

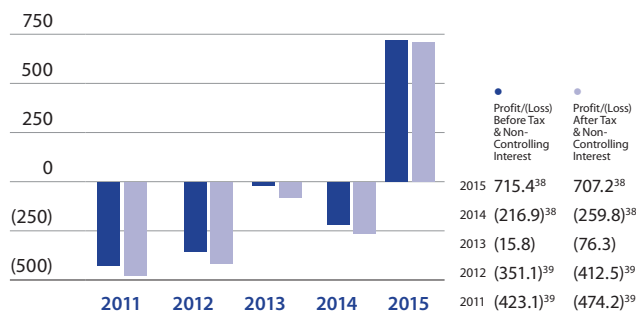
³⁷ Restated due to finalisation of purchase price allocation exercise from acquisition of a subsidiary.

FIVE-YEAR GROUP FINANCIAL STATISTICS

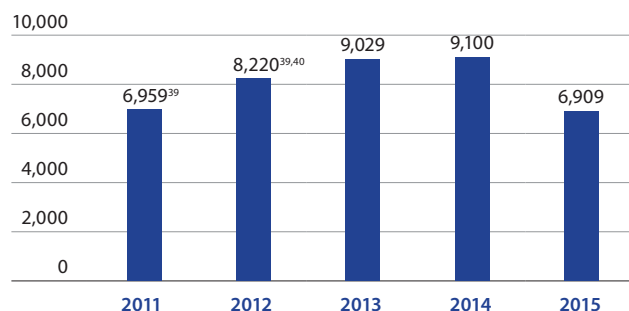
REVENUE (US\$BILLION)



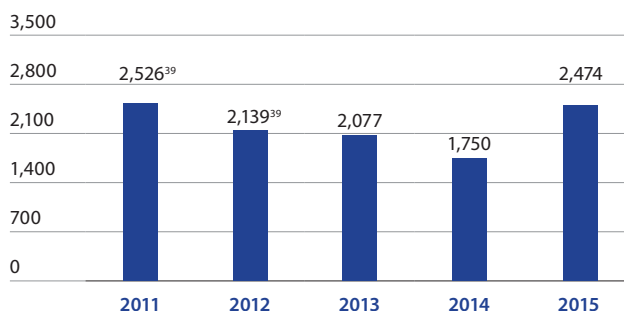
PROFIT/(LOSS) (US\$MILLION)



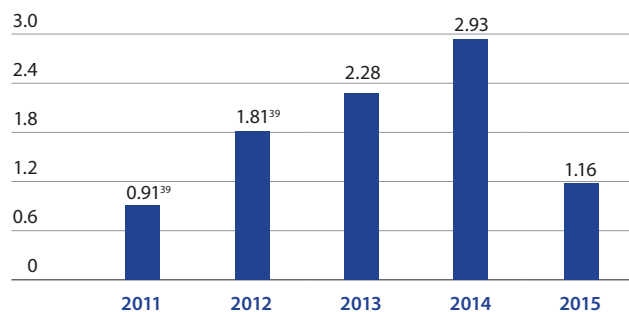
TOTAL ASSETS (US\$MILLION)



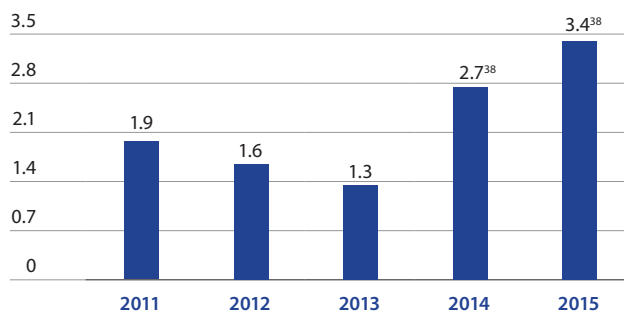
SHARE CAPITAL & RESERVES (US\$MILLION)



GROSS DEBT TO EQUITY RATIO (TIMES)



COST OF DEBT (%) (INTEREST EXPENSE/AVERAGE BORROWINGS)



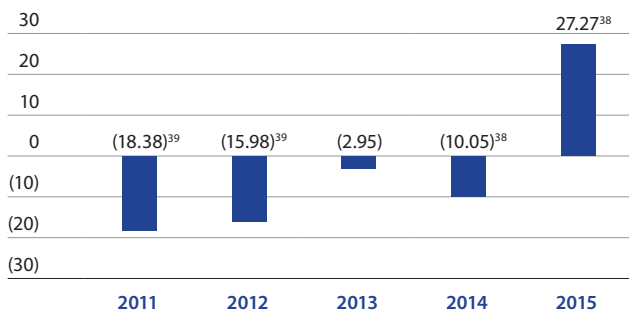
³⁸ Includes both continuing and discontinued operations.

³⁹ Restated for comparative purpose due to retrospective application of Amendments to FRS 19: *Employee Benefits (Revised)*, which is effective from financial year 2013.

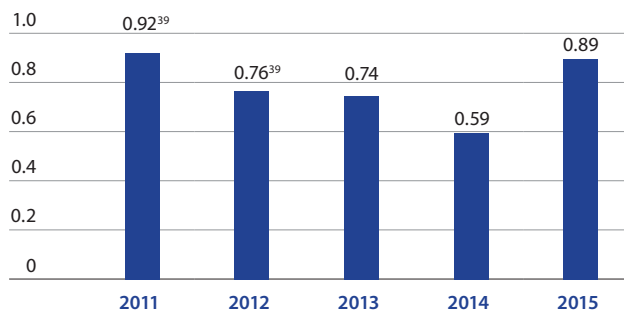
⁴⁰ Restated due to finalisation of purchase price allocation exercise from acquisition of a subsidiary.

The Five-Year Group Financial Statistics does not form part of the audited financial statements.

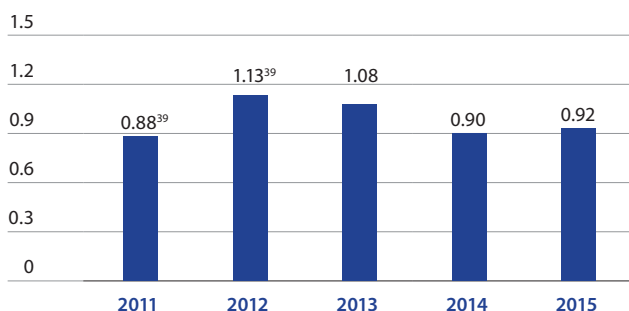
BASIC EARNINGS/(LOSS)PER SHARE
(US¢)



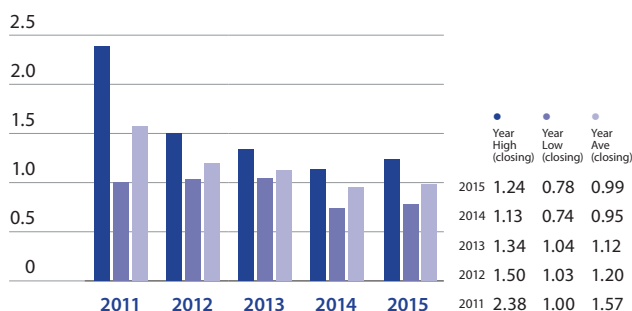
NET TANGIBLE ASSETS PER SHARE
(US\$)



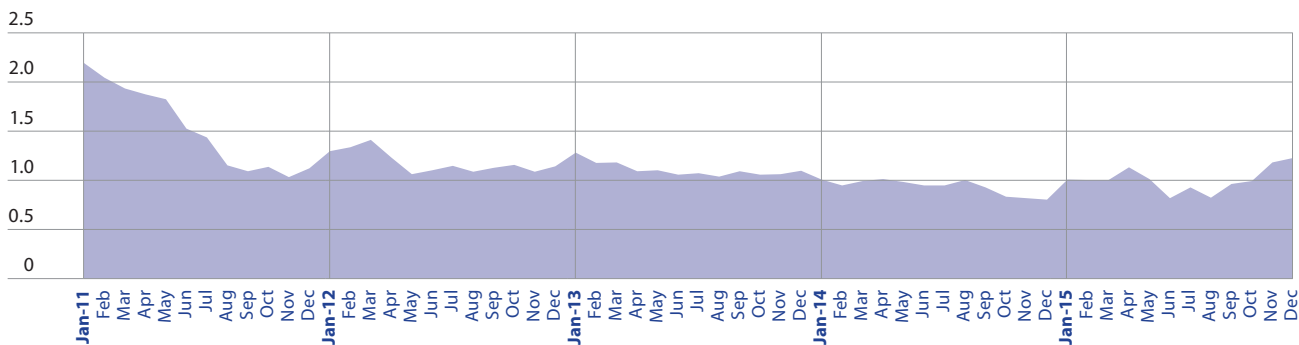
PRICE/BOOK RATIO
(TIMES)



NOL SHARE PRICE
(S\$)



NOL CLOSING SHARE PRICE AT MONTH-END
(S\$)



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