PSA INTERNATIONAL PTE LTD

THE CODE

PSA ANNUAL REPORT 2018

PSA INTERNATIONAL PTE LTD

DECODED

PSA ANNUAL REPORT 2018

WELCOME TO PSA ANNUAL REPORT 2018

Codes are all around us, in visible and invisible forms.
Codes of programming operate technology.
Codes of encryption hide our data and information.
Codes of ethical conduct govern our decision making and behaviour.

At PSA, our Code of Business Ethics and Conduct (The Code, in short) defines how we do business – with integrity, courage and commitment.

OUR MISSION

To be the port operator of choice in the world's gateway hubs, renowned for best-in-class services and successful partnerships.

OUR VALUES

COMMITTED TO EXCELLENCE
We set new standards by continuously improving results and innovating in every aspect of our business.

DEDICATED TO CUSTOMERS
We help our customers, external and internal, succeed by anticipating and meeting their needs.

FOCUSED ON PEOPLE
We win as a team by respecting, nurturing and supporting one another.

INTEGRATED GLOBALLY
We build our strength globally by embracing diversity and optimising operations locally.

! TERMS OF USE

This icon indicates the spread has hidden content

Accept and continue >>

DOMAIN NAME: GLOBALPSA.COM | ACCESS GRANTED
OPERATION - THE CODE | DECODED

AGENT ID PSA

PASSWORD DECODED

CONTENTS

You are accessing PSA International Annual Report 2018. This document contains hidden messages about The Code, the inner guide to responsible business ethics and conduct all our employees abide by. Use the clues available to decode these hidden messages as you navigate the report.

PSA
The World's Port of Call

PSA International Pte Ltd
38th Floor, PSA Building
460 Alexandra Road, Singapore 119963
Tel +65 62747111 Fax +65 62744677
www.globalpsa.com
Company Registration No: 197200399R

Subject: THE CODE

THE INVISIBLE GUIDE

[redacted]

At PSA, the Code guides our choices and actions. [redacted]

PSA INTERNATIONAL

ENCLOSURE

CONFIDENTIAL

Title: *Decoded* Year: *2018*

THE GREAT SEAL OF PSA INTERNATIONAL 2018
PSA
The World's Port of Call
PSA INTERNATIONAL

FOR YOUR EYES ONLY

PSA
The World's Port of Call

PSA International Pte Ltd
38th Floor, PSA Building
460 Alexandra Road, Singapore 119963
Tel +65 62747111 Fax +65 62744677
www.globalpsa.com
Company Registration No: 197200399R

Subject: THE CODE

THE INVISIBLE GUIDE

Sensitive information in classified documents have played a critical role throughout history – guiding leaders in their decision-making.
At PSA, the Code guides our choices and actions. It is the inner compass that reflects our business principles and what we stand for.

PSA INTERNATIONAL

ENCLOSURE

CONFIDENTIAL

Title: Decoded Year: 2018

THE GREAT SEAL OF PSA INTERNATIONAL 2018
PSA
The World's Port of Call
PSA INTERNATIONAL

FOR YOUR EYES ONLY

GROUP CHAIRMAN'S MESSAGE

DECODING THE PSA CODE

FOCK SIEW WAH

"IT IS MY BELIEF THAT PSA WILL REMAIN AN EXEMPLARY ORGANISATION, ABIDING TO ITS STRONG CODE OF BUSINESS ETHICS."

From a business perspective, 2018 was a difficult year marked by economic slowdown in many parts of the world, a trade war threatening to get out of control, and a myriad of companies seeking to shake up the market place by taking advantage of shifting business models, changing consumer needs and disruptive technologies.

For us in the port and shipping industry which is hugely dependent on free trade, cargo flow patterns and maritime transport, we monitored the challenging business environment closely, realising that we ultimately have to rely on our own resilience as well as the unwavering support of our customers and partners to surmount the challenges.

This we did as PSA's portfolio of terminals worldwide handled a throughput of 81.0 million Twenty-foot Equivalent Units (TEUs) in 2018, an increase of 9.1% from the previous year. Our flagship PSA Singapore contributed 36.3 million TEUs (+8.9%) and our terminals outside Singapore achieved 44.7 million TEUs (+9.3%). The Group's revenue and net profit reached S$4.09 billion and S$1.20 billion respectively.

To all our customers and partners, I express my deepest gratitude for their unstinting support. We pledge to continue to invest in and upgrade our facilities and offerings, so that we serve them with the highest standards of excellence.

To all our unions, management and staff in global PSA, let me salute you for your commitment and tenacity to give of your best for our customers.

Indeed, our steady and earnest efforts have not gone un-recognised. We were humbled and heartened by the commendations we received from our industry partners. PSA International was voted "Best Global Container Terminal Operator" for the 13th time at the Asian Freight, Logistics & Supply Chain Awards (AFLAS), while PSA Singapore won the "Ports and Terminals Award" at the Seatrade Maritime Asia Awards, and the inaugural "Port Infrastructure Development of the Year" Award at the Lloyd's List Asia Pacific Awards.

Also in 2018, PSA Antwerp received the "Best Container Terminal – Europe" title at AFLAS, and in the Middle East, Saudi Global Ports won "Best Container Operator of the Year - Saudi Arabia" at the 5th Annual International Finance Awards in Dubai. In China, Dalian Container Terminal received the "Terminal Innovation Award" at the 5th China Shipping Industry Innovation Conference and Exolgan Container Terminal in Argentina was awarded the Innovation Award for its "Puerto del Futuro" (Future Port) project at the annual National Technology Forum, organised by the Group of Business Leaders of Argentina (LIDE).

PSA will continue to invest in port and related facilities, nurture our people, expand our operational and digital capabilities, and strive to innovate and improve supply chain efficiency for all.

During the year, we upgraded our terminal facilities in Belgium, China, India, Italy, Panama, Singapore, South Korea and Turkey which enabled us to serve bigger ships and with higher productivity.

In Singapore, we inked new agreements with Ocean Network Express to operate a joint venture company based at Pasir Panjang Terminal, and with COSCO Shipping Ports to add two new berths at COSCO-PSA Terminal.

We made our first foray into Canada by acquiring 60% stake in Ashcroft Terminal. Its proximity to British Columbia's transport infrastructures, including railroad lines and major highways, offers PSA an entry point to tap into the North American market and its hinterland supply chain. This dovetails nicely into our imperative to build up our inland logistical capabilities and harness the potential of digital technologies. In this space, we work alongside like-minded partners and together seek to transform the maritime and shipping industry towards greater transparency, efficiency and productivity.

To this end, we have acquired a majority stake in CrimsonLogic with an eye to integrating the physical-regulatory-financial flows for more seamless coordination of the global supply chain alongside stakeholders in the industry.

The future of logistics will not only be defined by state-of-the-art infrastructure and technologies, but also the new capabilities this future will demand. To build this pipeline of talent, we are working closely with several institutes of higher learning in Singapore to develop programs to engage and prepare our workforce for automated and smart systems in the future. This will equip them with the right skills and expertise to manage the complexity of PSA's high-tech facilities and digital platforms.

But PSA is much more than just a company building future-ready capabilities and seeking financial success. We are equally committed to contributing to the welfare of the communities we operate in. A donation of S$1 million was made in support of Project Silver Screen, an initiative by Temasek Foundation Cares and Singapore's Ministry of Health. This project provides basic functional screening for hearing, eyesight and oral health at subsidised rates for senior citizens. We were also proud to have helped establish St Luke ElderCare's senior care facility at Ayer Rajah Centre, which was officially opened in July 2018. Both endeavours serve to benefit a broad span of the community, in view of Singapore's ageing demographic.

Last year, more than 400 volunteers took part in PSA Health@Home, PSA Singapore's initiative to encourage staff to volunteer with our home-based eldercare partners.

In the area of youth outreach, the tenth batch of deserving students from low income households received their Howe Yoon Chong PSA scholarships to pursue further education in Singapore. In total, 196 students have benefitted from the Scholarship.

Our port projects around the world were similarly involved in helping and supporting their communities. In Belgium, our staff continued to support Kamiano, a local welfare organisation that provides free meals, clothing and shower facilities for the homeless. PSA Voltri-Pra sponsored a range of sports and cultural activities including Teatro Cargo, a local contemporary theatre and Coppa Primavera Rossoverde, a soccer tournament for the disabled. Our terminals in South Korea provided financial assistance to children suffering from leukemia and cancer.

I have always been blessed with the wise counsel and deep knowledge of the Members of the PSA International Board. Thus, it is with great sadness that the Board noted the passing of Mr Kua Hong Pak in late 2018, who served illustriously on the Board for 15 years. In recognition of his contribution and in his honour, we have renamed the Group Innovation Awards as the "Kua Hong Pak Innovation Awards".

For the past 13 years, it has been my honour to serve as PSA's Group Chairman and to have been a part of the organisation's transformation, an on-going journey that saw its growth from a single port, to its current global footprint spanning over 17 countries. It has been a fulfilling experience and now the time has come for a renewal as I retire from the Board this year. I am grateful to my colleagues on the Board, both past and present, and the exceptional trifecta of the management team, staff and unions of PSA, for their trust and unstinting support. It has been a privilege serving alongside you.

Change is as inexorable as the passage of time but it is my belief that PSA will remain an exemplary organisation, operating with the highest standards of integrity and corporate governance, abiding to its strong Code of business ethics and committing always to improvement, innovation and excellence. I am confident PSA will continue to grow and evolve as a major industry leader, charting new business frontiers, expanding its global influence, facilitating trade, enabling supply chains, touching lives and doing good.

In closing, I would like to wish all our customers and partners, my dear colleagues and all the union members and staff of PSA good health, great joy and plenteous blessings.

MESSAGE BY

/FOCK SIEW WAH/

/GROUP CHAIRMAN/

GROUP CEO'S MESSAGE

ADHERING TO OUR PRINCIPLES

"WE ARE HARNESSING THE POTENTIAL OF DIGITAL TECHNOLOGIES TO IMPROVE PORT AND LOGISTICS PERFORMANCE."

TAN CHONG MENG

2018 was a year of high drama. Disruptive forces were everywhere. The US-Sino trade war cast a pall on free trade; major data breaches threatened consumer privacy and confidence; the advancing power of AI and automation struck terror in people fearful of losing their jobs; cross integration of industries redrew the boundaries between partners and rivals.

And yet, there were opportunities aplenty for those who dared to venture out. Amid slower global container trade, geo-political shifts and rising trade barriers, PSA's global container throughput increased by 9.1% over 2017, bringing the total to 81.0 million TEUs of containers handled at PSA's port projects around the world. Capping off the year for us were two encouraging milestones - the Group's total throughput surpassed the 80 million-TEU mark for the first time and PSA Singapore achieved its highest ever annual throughput of 36.3 million TEUs.

In the Singapore flagship, Phases 3 and 4 of Pasir Panjang Terminal are now fully operational, bringing the facilities' annual capacity to 45 million TEUs. Reclamation at Tuas Port is on track and we expect to start berth and yard construction later this year. In India, Bharat Mumbai Container Terminals (BMCT) was officially inaugurated in February 2018, and New Priok Container Terminal One in Indonesia hit its first million TEU milestone since operations commenced in August 2016. We also celebrated the 20th year of our operations in India and Fuzhou, China.

I am deeply appreciative of the continued patronage and support from our customers and partners. They have provided us with strong container volumes, and have also worked alongside us to explore new logistics enhancements. We are honoured and motivated by the trust that they have placed in us and we pledge to maintain our focus on investing and achieving high standards of service and delivery in our port and port-related assets.

We received tremendous assurance and encouragement when Ocean Network Express (ONE) formed a joint venture company with us to operate four mega container berths with a combined annual handling capacity of four million TEUs at PSA Singapore's Pasir Panjang Terminal in 2019. We also agreed with COSCO Shipping to add two new berths at COSCO-PSA Terminal.

Our increasing investment in port adjacencies includes our acquisition of 60% of Ashcroft Terminal in Western Canada, an important entry point to the hinterland supply chain serving the North American market. In China, we continue to participate in the expanding scope and progressive build up of the International Land-Sea Trade Corridor (ILSTC) between Chongqing to Beibuwan and onwards to ASEAN. In India, Chennai International Terminals worked closely with Container Corporation of India's Tondiarpet Inland Container Depot to successfully relaunch shuttle train services connecting both terminals that provide more cost-efficient and eco-friendly transport options for cargo owners and movers. BMCT commenced its first barge and train operations in March 2018, providing fresh options for the users in Jawaharlal Nehru Port.

Beyond enhancing our port capabilities and hinterland coverage, we are harnessing the potential of digital technologies to improve port and logistics performance.

To strengthen our venture into the digital space, PSA acquired the majority share of CrimsonLogic with the aim of building on its integrated trade facilitation platforms. In collaboration with its subsidiary Global e-Trade Services (GeTS), we developed CALISTA™, a global trade facilitation and supply chain platform that, together with partners from diverse domains, streamlines key physical, compliance and financial activities of cargo logistics, to create greater cargo flow visibility, improve regulatory documentation, and create seamless, risk-managed financing solutions.

Another exciting development was when PSA unboXed, our external innovation and corporate venture capital arm,

entered into a strategic partnership with Ze Box, the corporate venture capital arm of CMA CGM Group. This partnership will see both parties exchanging industry knowledge and experience, test-bedding ideas to improve efficiency and customer experience, and mutual support for inter-organisational mentorship programs.

In response to the rising threat of cyber attacks and data leaks, PSA has put in place a new Cyber Security Management System that complements our existing Group IT Security Standards, and Crisis Management and Communications frameworks.

As port technologies and operating models evolve, and our business boundaries expand, the capabilities of our workforce also need to keep pace with these advancements. We believe that it is imperative to be forward looking as we develop in our people the right skills and mindsets to deal with future challenges. This has led to PSA co-developing, with institutes of higher learning, specialised courses geared towards the needs of next generation ports, such as systems engineering.

For staff learning and development, we have also developed and cascaded several signature in-house programs. Among them were Decoding the Code, a workshop that deals with personal and corporate responsibility for ethical decision making, Jellyfish Change Management, which distills the skills and attitudes needed by change agents and leaders to successfully bring about transformation, and finally Catfish Innovation, for inculcating an innovation mindset and culture within the organisation.

Beyond investing in staff development, we are committed to making PSA a great workplace to work, and so we were heartened by the results of our third Global Employee Opinion Poll. Involving close to 12,000 employees worldwide, the survey showed positive results against a backdrop of a challenging business climate, with an overall employee satisfaction level of 81%.

Over the years, PSA's ability to weather the storms of disruption in our industry is owed to the exceptional quality of our Board of Directors, management, staff and unions. Deeply dedicated, passionate for the business and purposefully focused – their collective strengths have allowed the organisation to keep a relentless pace, while taking future-oriented actions to pre-empt the needs of our stakeholders. I would like to take this opportunity to express our deepest thanks to our Group Chairman, Fock Siew Wah, who will be retiring this year. His acumen and insights were greatly instrumental in guiding the Group through our journey of transformation, and we wish him all the very best in his retirement. Our current Deputy Chairman, Peter Voser, has taken on the Chairmanship of the PSA Group, and we warmly welcome him on board.

Given the current geo-political and disruptive business environment, what lies ahead is uncertain. What are the new demands on logistics and what is the relevance of PSA in this new world? Our raison d'être as an organisation has been to be "The World's Port of Call", but we now see signs that there is a real and pressing need for broader supply chain orchestration. Across the global supply chain, inefficiencies are manifold, and the physical flow of goods may be constrained due to anomalies such as erroneous information, regulatory compliance issues, lack of data standardisation, as well as the financial risks associated with credit terms, payment and assurance. Logistics is a three-dimensional challenge requiring the coordination of physical, regulatory and financial flows, and thus far the shipping and logistics industries have improved in parts, but have yet to successfully address the whole. I humbly put forward that what is needed is a vision that ignites the imagination and gathers the energy of the community to propel a whole-of-supply-chain change - an "Internet of Logistics", that will enable a connected cargo community to the benefit of all stakeholders. For this reason, we are venturing out. For there are opportunities aplenty for new businesses, exciting partnerships and uncharted possibilities!

MESSAGE BY

/TAN CHONG MENG/

/GROUP CEO/


THE EVIDENCE
(OF OUR COMMITMENT TO THE CODE)
Core Values
Conduct
Brand Manifesto
Applicability
Business Principles
Organisational Culture
Respect, Diversity & Inclusion
ETHICS & CONDUCT
INTEGRITY
ACCOUNTABILITY
TRUST
HONESTY
NOTICE:
EVERY PSA EMPLOYEE IS BOUND TO THE CODE WITHOUT EXCEPTION.
PASSPORT

THE CODE

BUSINESS ETHICS & CONDUCT

PSA
The World's Port of Call

VALUES MADE EVIDENT

OUR TRACK RECORD IN MEETING CUSTOMER EXPECTATIONS SPEAKS OF OUR VALUES – WE ARE COMMITTED TO EXCELLENCE AND DEDICATED TO ANTICIPATING OUR CUSTOMERS' NEEDS. DRAWING ON A DIVERSITY OF TALENTS, DEEP EXPERTISE AND A BREADTH OF EXPERIENCE, WE AIM TO BE ALONGSIDE OUR CUSTOMERS AND STAKEHOLDERS EVERY STEP OF THE WAY.

VALUES MADE EVIDENT

OUR TRACK RECORD IN MEETING CUSTOMER EXPECTATIONS SPEAKS OF OUR VALUES – WE ARE COMMITTED TO EXCELLENCE AND DEDICATED TO ANTICIPATING OUR CUSTOMERS' NEEDS. DRAWING ON A DIVERSITY OF TALENTS, DEEP EXPERTISE AND A BREADTH OF EXPERIENCE, WE AIM TO BE ALONGSIDE OUR CUSTOMERS AND STAKEHOLDERS EVERY STEP OF THE WAY.

BOARD OF DIRECTORS

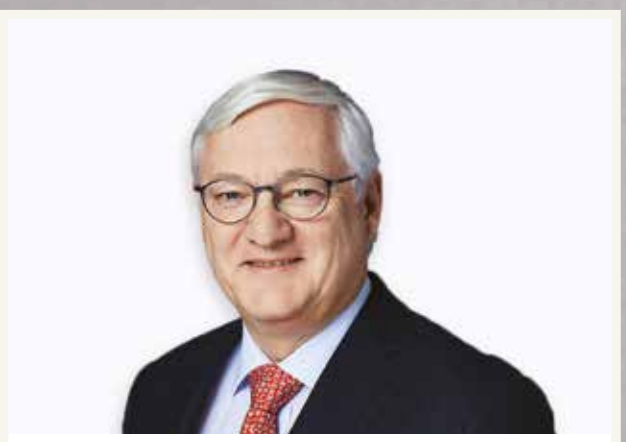
KEEPERS OF THE CODE

FOCK SIEW WAH

GROUP CHAIRMAN

MAIN COMMITTEES

Chairman, EXCO; Chairman, LDCC



PETER ROBERT VOSER

DEPUTY CHAIRMAN

TAN CHONG MENG

MAIN COMMITTEE

Member, EXCO

SUPERVISORY COMMITTEES

Member: Southeast Asia; Northeast Asia; Middle East South Asia; Europe, Mediterranean & The Americas; Marine Services

DAVINDER SINGH

MAIN COMMITTEE

Member, LDCC

SUPERVISORY COMMITTEE

Member, Southeast Asia

FRANK WONG

MAIN COMMITTEES

Member, EXCO; Member, LDCC

SUPERVISORY COMMITTEE

Chairman, Northeast Asia

CHAN LAI FUNG

SUPERVISORY COMMITTEES

Member: Europe, Mediterranean & The Americas; Marine Services

KAIKHUSHRU SHIAVAX NARGOLWALA

MAIN COMMITTEE

Member, EXCO

SUPERVISORY COMMITTEE

Chairman, Middle East South Asia

TOMMY THOMSEN

MAIN COMMITTEE

Chairman, Audit

SUPERVISORY COMMITTEE

Chairman, Europe, Mediterranean & The Americas

STEVEN TERRELL CLONTZ

MAIN COMMITTEE

Member, Audit

SUPERVISORY COMMITTEE

Member, Middle East South Asia

JEANETTE WONG

MAIN COMMITTEE

Member, Audit

SUPERVISORY COMMITTEES

Chairwoman, Southeast Asia;
Member: Northeast Asia; Marine Services

The Late KUA HONG PAK

Held office until October 2018

Notes:
EXCO – Executive Committee
LDCC – Leadership Development & Compensation Committee

SENIOR MANAGEMENT COUNCIL

SERVING WITH INTEGRITY

OBJECTIVE

DOING THE RIGHT THING AND DOING THINGS RIGHT

TAN CHONG MENG

GROUP CEO

CAROLINE LIM

GLOBAL HEAD OF HUMAN RESOURCE & CORPORATE AFFAIRS

LIM PEK SUAT

GROUP CFO

GOH MIA HOCK

HEAD OF GROUP PROCESS EXCELLENCE & GROUP TECHNOLOGY

ONG KIM PONG

REGIONAL CEO
Southeast Asia

DAVID YANG

REGIONAL CEO
Europe, Mediterranean & The Americas

ROGER TAN

REGIONAL CEO
Northeast Asia

WAN CHEE FOONG

REGIONAL CEO
Middle East South Asia
& HEAD OF GROUP BUSINESS DEVELOPMENT

TERENCE TAN

GENERAL COUNSEL &
COMPANY SECRETARY

HO GHIM SIEW

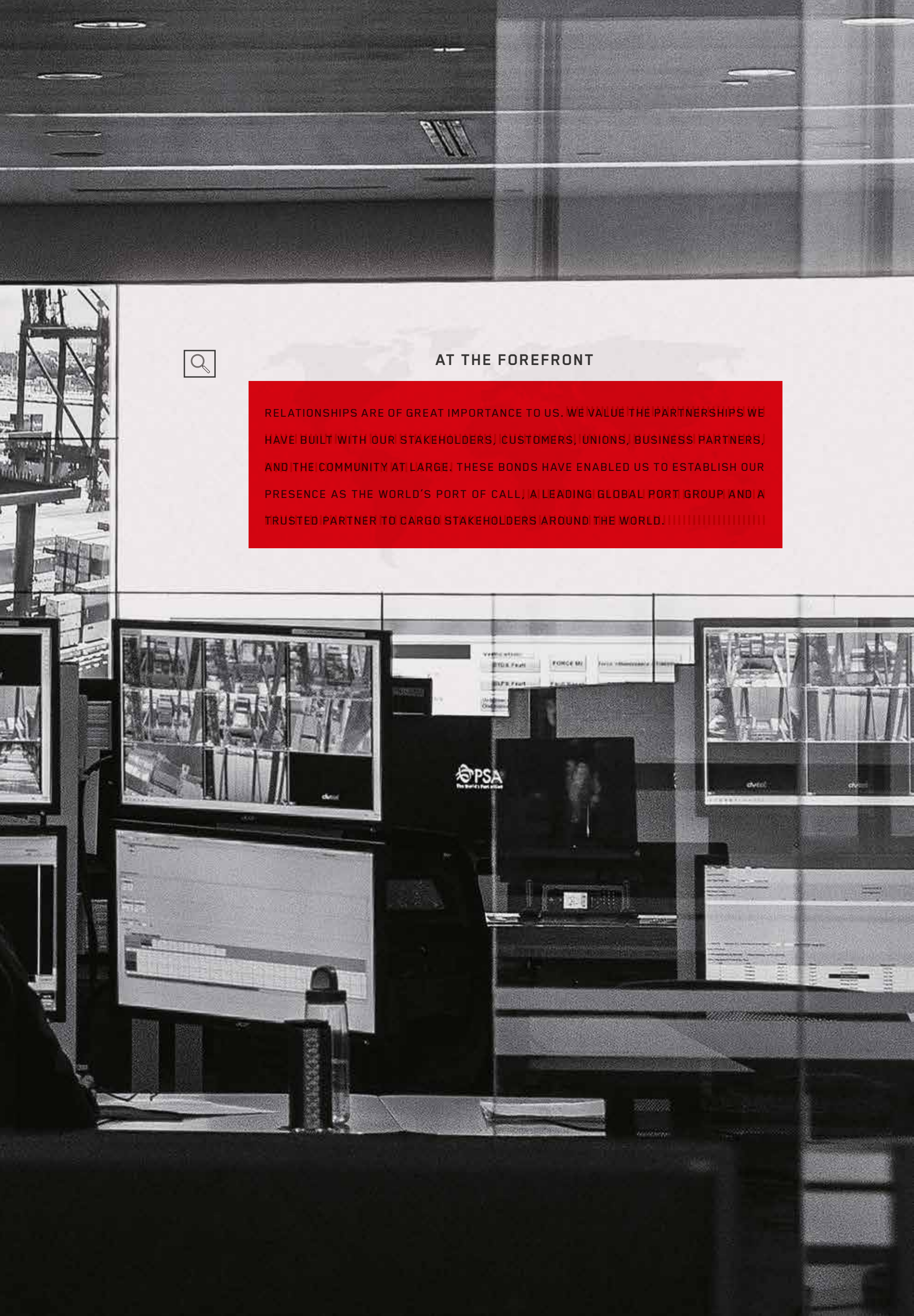
HEAD OF GROUP COMMERCIAL,
STRATEGY & CARGO SOLUTIONS


PSA
SG
PSA Always Alongside Singapore

AT THE FOREFRONT

RELATIONSHIPS ARE OF GREAT IMPORTANCE TO US. WE VALUE THE PARTNERSHIPS WE HAVE BUILT WITH OUR STAKEHOLDERS, CUSTOMERS, UNIONS, BUSINESS PARTNERS, AND THE COMMUNITY AT LARGE. THESE BONDS HAVE ENABLED US TO ESTABLISH OUR PRESENCE AS THE WORLD'S PORT OF CALL, A LEADING GLOBAL PORT GROUP AND A TRUSTED PARTNER TO CARGO STAKEHOLDERS AROUND THE WORLD.


PSA
SG
PSA Always Alongside Singapore



AT THE FOREFRONT

RELATIONSHIPS ARE OF GREAT IMPORTANCE TO US. WE VALUE THE PARTNERSHIPS WE HAVE BUILT WITH OUR STAKEHOLDERS, CUSTOMERS, UNIONS, BUSINESS PARTNERS, AND THE COMMUNITY AT LARGE. THESE BONDS HAVE ENABLED US TO ESTABLISH OUR PRESENCE AS THE WORLD'S PORT OF CALL, A LEADING GLOBAL PORT GROUP AND A TRUSTED PARTNER TO CARGO STAKEHOLDERS AROUND THE WORLD.

GLOBAL FOOTPRINT
AT THE FOREFRONT

GLOBAL FOOTPRINT: 17 COUNTRIES

/ A network of over 50 coastal, rail and inland terminals

COASTAL TERMINALS

SOUTHEAST ASIA

SINGAPORE
PSA Singapore

THAILAND
Eastern Sea Laem Chabang Terminal

VIETNAM
SP-PSA International Port

INDONESIA
New Priok Container Terminal One

NORTHEAST ASIA

CHINA
Dalian Container Terminal
Fuzhou Container Terminals
Guangzhou Container Terminal
Tianjin Terminals
PSA Dongguan Container Terminal
LYG-PSA Container Terminal
Beibu Gulf-PSA International Container Terminal

SOUTH KOREA
Incheon Container Terminal
Busan Terminals

JAPAN
Hibiki Container Terminal

MIDDLE EAST SOUTH ASIA

INDIA
Tuticorin Container Terminal
Chennai International Terminals
Bharat Mumbai Container Terminals
Bharat Kolkata Container Terminals

SAUDI ARABIA
Saudi Global Ports

EUROPE & MEDITERRANEAN

BELGIUM
PSA Antwerp
PSA Zeebrugge

ITALY
PSA Voltri-Pra
PSA Venice

PORTUGAL
PSA Sines

TURKEY
Mersin International Port

THE AMERICAS

ARGENTINA
Exolgan Container Terminal

PANAMA
PSA Panama International Terminal

COLOMBIA
Sociedad Puerto Industrial Aguadulce

RAILWAY TERMINALS

CHINA
1 Wuhan
2 Xi'an
3 Qingdao
4 Ningbo
5 Dalian
6 Kunming
7 Zhengzhou
8 Tianjin
9 Chongqing
10 Chengdu
11 Urumqi

CANADA
12 British Columbia

GROUP FINANCIAL HIGHLIGHTS

TEUs – Twenty-foot Equivalent Units All amounts in Singapore dollars	2018	2017	2016	2015	2014
Throughput (million TEUs)					
Singapore	36.3	33.4	30.6	30.6	33.6
Overseas	44.7	40.9	37.0	33.5	31.9
Global	**81.0**	**74.2**	**67.6**	**64.1**	**65.4**
Consolidated Income Statement ($ million)					
Revenue	4,086	3,968	3,680	3,573	3,830
Operating Expenses	(2,932)	(2,743)	(2,412)	(2,270)	(2,403)
Operating Profit	1,154	1,225	1,268	1,303	1,427
Net Other Income	203	113	2	46	155
Profit from Operations	1,357	1,338	1,270	1,349	1,582
Finance Costs	(218)	(169)	(173)	(174)	(171)
Share of Profit of Associates	148	171	184	188	171
Share of Profit of Joint Ventures	192	188	163	173	131
Profit before Income Tax	1,480	1,528	1,443	1,535	1,713
Income Tax Expense	(229)	(236)	(216)	(219)	(264)
Profit for the year	1,251	1,292	1,227	1,316	1,449
Non-controlling Interests	(46)	(59)	(54)	(48)	(47)
Profit attributable to Owner of the Company	1,205	1,233	1,173	1,268	1,402
Consolidated Financial Position ($ million)					
Total Assets	20,242	20,041	19,151	17,147	17,758
Total Liabilities	8,197	8,426	7,866	6,590	6,837
Total Equity	12,045	11,615	11,285	10,556	10,921
Financial Ratios					
Operating Margin[1]	28.2%	30.9%	34.5%	36.5%	37.3%
Return on Average Total Assets[2]	7.3%	7.5%	7.7%	8.5%	9.3%
Return on Average Total Equity[3]	10.6%	11.3%	11.2%	12.3%	13.6%
Total Debt/Equity (times)[4]	0.48	0.52	0.52	0.44	0.44
Earnings per Share ($)	1.98	2.03	1.93	2.09	2.31

1 Operating profit expressed as a percentage of revenue
2 Profit for the year, add back finance costs, expressed as a percentage of average total assets
3 Profit for the year, expressed as a percentage of average total equity
4 Total debt divided by total equity

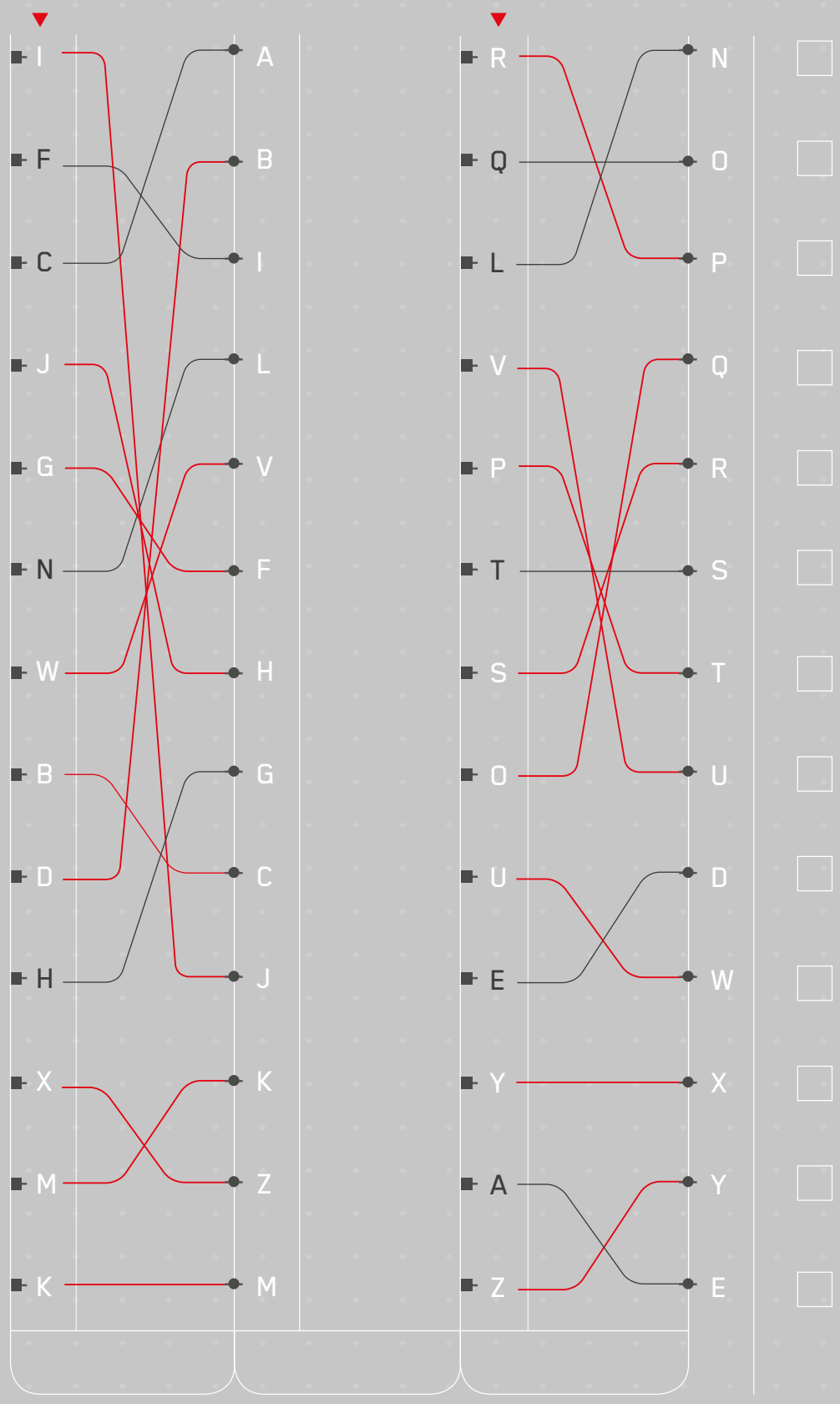
THROUGHPUT (MILLION TEUs)

REVENUE (S$ BILLION)

TOTAL ASSETS (S$ BILLION)

TOTAL EQUITY (S$ BILLION)

Illustration by Caroline Lim

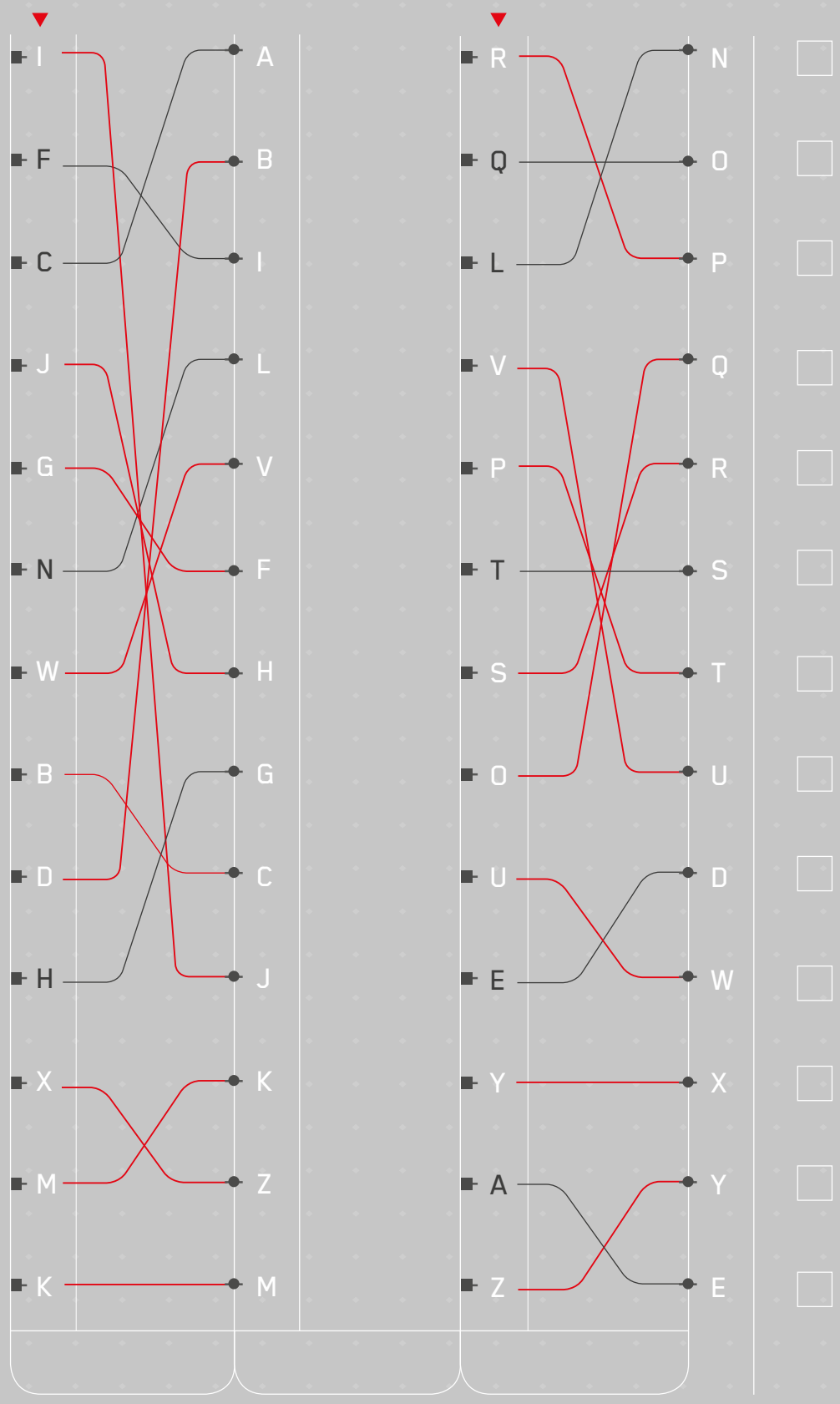

I
F
C
J
G
N
W
B
D
H
X
M
K
A
B
I
L
V
F
H
G
C
J
K
Z
M
R
Q
L
V
P
T
S
O
U
E
Y
A
Z
N
O
P
Q
R
S
T
U
D
W
X
Y
E

THE KEY TO INNOVATION

FROM THE ENIGMA MACHINE TO THE RISE OF VIRTUAL CURRENCY, CRYPTOGRAPHY HAS UNLOCKED INNOVATIVE BREAKTHROUGHS THAT CHANGED THE COURSE OF HISTORY AND PROPELLED TECHNOLOGY TO NEW FRONTIERS. LIKEWISE, WE CONSTANTLY FIND WAYS TO DELIVER WORLD-CLASS PORT SERVICES ALONGSIDE OUR CUSTOMERS AND PARTNERS, AS WELL AS DEVELOP INNOVATIVE CARGO SOLUTIONS AND COLLABORATIVE PLATFORMS TO CO-CREATE AN INTERNET OF LOGISTICS.

USING THE SUBSTITUTION KEY PROVIDED, CAN YOU DECIPHER THIS SECRET CODE?

C	N	Q	L	H	T	F	E	A
A	I	O	N	G	S	I	D	E


I
F
C
J
G
N
W
B
D
H
X
M
K
A
B
I
L
V
F
H
G
C
J
K
Z
M
R
Q
L
V
P
T
S
O
U
E
Y
A
Z
N
O
P
Q
R
S
T
U
D
W
X
Y
E

THE KEY TO INNOVATION

FROM THE ENIGMA MACHINE TO THE RISE OF VIRTUAL CURRENCY, CRYPTOGRAPHY HAS UNLOCKED INNOVATIVE BREAKTHROUGHS THAT CHANGED THE COURSE OF HISTORY AND PROPELLED TECHNOLOGY TO NEW FRONTIERS. LIKEWISE, WE CONSTANTLY FIND WAYS TO DELIVER WORLD-CLASS PORT SERVICES ALONGSIDE OUR CUSTOMERS AND PARTNERS, AS WELL AS DEVELOP INNOVATIVE CARGO SOLUTIONS AND COLLABORATIVE PLATFORMS TO CO-CREATE AN INTERNET OF LOGISTICS.

USING THE SUBSTITUTION KEY PROVIDED, CAN YOU DECIPHER THIS SECRET CODE?

C	N	Q	L	H	T	F	E	A
A	L	O	N	G	S	I	D	E

SOUTHEAST ASIA
Volumes at PSA Singapore grew 8.9% in 2018 to reach a record throughput of 36.3 million TEUs.

PSA Singapore achieved a significant milestone with the completion of Pasir Panjang Terminal's (PPT) final phase in the first quarter of the year. The city terminals continued their focus serving intra-Asia trade and providing dock depot and automobile logistics services.

Joint venture operations at PPT were also boosted throughout the year, with COSCO-PSA Terminal adding two new berths, while MSC-PSA Asia Terminal started operating its seventh berth in November 2018. In the following month, PSA and Ocean Network Express (ONE) signed an agreement to launch a four-million TEU capacity terminal in 2019.

PSA Singapore launched ACE™, a digital platform that enhances productivity and partnerships through collaboration and co-creation of new capabilities that bring value to customers. Beyond that, a range of ICT solutions was also developed to streamline internal processes and enhance operational efficiency.

In line with its sustainability goals, PSA Singapore converted several rubber-tyre gantry (RTG) cranes to Electric Automated RTGs. They went on trial in November 2018, handling volumes at terminals alongside automated rail mounted gantry (RMG) cranes.

In recognition of the scale and complexity of operations, PSA Singapore won the "Port Infrastructure Development of the Year" Award at the Lloyd's List Asia Pacific Awards 2018, and the "Ports and Terminals Award" at the Seatrade Maritime Awards Asia 2018 for high standards of operational efficiency and customer service. It also bagged two other awards for its environmental efforts.

The development of the future Tuas Port is on schedule with the first two berths at Phase 1 expected to be operational in 2021.

New Priok Container Terminal One in Indonesia, which had commenced commercial operations in August 2016, achieved its first-millionth TEU milestone in February 2018. It continued to collaborate with various logistics players to improve customer service experience.

In Thailand, Eastern Sea Laem Chabang Terminal attracted new shipping services from several lines, while Vietnam's SP-PSA International Port continued to explore other container and non-container opportunities.

NORTHEAST ASIA
PSA's Northeast Asia region handled a volume of 20 million TEUs with 9% growth in 2018 and record volumes in Fuzhou, Lianyungang, Qinzhou and Tianjin.

Beibu Gulf-PSA International Container Terminal, Fujian Jiangyin International Container Terminal and Guangzhou Container Terminal (GCT) acquired new port equipment during the year. Tianjin Port Pacific International Container Terminal commenced operational trial of four automated electric RTGs and two automated prime movers while LYG-PSA Container Terminal successfully implemented a smart gate system that significantly reduces gate processing time. Fuzhou Container Terminal (FCT) and GCT added a new yard while FCT also commissioned a cold chain warehouse.

Dalian Container Terminal received the "Terminal Innovation Award" at the 5th China Shipping Industry Innovation Conference and Dongguan Container Terminal picked up several productivity awards from China Ports Association.

As part of the International Land-Sea Trade Corridor, PSA extended its reach into the hinterland with several intermodal corridors that connect China United International Rail Containers Co., Limited's (CUIRC) inland railway terminals such as Chengdu, Chongqing, Kunming and Zhengzhou to PSA's coastal terminals in 2018.

In addition, PSA China set up two companies, PSA Fujian Supply Chain and Beibu-Gulf Port Community Systems, to offer supply chain solutions to shippers. Guangzhou Port Logistics was appointed as ExxonMobil South China's logistics supplier.

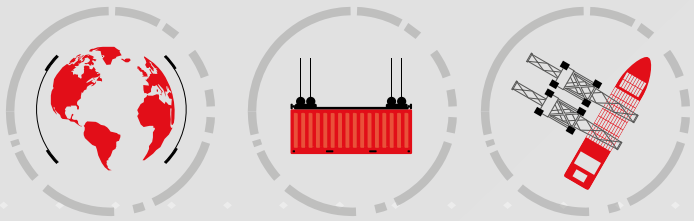
Over in South Korea, PSA Busan Terminals recovered container volumes following the reshuffling of mega alliances. Pusan Newport International Terminal successfully automated 12 RMGs. Incheon Container Terminal received a commendation from President Moon Jae-in for its contribution towards the industrial and economic development of the nation's port industry.

MIDDLE EAST SOUTH ASIA
2018 heralded PSA's 20th year of operations in India – a major milestone that was celebrated by PSA India staff and stakeholders at commemorative events across the country.

The region registered 13% year-on-year growth, in part boosted by record throughput at Chennai International Terminals (CITPL) and Bharat Kolkata Container Terminals (BKCT).

The relaunch of shuttle trains between CITPL and Concor's Inland Container Depot in October 2018 helped to reduce trucking time, adding to savings in logistics costs and environmental benefits.

Following its official opening by India's Prime Minister Narendra Modi in February 2018, Bharat Mumbai Container Terminals (BMCT) increased its equipment fleet



to a total of nine quay cranes and 36 RTGs, with more to be delivered in 2019. In its first year of operations, BMCT achieved high level of productivity and attracted the largest shipping service in Jawaharlal Nehru Port.

Meanwhile, India's first Containerised Digital Exchange Platform (CODEX) was successfully implemented at Tuticorin Container Terminal in October 2018. Jointly developed by Tuticorin Customs, V.O. Chidambaranar Port Trust and the Tuticorin chapter of the National Association of Container Freight Stations, the Platform automates and digitally streamlines container movements at the port.

CITPL was awarded "Container Terminal Operator of the Year" for the third time at the 10th South East Cargo & Logistics Awards 2018. BMCT was named "Upcoming Terminal of the Year" by Jawaharlal Nehru Port Trust, while BKCT was conferred the "Smart Container Terminal Award" at the Smart Logistic Awards 2018.

In Saudi Arabia, Saudi Global Ports enjoyed its highest annual throughput and garnered two awards – "Best Container Operator of the Year - Saudi Arabia" and "Fastest Growing Port of the Year - Saudi Arabia" at the 5th Annual International Finance Awards.

EUROPE & THE MEDITERRANEAN

In Belgium, PSA Antwerp welcomed numerous deep-sea and feeder shipping services at its terminals. Throughput at MSC PSA European Terminal (MPET) hit a new record, clocking about 7% growth. In October 2018, Antwerp Terminal Services (JV between PSA Antwerp and MPET) centralised barge planning and monitoring operations, hence simplifying and optimising the planning cycles of barges in the Port of Antwerp.

Noordzee Terminal successfully rolled out the Global Terminal Operating System in September 2018. Besides acquiring two new quay cranes, the terminal added 150 metres of quay length through conversion works.

Over in Italy, PSA Voltri-Pra commissioned 21 new electric RTGs as part of the terminal's infrastructural modernisation program. PSA Sines in Portugal moved nearly 1.8 million TEUs, setting a new benchmark. The terminal welcomed the 20,568-TEU vessel Madrid Maersk in August 2018 – the largest to call at the Port of Sines. It also concluded trials for a pre-booking system where hauliers could check container authorisation and coordinate their arrival at the terminal with the containers' release.

Mersin International Port in Turkey grew by 8.2% to turn in a record throughput for 2018. It also expanded its fleet of terminal equipment during the year.

THE AMERICAS

PSA marked its first foray into Canada with a 60% acquisition in Ashcroft Terminal to provide inland terminal services.

Exolgan Container Terminal in Argentina continued to enjoy strong market share, registering a 24% throughput increase to reach a new high in container volume in 2018. Construction of a new warehouse is ongoing and expected to be completed by end 2019. The terminal clinched an innovation award for its "Future Port" project at the 2018 National Technology Forum held in Buenos Aires. The winning initiative facilitates the enrolment of drivers and trucks through a mobile app, speeding up gate processing ahead of arrival.

Further north, PSA Panama International Terminal posted good growth with the completion of its Phase 2 expansion. It also welcomed Mediterranean Shipping Company (MSC) on board as a new customer.

Over in Colombia, Sociedad Puerto Industrial Aguadulce welcomed new shipping services and invested in new infrastructure, including expansion of the container yard.

PSA MARINE

PSA Marine developed the ONEHANDSHAKE™ digital solution to provide real-time communication and alerts to stakeholders operating in Singapore. ONEHANDSHAKE™ was rolled out in phases from March 2018 to oil terminal operators, shipping agents and surveyors. There are plans to engage other stakeholders in subsequent stages. To provide a seamless user experience, ONEHANDSHAKE™ will be integrated into PSA Marine's existing order systems and app suite.

In October 2018, PSA Marine was awarded a long-term contract from Siemens Gamesa Renewable Energy for the charter of a purpose-built 35-metre Service Accommodation Transfer Vessel (SATV), to serve the Formosa 1 offshore wind power plant in Taiwan. The SATV offers a new logistical mode that accommodates technicians offshore and transfers them directly onto offshore turbines without the need for a motion-compensated gangway system. The new contract expands PSA Marine's presence significantly in providing logistical support in the international offshore wind market.

INNOVATION INITIATIVES

INNOVATING AND BEING ALONGSIDE

KUA HONG PAK

Mr Kua was a board member of PSA International for almost 15 years, from 2003-2018. He was Chairman of the Audit and Southeast Asia Supervisory Committees and also a member of the Executive Committee. In addition, he was a member of the PSA Corporation board between 2002-2018.

From 2003-2017, he helmed Singapore-listed ComfortDelGro as its Group Chief Executive Officer, growing the transport company's footprint across seven countries and nearly trebling its profit during his 14-year tenure. He passed away on 31 Oct 2018 at the age of 74.

Mr Kua was a discerning, thoughtful leader, with balanced guidance and insights. PSA will remember him for his exemplary stewardship, unwavering dedication and outstanding contributions to PSA.

INNOVATION@PSA

PSA has had a long history of innovation, from its early days as a Singapore statutory board decades ago to a post-corporatisation multinational. Today, innovation is especially relevant as the commercial marketplace continues to undergo rapid and structural changes that directly affect how we serve customers. In response to a more competitive global business environment, here are some of PSA's innovation efforts in recent years.

INNOVATION VISION 2022

In 2018, PSA put in place its Innovation Vision 2022 as an aspiration of what innovation@PSA should be in the future. We envision the hallmarks of such a truly innovative organisation, where our employees spontaneously improve upon one another's ideas, develop inter-disciplinary collaborations and produce innovative breakthroughs without fear of failure; where our leaders are exemplary in promoting innovation as a culture and a game changer, while ensuring PSA's innovation funnels are value-focused and good for its business in the long term; and where enterprise PSA is recognised as a thought leader in innovation and whose corporate performance is intricately linked with its ability to innovate.

Various initiatives have been rolled out to facilitate our journey towards Innovation Vision 2022.

iCAN – OUR INNOVATION PLATFORM

iCAN is an innovation platform adopted by over 10,000 PSA employees across 23 business units, spanning many nationalities and cultures. An ideas e-platform, it effectively allows employees Groupwide to ask questions, share, vote for and build up ideas that improve PSA's workplace processes or extend its business boundaries. Since its launch in 2016, iCAN has received over 2,000 entries covering a broad range from engineering, technology and IT; to HR and health, safety, security & environment-related topics. Around 10% of iCAN submissions are adopted, developed or implemented within PSA. Top contributors are singled out for reward and recognition yearly.

INNOVATION FUNDING – REALISING IDEAS

To support the test-bedding of innovative ideas, PSA also established the Group Innovation Fund in 2013, setting aside US$1 million annually to conduct trials and encourage experimentation.

KUA HONG PAK INNOVATION AWARDS

In 2013, the annual Group Innovation Awards (GIA) was rolled out to supplement PSA's innovation activities with recognition and reward of PSA employees – those who dare push the boundaries with new ideas, enjoy the rigours and thrills of experimentation and try new ways of doing things. In the six years it has been running, the annual GIA has received a total of 849 entries, of which 30 winning contributions have been adopted for implementation.

In 2019, in honour of the late Mr Kua Hong Pak, one of PSA International's longest-serving board directors, GIA was renamed the Kua Hong Pak Innovation Awards.

PSA unboXed – INNOVATION FROM THE OUTSIDE

PSA ventured into the startup space with the launch of its external innovation and corporate venture capital arm, PSA unboXed, in 2016.

PSA unboXed supports PSA's businesses by harnessing technology and innovation from the startup ecosystem to seek solutions with a focus on ports, maritime, logistics and containerised cargo flow.

Considering the varied technology needs of PSA, PSA unboXed has chosen not to be defined by the traditionally narrow scope of corporate venturing; it has instead tailored sensible approaches to engage startups at different levels of maturity, with unique strengths or features that can add value to PSA's current and future operations.

In an effort to source technology across a broad range of technology domains, from artificial intelligence to cloud computing and robotics, PSA unboXed is currently plugged into a global network of over 50 innovation ecosystem players, including hubs in Silicon Valley and Israel.

Through a focused screening process, PSA unboXed has contributed to dozens of successful proof-of-concepts, trials, and commercial arrangements with start-ups within PSA. In June 2018, PSA unboXed also signed an MOU with CMA-CGM Ze Box to drive innovation efforts through collaboration and co-creation of solutions to address industry problems.

CARGO SOLUTIONS – CREATING VALUE FOR THE GLOBAL SUPPLY CHAIN

In response to the evolving and increasingly complex demands of the global supply chain, PSA established a Group Cargo Solutions unit in June 2018 to drive higher levels of business innovation and increase service levels and offerings.

Cargo Solutions seeks to create value for the global supply chain by focusing on four key verticals of Advanced Manufacturing, E-commerce, Energy & Chemicals, and Cold Chain. Besides seeking to provide stakeholders with differentiated services that allow them to take advantage of PSA's extensive connections for faster time to market and wider outreach to global destinations, we also offer a comprehensive mix of inland container depots, cold stores and reefer services.

In addition, PSA offers a range of multi-modal solutions in different locations for shippers seeking fast and cost competitive cargo connections. These include sea-air solutions leveraging Singapore's hub position, and sea-rail solutions that link Southeast Asia to China's western provinces via the International Land-Sea Trade Corridor (ILSTC).

CALISTA™ – EVOLVING THE INTERNET OF LOGISTICS

In addition to offering complementary port solutions to supply chain stakeholders, PSA in collaboration with Global eTrade Services Asia Pte Ltd (GeTS) – a subsidiary of CrimsonLogic – launched CALISTA™ in April 2018.

CALISTA™ (Cargo Logistics, Inventory Streamlining & Trade Aggregation) is an open supply chain platform to help shippers better manage the physical movement of goods, trade financing and compliance. The platform facilitates global and regional interactions between supply chain users through interconnected networks of supply chain, port community and shipping lines.

On a macro level, CALISTA™ is an integral part of an Internet of Logistics (IoL) – the future of supply chain. An ecosystem of connected and interoperable logistics nodes across the physical, regulatory and finance dimensions, IoL will enable smarter and more visible cargo flow, drive standardisation, efficiencies and cost savings, and promote collaboration of innovative solutions.

To-date, CALISTA™ has cargo owners, shipping lines, financial institutions and ports participating in its ecosystem. PSA will continue to drive its global adoption as well as co-develop more innovative products with partners to provide an enriched customer experience and orchestrate supply chain excellence.

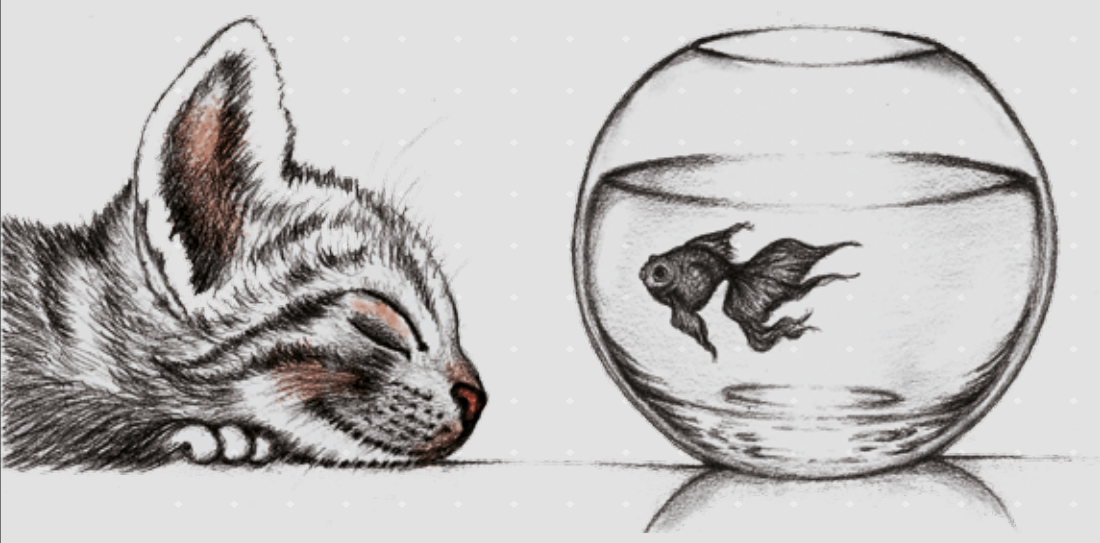
TECHNOLOGY – INNOVATION IN ACTION

PSA set up the Technology Action Group (TAG) in August 2018 with a key objective to forge convergence on automation projects and steer them to successful implementation, as well as facilitate swift cascade of CP4.0™ technologies – PSA's blueprint and vision for its Container Port of the Future. TAG comprises a diverse composition of representatives from PSA headquarters and its two flagship terminals in Singapore and Antwerp. The TAG has in turn appointed scores of Technology Scanning Leads across the PSA Group to monitor technological trends and to harness their applications for the benefit of PSA and its customers.

PSA will continue to actively reinvent itself, continually re-examine the way we operate, improve processes and innovate beyond traditional port boundaries to deliver higher value to the global supply chain.

CATFISH – INNOVATION COMPETENCY-BUILDING

Developed in-house, Catfish Innovation is a program designed to kickstart and fuel our individual innovation engines, by honing our focus on how we innovate, unleash creativity, evolve ideas and lead the innovation journey. Imparted are tools and techniques to create an environment conducive to creativity by coaching on the attitudes and actions that help innovators succeed within an organisation. Multifaceted and multisensory, this experience was designed to bring out the innovator in everyone and grow the spirit of creativity at PSA.



Illustrations by Caroline Lim

THE FISH! STORY

Everyone for each other, and everyone for the business. These two phrases sum up our Fish! and Fish+ philosophies. We believe in winning as a team. Our success is made possible by a culture that empowers employees to excel, nurture and support one another to achieve the best outcomes possible.

VIA PSA INTERNATIONAL

PSA

P R I O R I T Y


F
I
S
H
!
PSA LOCK

THE FISH! STORY

Everyone for each other, and everyone for the business. These two phrases sum up our Fish! and Fish+ philosophies. We believe in winning as a team. Our success is made possible by a culture that empowers employees to excel, nurture and support one another to achieve the best outcomes possible.

VIA PSA INTERNATIONAL

PSA

P R I O R I T Y


S
T
O
R
Y
PSA LOCK

LIVING UP TO THE CODE

LEADING WITH INTEGRITY AND INSIGHT

PSA International's Board of Directors takes a proactive approach in guiding the organisation's business affairs and strategic planning with a focus on attaining sustainable growth and financial performance.

To assess investment opportunities and chart the most strategic path ahead, the Board conducts quarterly meetings. Approval of budgets and audited accounts are handled on an annual basis. The Board determines its decisions on a majority voting system. The deciding vote would be cast by the Chairman in the event of a tie.

The following Committees support the Board:

- **EXECUTIVE COMMITTEE (EXCO)**
  The EXCO develops and reviews long-term strategies for the PSA Group. It is responsible for the approval of major acquisitions and divestments, loans, capital expenditures, provision of guarantees, investment policies, customer contracts, tenders and purchase contracts.

- **AUDIT COMMITTEE (AC)**
  The AC identifies and mitigates significant risk areas through regular reviews of the effectiveness of control procedures. It assesses the reliability of management reporting, compliance with applicable laws and regulations, and reviews the statutory accounts.

- **LEADERSHIP DEVELOPMENT & COMPENSATION COMMITTEE (LDCC)**
  The LDCC oversees leadership development, talent management and remuneration. It ensures that the PSA Group has in place appropriate programs and consistent policies for grooming leaders, developing global talent and preparing potential successors for key leadership positions. It also reviews the performance and approves the remuneration of PSA senior management.

- **SUPERVISORY COMMITTEES (SCS)**
  The SCs are responsible for aligning management resources for the better management of PSA's global portfolio of terminals. There are five SCs: Southeast Asia SC, Northeast Asia SC, Middle East South Asia SC, Europe, Mediterranean & The Americas SC and Marine Services SC. Each SC plans and reviews growth strategies and approves major capital expenditures, customer contracts, tenders and purchase contracts for PSA entities under its business purview.

PSA is committed to upholding its reputation by doing business the right way — with integrity and accountability. All our commercial practices are conducted in strict adherence to the PSA Code of Business Ethics & Conduct.

FOCUSING ON PEOPLE

BUILDING A CULTURE OF TEAMWORK

As our People navigated an increasingly volatile, disruptive and competitive environment in 2018, our anchor was The Code – or the "PSA Code of Business Ethics and Conduct" in full. Through the years, under the steer of Group Chairman Fock Siew Wah, The Code has been our constant reference and reminder of the paramount importance of integrity to sustainable business success. Shedding clarity on the ethical standards expected of all employees, The Code conveys what it means to "Do What is Right" and "Right What is Wrong".

The Code, since its inception in 2003, has been so foundational that constant emphasis is placed on embedding it in our organisational fabric. As part of the latest impetus in 2018, an online assessment on the contents of The Code was conducted for office-based staff of all levels in Singapore and Antwerp, with plans for global rollout in time to come. Also during the year, senior leaders and heads of key functions across the PSA Group signed a pledge to reinforce their commitment to comply with The Code.

Moreover, a new "Decoding The Code" inhouse program was introduced to deepen the understanding of common ethical pitfalls and identify ways to avoid and address them. In order to provide counsel on the one-day workshop meant for all PSA leaders and managers, Group Chairman Fock Siew Wah, Group CEO Tan Chong Meng and the Senior Management Council attended the pilot run facilitated by Global Head of HR & Corporate Affairs Caroline Lim and team in July 2018, and their invaluable feedback was subsequently incorporated.

The Code workshop has since joined the slew of PSA signature programs designed, developed and delivered completely inhouse. To-date, 20 programs have been produced over a span of more than 10 years yielding over 10,000 training places for PSA's leaders, employees, unions and joint venture partners.

Besides The Code workshop, two most recent programs have been Catfish – for Innovation – and Jellyfish – on Change Management. In fact, a major stable of PSA signature programs centres around the theme of Fish, as Fish! and Fish+ principles are the cornerstone of our corporate culture. Fish! And Fish+ create a catchy common language across the global organisation for encouraging teamwork, camaraderie, excellent customer service, positivity, self-discipline, trust and support. Over the years, Fish-themed signature programs have helped to meld such desired values and behaviours across the Group, raising happiness and enhancing performance at work.

Such high employee engagement points to a thriving Organisation Development (OD) 2020 vision. The drive under OD2020 is to build a great workplace now and into the future. A global network of OD2020 coordinators, complementing each country's HR, collaborates to share, encourage and implement initiatives for enhancing culture as well as work arrangements, spaces and processes.

Learning and development is another major component of OD2020. Underlying the commitment to fulfil the potential of our People, is the conviction that learning agility future-proofs both the workforce and the business. The programs housed under the corporate university encompass soft and hard skills, from coaching and cross-cultural effectiveness, to media management and recruitment best practices, to fast-track development for general managers. In addition, a port operations and management program imbues high potentials with holistic perspectives across core functions. Global savvy is nurtured on international job assignments as well as STRIDE (Short-TeRm International Development Experience) stints. Furthermore, tools such as the RED360°/TEAM RED360° for gathering feedback, and the Herrmann Brain Dominance Instrument® for diagnosing thinking styles and communication preferences, contribute towards self and team effectiveness.

And labour-management partnerships, so aptly termed our X-factor, continue to be the lynchpin of success to the global portfolio. We maintain close relationships with our labour unions, from Singapore to Belgium, regularly sharing business directions and engaging in mutual feedback. PSA was honoured to be recognised once again at the 2018 May Day Awards, conferred by Singapore's National Trades Union Congress for individuals and companies who make significant contributions to the local labour movement. The three PSA winners for 2018 were veteran unionists Kenny Ng from the Singapore Port Workers Union, Chia Ding Shan from the Port Officers' Union, and, none other than Group CEO Tan Chong Meng. Each had been instrumental to the labour-management synergy fundamental to PSA's long-term success. The Awards were as much a celebration for each winner, as they are a hallmark of PSA's close collaboration alongside all our stakeholders in the drive for Global Championship.

A BEACON OF HOPE

UNLOCKING A BETTER WORLD

PSA strives to create positive change around the world, by energising economies through trade, and contributing meaningfully to the communities that we operate in. We champion initiatives that are community-minded, as well as do our best to be environmentally-responsible.

In Singapore, PSA awarded the Howe Yoon Chong PSA bond-free scholarships to 38 deserving students in 2018. 10 years since its inception, the Howe Yoon Chong PSA Scholarships have benefitted a total of 196 resilient but financially disadvantaged students. The 38 scholars will pursue academic studies at Singapore's Institute of Technical Education, polytechnics or universities.

The PSA Health@Home (H@H) program continued to receive strong support in 2018 as well. PSA made a S$1.5 million contribution towards the new St Luke's ElderCare Centre at Ayer Rajah in Singapore. On the ground, PSA volunteers put in more than 4,000 hours organising and participating in activities with H@H partners. This included a new volunteering activity with National University Health System, which involves facilitations at health screening events and outreach to elderly residents.

PSA also donated S$1 million to Project Silver Screen, an initiative by Temasek Foundation Cares to provide vision, hearing and oral health screenings for senior citizens in Singapore.

Beyond Singapore, PSA continued to contribute actively to local communities in many ways. Eastern Sea Laem Chabang Terminal in Thailand donated medical equipment and computers to the Laem Chabang Hospital, organised recreational activities and donated generously to the Karunyawet Home for the Disabled. In Indonesia, New Priok Container Terminal One (NPCT1) reached out to local youths through monthly football matches. Jointly with its employees, NPCT1 also raised funds to support disaster relief work and victims following the earthquakes in Lombok and Palu. To equip Kalibaru residents living in the terminal's vicinity with skills for future employment, NPCT1 partnered its car terminal to offer a new internship training program.

In South Korea, Incheon Container Terminal, Pusan Newport International Terminal and PSA Hyundai Pusan Newport Terminal jointly raised funds for the Korean Association for Children with Leukaemia and Cancer to finance the treatment and other related costs of children battling leukaemia and cancer. The terminals also organised a blood donation drive in further support of the Association.

The PSA teams in China focused their CSR efforts on supporting the schools in their communities. Beibu Gulf-PSA International Container Terminal (BPCT) actively improved Xiniujiao Primary School's infrastructure, and engaged the school's students on the topic of ocean conservation. Our staff at Guangzhou Container Terminal (GCT) volunteered at the Huangpu School for Autism, and helped to raise funds for the students. Dalian Container Terminal also donated to schools in their local community.

In India, Chennai International Terminals constructed a sanitation facility at Sadhana Clarke School, a school for the hearing impaired and intellectually disabled children in the outskirts of the city. Our staff also spent a day with the children and prepared a meal for them. Bharat Mumbai Container Terminals, as part of its Community Involvement Program, held a career counselling session for teenaged students and their parents, and shared on career opportunities at the terminal. Meanwhile, Tuticorin Container Terminal gave children from Nesakarangal Orphanage a tour of the terminal, where they were treated to lunch on board a ship.

Over in Europe, around 200 employees from Belgium volunteered in various charity projects such as the distribution of food and other essentials to needy families with young children at Moeders voor Moeders. The team refurbished refugee homes and also collaborated with City Pirates, a local organisation that engages children through football to instil values like equality and respect. The Belgian entities also continued to support Kamiano, a welfare group that provides meals, showers and clothing for the homeless.

In Italy, PSA Voltri-Pra sponsored several events centred around sports and the arts to benefit children and the disabled. It supported Il Porto Dei Piccoli, a non-profit organisation for ill children, and led fundraising efforts for Gruppo Sportivo Speranza, a local rowing team, and Olympia Volley, a local volleyball team. PSA Venice raised funds for children from disadvantaged backgrounds at the Nazareth House.

PSA Sines in Portugal funded the construction of a training facility that has benefitted over 300 sports scholars in the community. The team also donated IT equipment to local schools and painted the home for the disabled.

Staff at Mersin International Port (MIP) in Turkey organised a series of fundraising activities with proceeds raised matched dollar-for-dollar by MIP's management. The funds were channelled towards the educational needs of a local orphanage, the repair and maintenance of

two schools and the procurement of books for youths. MIP also continued to support music and tennis programs.

Meanwhile, in the Americas, Sociedad Puerto Industrial Aguadulce in Colombia actively supported numerous projects that sought to improve the welfare of local communities, as well as activities that preserve local culture and traditions.

Exolgan Container Terminal in Argentina focused its community efforts on youths. Besides partnering local NGOs to provide educational support for 900 young adults, staff also organised sports and cultural activities for 400 teenagers. In addition, the terminal contributed materials and equipment towards the refurbishment efforts of two school buildings in the community.

PSA Panama International Terminal donated school supplies and essentials to needy children. The team also organised a soccer league as a support system for at-risk children from disadvantaged family backgrounds.

Beyond community initiatives and volunteer participation globally, PSA continues to strive to minimise our environmental impact and to broaden the environmental awareness of our people.

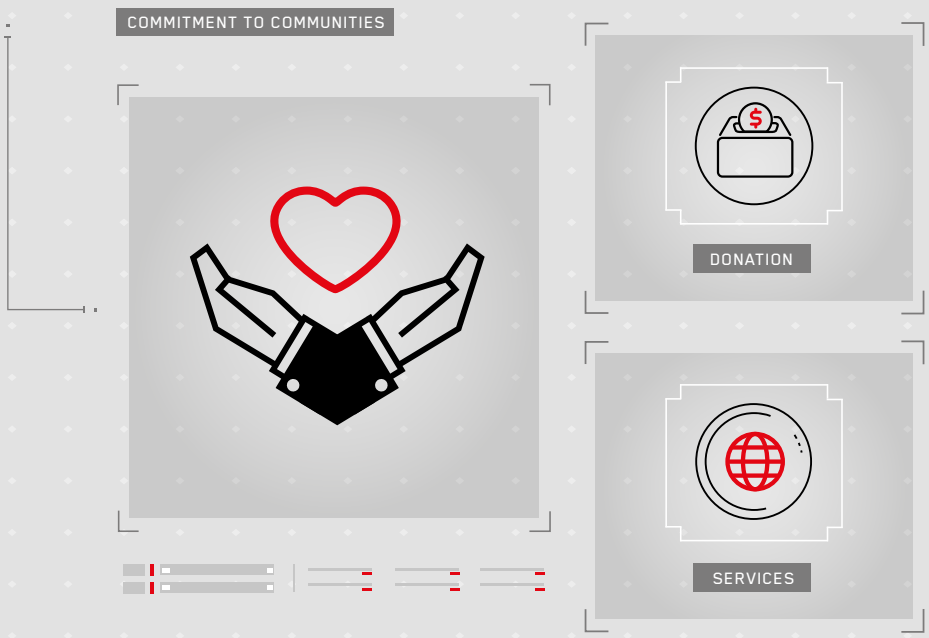
Our annual Go Green movement with other leading port operators continued its momentum in 2018. Together, we led a campaign to demonstrate the 100% recyclability of aluminium, and to raise awareness on the toxic e-waste contents in mobile phones. PSA employees collected and recycled 315 kg worth of aluminium cans and nearly 300 mobile phones during the month-long event.

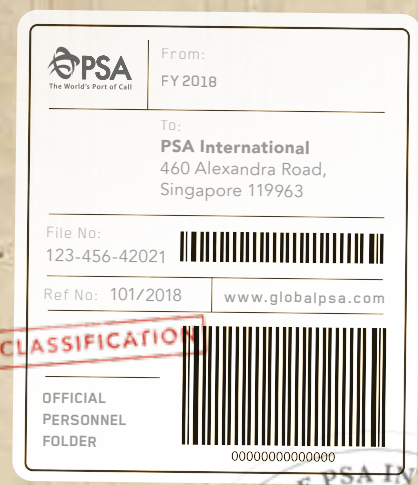
PSA is also working to improve fuel efficiency and reduce greenhouse gases in port operations through a progressive shift towards electric cranes, LNG trucks and energy-efficient buildings.

For example, PSA Singapore is experimenting with the conversion of diesel-operated rubber tyre gantry cranes (RTGs) to Electric Automated RTGs (EA-RTGs). Integration testing and trials were performed in November 2018. In China, BPCT and GCT are progressively deploying more electric RTGs for operations.

In 2018, PSA Singapore received two awards in recognition of its sustainability efforts - the Singapore Environmental Council (SEC)-MPA Environment Achievement Award for its commitment to environmental initiatives in the maritime industry, and the APEC Port Services Network (APSN) Green Port Award System Award for the implementation of sustainable practices.

PSA's sustained corporate social responsibility efforts reflect our commitment to be alongside the local communities that we operate in. We endeavour to create positive connections - improving lives through trade and operating responsibly and sustainably.





FINANCIAL REVIEW

AUTHORISED FOR ISSUE

THIS DOCUMENT CONTAINS VERIFIED INFORMATION ON PSA INTERNATIONAL PTE LTD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018.

FILE NAME: FINANCIAL REVIEW

YEAR : 2018

THIS INFORMATION INCLUDES

- ☐ DIRECTORS' STATEMENT
- ☐ INDEPENDENT AUDITORS' REPORT
- ☐ FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2018

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 44 to 105 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act (Chapter 50), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

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

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

DIRECTORS

The directors in office at the date of this statement are as follows:

Mr Fock Siew Wah (Group Chairman)
Mr Peter Robert Voser (Deputy Chairman, appointed on 1 July 2018)
Mr Tan Chong Meng (Group Chief Executive Officer)
Ms Chan Lai Fung
Mr Davinder Singh s/o Amar Singh
Mr Frank Kwong Shing Wong
Ms Jeanette Wong Kai Yuan (Appointed on 1 July 2018)
Mr Kaikhushru Shiavax Nargolwala
Mr Steven Terrell Clontz
Mr Tommy Thomsen

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Fock Siew Wah		
Singapore Telecommunications Limited		
- Ordinary shares	3,240	3,240
Chan Lai Fung		
Singapore Telecommunications Limited		
- Ordinary shares	1,550	1,550
Davinder Singh s/o Amar Singh		
Singapore Airlines Limited		
- S$500 million 3.22% Notes due 2020	S$500,000	S$500,000
Singapore Technologies Engineering Ltd		
- Ordinary shares	83,337	83,337
Singapore Telecommunications Limited		
- Ordinary shares	1,800	1,800
Frank Kwong Shing Wong		
Mapletree North Asia Commercial Trust Management Ltd.		
- Unit holdings in Mapletree North Asia Commercial Trust	2,399,000[1]	2,369,000[1]
Jeanette Wong Kai Yuan		
Singapore Airlines Limited		
- Ordinary shares	6,600	6,600

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Jeanette Wong Kai Yuan		
Singapore Technologies Engineering Ltd		
- Ordinary shares	10,000	10,000
Singapore Telecommunications Limited		
- Ordinary shares	17,821	17,821
Kaikhushru Shiavax Nargolwala		
Ascendas Funds Management (S) Limited		
- Unit holdings in Ascendas Real Estate Investment Trust	140,000[1]	140,000[1]
Mapletree Industrial Trust Management Ltd.		
- Unit holdings in Mapletree Industrial Trust	200,000[1]	200,000[1]
Mapletree Logistics Trust Management Ltd.		
- Unit holdings in Mapletree Logistics Trust	220,000[1]	300,000[1]
Mapletree Investments Pte Ltd		
- Unit holdings in Mapletree Global Student Accommodation Private Trust (trust managed by Mapletree Real Estate Advisors Pte. Ltd.)	4,608[2]	4,608[2]
SIA Engineering Company Limited		
- Ordinary shares	34,000[1]	50,000[1]
Singapore Technologies Engineering Ltd		
- Ordinary shares	–	45,000[1]
Singapore Telecommunications Limited		
- Ordinary shares	556,000[1]	556,000[1]
Steven Terrell Clontz		
StarHub Ltd.		
- Ordinary shares	107,700	143,600

[1] Held in trust by trustee company on behalf of the director.
[2] Held in trust by trustee company on behalf of the director and consists of 2,304 Class A and 2,304 Class B units respectively.

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

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

SHARE OPTIONS

During the financial year, there were:

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Fock Siew Wah
Director

Tan Chong Meng
Director

26 February 2019

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2018

Member of the Company
PSA International Pte Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PSA International Pte Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 105.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act), Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment assessment of goodwill ($484.6 million)
(Refer to notes 2.1, 2.6 and 4 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group has goodwill for which the SFRS(I) requires at least an annual impairment assessment. This assessment involves management identifying the cash-generating units (CGUs) to which the goodwill relates and estimating the recoverable amounts of the CGUs. An impairment is recognised when the recoverable amounts of the CGUs are lower than the carrying amounts of the CGUs goodwill and operating assets comprising intangibles and property plant and equipment. The recoverable amounts of the CGUs are determined based on assumptions of expected growth in revenue, gross margin and discount rates. These estimates require judgement and is a key focus area of our audit.	We assessed the Group's process over setting annual budgets on which the cash flow projections are based. We assessed the key assumptions on revenue growth rates and operating profit margins applied in the cash flow projections based on our knowledge of the CGUs' operations and compared them against economic and industry forecasts. This included making enquiries with management to understand their future plans around growth and capital expenditures. We assessed the methodology and key inputs used to derive the discount rates, including comparison with comparable companies. We performed sensitivity analysis around the key assumptions to assess the extent of the change that would be required for the assets to be impaired. We also assessed the adequacy of the Group's disclosures on the CGUs' key assumptions used and sensitivity of the outcome of the impairment assessment to changes in key assumptions.

Our findings

We found that the assumptions and resulting estimates were balanced and that the disclosures in note 4 to the financial statements to be adequate.

Valuation of trade and accrued receivables ($633.2 million)
(Refer to notes 2.8, 11 and 12 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The recoverability of trade and accrued receivables is considered a key audit matter due to the inherent subjectivity that was involved in making judgment over expected credit losses (ECL).	We tested key controls over the Group's credit review and collection process. This included reviewing the Group's process to identify and monitor ECL, as well as the Group's basis of making allowance for ECL. We identified a sample of outstanding balances of significant amounts for collectability assessment individually. Where the debt is subject to dispute or potential dispute, we reviewed management's assessment of collectability and the Group's rights under the contracts to assess the reasonableness of recorded allowance amount. We compared the Group's views of recoverability of outstanding amounts to historical patterns of receipts and cash received subsequent to year end.

Our findings

We found that the Group's estimates relating to collectability of trade and accrued receivables to be prudent. We have discussed the effects of the identified excess allowances for certain trade and accrued receivables with the directors, which were found not to be significant to the financial statements as a whole.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained the Directors' statement and Group financial highlights prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

The engagement partner on the audit resulting in this independent auditors' report is Phuoc Tran.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 February 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Assets							
Property, plant and equipment	3	5,396,507	6,302,309	5,963,178	191	395	554
Intangible assets	4	2,140,186	2,117,371	1,621,392	14,673	8,284	2,964
Subsidiaries	5	–	–	–	9,939,443	9,484,317	9,138,020
Associates	6	3,418,825	3,413,661	3,539,030	–	–	–
Joint ventures	7	2,803,883	2,283,039	2,269,019	–	–	–
Financial assets	8	1,187,432	1,335,169	1,217,759	110,625	–	–
Other non-current assets	9	229,663	42,155	26,874	22,787	–	–
Deferred tax assets	10	12,619	15,460	18,845	–	3,907	5,753
Non-current assets		15,189,115	15,509,164	14,656,097	10,087,719	9,496,903	9,147,291
Inventories		44,854	44,509	56,084	–	–	–
Trade and other receivables	11	954,047	773,710	686,289	134,178	144,330	169,872
Cash and bank balances	14	4,054,386	3,713,708	3,752,452	2,721,605	2,382,658	2,636,172
Current assets		5,053,287	4,531,927	4,494,825	2,855,783	2,526,988	2,806,044
Total assets		20,242,402	20,041,091	19,150,922	12,943,502	12,023,891	11,953,335
Equity							
Share capital	15	1,135,372	1,135,372	1,135,372	1,135,372	1,135,372	1,135,372
Accumulated profits		11,415,267	10,401,529	10,131,354	8,582,366	7,980,335	7,571,009
Other reserves	16	(1,206,785)	(457,176)	(397,022)	(33,384)	(15,097)	(1,443)
Equity attributable to owner of the Company		11,343,854	11,079,725	10,869,704	9,684,354	9,100,610	8,704,938
Non-controlling interests		701,592	534,949	415,692	–	–	–
Total equity		12,045,446	11,614,674	11,285,396	9,684,354	9,100,610	8,704,938
Liabilities							
Borrowings	17	4,586,819	5,809,301	5,396,022	1,705,250	2,337,615	2,527,495
Provisions	18	9,214	49,054	39,869	–	–	–
Other non-current obligations	19	239,175	119,371	103,462	163,422	18,977	–
Deferred tax liabilities	10	493,943	522,492	343,819	3,617	–	–
Non-current liabilities		5,329,151	6,500,218	5,883,172	1,872,289	2,356,592	2,527,495
Trade and other payables	20	1,392,992	1,593,328	1,345,895	691,930	554,724	437,136
Borrowings	17	1,254,479	185,669	445,031	681,745	–	279,749
Current tax payable		220,334	147,202	191,428	13,184	11,965	4,017
Current liabilities		2,867,805	1,926,199	1,982,354	1,386,859	566,689	720,902
Total liabilities		8,196,956	8,426,417	7,865,526	3,259,148	2,923,281	3,248,397
Total equity and liabilities		20,242,402	20,041,091	19,150,922	12,943,502	12,023,891	11,953,335

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Revenue	22	4,086,213	3,967,685
Other income	23	212,296	181,378
Staff and related costs	24	(981,521)	(900,306)
Contract services		(531,088)	(494,809)
Running, repair and maintenance costs		(366,913)	(347,560)
Other operating expenses		(366,190)	(428,515)
Property taxes		(31,681)	(30,151)
Depreciation and amortisation		(663,688)	(609,974)
Service concession revenue	25	115,606	486,139
Service concession costs	25	(115,606)	(486,139)
		–	–
Profit from operations	26	1,357,428	1,337,748
Finance costs	27	(217,868)	(168,966)
Share of profit of associates, net of tax		148,062	170,765
Share of profit of joint ventures, net of tax		192,032	188,481
Profit before income tax		1,479,654	1,528,028
Income tax expense	28	(228,894)	(235,607)
Profit for the year		1,250,760	1,292,421
Profit attributable to:			
Owner of the Company		1,204,734	1,233,461
Non-controlling interests		46,026	58,960
Profit for the year		1,250,760	1,292,421

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000
Profit for the year	1,250,760	1,292,421
Other comprehensive income		
Items that will not be reclassified to income statement:		
Defined benefit plan remeasurements	(74)	2,279
Net change in fair value of equity investments at FVOCI	(268,067)	–
Income tax on other comprehensive income	16,499	(408)
	(251,642)	1,871
Items that are or may be reclassified subsequently to income statement:		
Exchange differences of foreign operations	(42,046)	(343,339)
Exchange differences on monetary items forming part of net investment in foreign operations	7,478	(52,113)
Exchange differences on hedge of net investment in a foreign operation	(42,206)	168,161
Inflation adjustment for the year	72,113	–
Effective portion of changes in fair value of cash flow hedges	4,215	(10,525)
Net change in fair value of cash flow hedges reclassified to income statement	(338)	(3,628)
Net change in fair value of available-for-sale financial assets	–	184,061
Share of reserves in associates	(90,208)	106,620
Share of reserves in joint ventures	9,348	2,674
Reserves reclassified to income statement on disposal of a subsidiary	11,578	–
Income tax on other comprehensive income	(7,041)	(118,966)
	(77,107)	(67,055)
Other comprehensive income for the year, net of tax	(328,749)	(65,184)
Total comprehensive income for the year	922,011	1,227,237
Total comprehensive income attributable to:		
Owner of the Company	884,129	1,172,837
Non-controlling interests	37,882	54,400
Total comprehensive income for the year	922,011	1,227,237

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Capital reserve $'000
At 1 January 2017	1,135,372	25,925
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income		
Exchange differences of foreign operations	–	–
Exchange differences on monetary items forming part of net investment in foreign operations	–	–
Exchange differences on hedge of net investment in a foreign operation	–	–
Effective portion of changes in fair value of cash flow hedges	–	–
Net change in fair value of cash flow hedges reclassified to income statement	–	–
Net change in fair value of available-for-sale financial assets	–	–
Share of reserves in associates	–	7,065
Share of reserves in joint ventures	–	–
Defined benefit plan remeasurements	–	–
Income tax on other comprehensive income	–	–
Total other comprehensive income	–	7,065
Total comprehensive income for the year	–	7,065
Transactions with owner, recorded directly in equity		
Contributions by and distributions to owner of the Company		
Capital contribution by non-controlling shareholders of subsidiaries	–	–
Dividends paid to non-controlling shareholders of subsidiaries	–	–
Final tax exempt dividend declared and paid of $0.49 per share	–	–
Interim tax exempt dividend declared and paid of $1.15 per share	–	–
Total contributions by and distributions to owner of the Company	–	–
Changes in ownership interests in subsidiaries		
Acquisition of interest in a subsidiary from non-controlling interest, without a change in control	–	–
Disposal of interests in subsidiaries to non-controlling interest, without a change in control	–	–
Total changes in ownership interests in subsidiaries	–	–
At 31 December 2017	1,135,372	32,990

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

Insurance reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total attributable to owner of the Company $'000	Non-controlling interests $'000	Total equity $'000
97,357	(798,807)	(27,528)	306,031	10,131,354	10,869,704	415,692	11,285,396
–	–	–	–	1,233,461	1,233,461	58,960	1,292,421
–	(339,345)	–	–	–	(339,345)	(3,994)	(343,339)
–	(52,113)	–	–	–	(52,113)	–	(52,113)
–	168,161	–	–	–	168,161	–	168,161
–	–	(10,048)	–	–	(10,048)	(477)	(10,525)
–	–	(3,628)	–	–	(3,628)	–	(3,628)
–	–	–	184,061	–	184,061	–	184,061
–	97,941	–	1,614	–	106,620	–	106,620
–	389	2,285	–	–	2,674	–	2,674
–	–	–	–	2,393	2,393	(114)	2,279
–	–	–	(118,966)	(433)	(119,399)	25	(119,374)
–	(124,967)	(11,391)	66,709	1,960	(60,624)	(4,560)	(65,184)
–	(124,967)	(11,391)	66,709	1,235,421	1,172,837	54,400	1,227,237
–	–	–	–	–	–	53,523	53,523
–	–	–	–	–	–	(58,360)	(58,360)
–	–	–	–	(300,000)	(300,000)	–	(300,000)
–	–	–	–	(700,000)	(700,000)	–	(700,000)
–	–	–	–	(1,000,000)	(1,000,000)	(4,837)	(1,004,837)
–	–	–	–	(46,780)	(46,780)	(20,446)	(67,226)
–	(2,760)	5,190	–	81,534	83,964	90,140	174,104
–	(2,760)	5,190	–	34,754	37,184	69,694	106,878
97,357	(926,534)	(33,729)	372,740	10,401,529	11,079,725	534,949	11,614,674

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Capital reserve $'000
At 1 January 2018	1,135,372	32,990
Adjustment on initial application of SFRS(I) 9 (net of tax)	–	–
Adjusted balance at 1 January 2018	1,135,372	32,990
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income		
Exchange differences of foreign operations	–	–
Exchange differences on monetary items forming part of net investment in foreign operations	–	–
Exchange differences on hedge of net investment in a foreign operation	–	–
Inflation adjustment for the year	–	–
Effective portion of changes in fair value of cash flow hedges	–	–
Net change in fair value of cash flow hedges reclassified to income statement	–	–
Net change in fair value of equity investments at FVOCI	–	–
Share of reserves in associates	–	(3,802)
Share of reserves in joint ventures	–	–
Reserves reclassified to income statement on disposal of a subsidiary	–	–
Defined benefit plan remeasurements	–	–
Income tax on other comprehensive income	–	–
Total other comprehensive income	–	(3,802)
Total comprehensive income for the year	–	(3,802)
Transactions with owner, recorded directly in equity		
Contributions by and distributions to owner of the Company		
Capital contribution by non-controlling shareholders of subsidiaries	–	–
Dividends paid to non-controlling shareholders of subsidiaries	–	–
Interim tax exempt dividend declared and paid of $1.02 per share	–	–
Total contributions by and distributions to owner of the Company	–	–
Changes in ownership interests in subsidiaries		
Acquisition of interests in subsidiaries with non-controlling interests	–	–
Disposal of interest in a subsidiary to non-controlling interests, with a change in control	–	–
Total changes in ownership interests in subsidiaries	–	–
At 31 December 2018	1,135,372	29,188

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

Insurance reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total attributable to owner of the Company $'000	Non-controlling interests $'000	Total equity $'000
97,357	(926,534)	(33,729)	372,740	10,401,529	11,079,725	534,949	11,614,674
–	–	–	(428,140)	428,140	–	–	–
97,357	(926,534)	(33,729)	(55,400)	10,829,669	11,079,725	534,949	11,614,674
–	–	–	–	1,204,734	1,204,734	46,026	1,250,760
–	(29,817)	–	–	–	(29,817)	(12,229)	(42,046)
–	7,478	–	–	–	7,478	–	7,478
–	(42,206)	–	–	–	(42,206)	–	(42,206)
–	72,113	–	–	–	72,113	–	72,113
–	–	131	–	–	131	4,084	4,215
–	–	(338)	–	–	(338)	–	(338)
–	–	–	(268,067)	–	(268,067)	–	(268,067)
–	(58,679)	–	(27,727)	–	(90,208)	–	(90,208)
–	86	907	–	8,355	9,348	–	9,348
–	11,578	–	–	–	11,578	–	11,578
–	–	–	–	(75)	(75)	1	(74)
–	–	148	16,726	(7,416)	9,458	–	9,458
–	(39,447)	848	(279,068)	864	(320,605)	(8,144)	(328,749)
–	(39,447)	848	(279,068)	1,205,598	884,129	37,882	922,011
–	–	–	–	–	–	117,914	117,914
–	–	–	–	–	–	(52,689)	(52,689)
–	–	–	–	(620,000)	(620,000)	–	(620,000)
–	–	–	–	(620,000)	(620,000)	65,225	(554,775)
–	–	–	–	–	–	56,321	56,321
–	–	–	–	–	–	7,215	7,215
–	–	–	–	–	–	63,536	63,536
97,357	(965,981)	(32,881)	(334,468)	11,415,267	11,343,854	701,592	12,045,446

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		1,250,760	1,292,421
Adjustments for:			
Depreciation and amortisation		663,688	609,974
Net change in fair value of equity investments at FVTPL		(7,785)	–
Impairment loss on available-for-sale financial assets		–	66,629
(Loss)/gain on disposal of:			
Subsidiary		8,760	–
Joint ventures		(2,543)	(9,689)
Intangible assets		–	796
Property, plant and equipment		(9,722)	(12,382)
Dividend income from financial assets		(52,378)	(60,250)
Interest income		(114,886)	(76,104)
Share of profit of associates, net of tax		(148,062)	(170,765)
Share of profit of joint ventures, net of tax		(192,032)	(188,481)
Finance costs	27	217,868	168,966
Income tax expense	28	228,894	235,607
		1,842,562	1,856,722
Changes in working capital:			
Inventories		(176)	11,575
Trade and other receivables		(166,040)	(121,907)
Trade and other payables		156,060	69,929
Cash generated from operations		1,832,406	1,816,319
Income tax paid		(173,841)	(216,501)
Net cash from operating activities		1,658,565	1,599,818

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Dividends received		389,118	318,904
Interest received		108,514	65,467
Purchase of property, plant and equipment and intangible assets		(937,954)	(1,220,621)
Proceeds from disposal of property, plant and equipment and intangible assets		23,725	16,272
Purchase of financial assets		(125,981)	(2,569)
Investment in an associate		–	(668)
Investments in and loans to joint ventures		(111,996)	(88,556)
Repayment of loans to joint ventures		4,551	59,961
Acquisition of interests in subsidiaries, net of cash acquired	32	(68,714)	–
Disposal of interest in a subsidiary to non-controlling interests, with a change in control, net of cash disposed	32	(7,756)	–
Acquisition of interest in a subsidiary from non-controlling interest, without a change in control		–	(67,226)
Proceeds from disposal of interest in a subsidiary to non-controlling interest, without a change in control		–	174,104
Proceeds from disposal of a joint venture		392	–
Capital reduction in an associate and a joint venture		9,919	–
Net cash used in investing activities		(716,182)	(744,932)
Cash flows from financing activities			
Proceeds from bank loans and notes		221,243	841,021
Repayment of bank loans and notes		(221,972)	(569,261)
Proceeds from loans from joint venture		205,736	73,691
Repayment of loans from joint venture		(21,659)	–
Repayment of finance lease liabilities		(43)	–
Capital contribution by non-controlling shareholders of subsidiaries		117,914	53,523
Repayment of loans from non-controlling shareholders of subsidiaries		–	(9,800)
Dividends paid to owner of the Company		(620,000)	(1,000,000)
Dividends paid to non-controlling shareholders of subsidiaries		(52,689)	(58,360)
Interest paid		(215,187)	(229,311)
Net cash used in financing activities		(586,657)	(898,497)
Net increase/(decrease) in cash and bank balances		355,726	(43,611)
Cash and bank balances at beginning of the year		3,713,708	3,752,452
Translation differences on consolidation		(15,048)	4,867
Cash and bank balances at end of the year	14	4,054,386	3,713,708

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 February 2019.

1 DOMICILE AND ACTIVITIES

PSA International Pte Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 460 Alexandra Road, PSA Building, #38-00, Singapore 119963.

The principal activities of the Company are investment holding and the provision of consultancy services on port management, port operations and information technology. The principal activities of the subsidiaries are mainly those of providers of port, marine, software development and IT related services.

The immediate and ultimate holding company during the financial year is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). As these are the Group's first financial statements prepared in accordance with SFRS(I) and IFRS, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* and IFRS 1 *First-time Adoption of International Financial Reporting Standards* have been applied. All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise specified.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 35.

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise presented.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position as at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

The preparation of financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Impairment of property, plant and equipment and intangible assets

The Group has significant tangible and intangible assets in its business. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

Assets that have an infinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying amounts of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Depreciation and amortisation

Depreciation and amortisation of non-financial assets constitute significant operating costs for the Group. The costs of these non-financial assets are charged as depreciation or amortisation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activities and residual values to determine adjustments to estimated remaining useful lives and depreciation or amortisation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable or amortisable lives and therefore depreciation or amortisation expense in future periods.

Residual values of the port assets are estimated after considering the price that could be recovered from the sale of the port assets and the expected age and condition at the end of their useful lives, after deducting the estimated costs of disposal.

2.2 Basis of consolidation

Business combinations

Business combinations are accounted for under the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been adjusted where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. Joint ventures are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates and joint ventures are accounted for in the consolidated financial statements under the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition results and reserves of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The latest audited financial statements of the associates and joint ventures are used and where these are not available, unaudited financial statements are used. Any differences between the unaudited financial statements and the audited financial statements obtained subsequently are adjusted for in the subsequent financial year.

The Group's investments in equity-accounted investees include goodwill on acquisition and other intangible assets acquired from business combinations. Where the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions with non-controlling interests

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests, which are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value at acquisition date.

Changes in the Group's ownership interest in a subsidiary that do not result in a change in control are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill and bargain purchase gain are not recognised as a result of such transactions. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Any difference between the adjustment to non-controlling interests and the fair value of consideration paid or received is recognised directly in equity and presented as part of equity attributable to owner of the Company.

Transactions eliminated on consolidation

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

Accounting for subsidiaries, associates and joint ventures

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

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective (see note 2.7), which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the year.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income and presented within equity in foreign currency translation reserve. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

For foreign operations in hyperinflationary economies, the income statement and non-monetary items in the foreign operation's statement of financial position are first restated to reflect changes in the general purchasing power of the foreign operation's functional currency based on the inflation rate up to the reporting date, with the resultant adjustment taken to the foreign operation's income statement as a net gain or loss on monetary items. All amounts (i.e. assets, liabilities, equity items, income and expenses) are then translated to Singapore dollars at the exchange rates prevailing at the reporting date, with the differences from opening balances recognised in other comprehensive income, and presented within equity in foreign currency translation reserve.

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

Net investment in a foreign operation

Foreign exchange gains and losses arising from monetary items, that in substance form part of the Group's net investment in a foreign operation, are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. When the net investment is disposed of, the relevant amount in the foreign currency translation reserve is reclassified to the income statement as an adjustment to the gain or loss arising on disposal.

2.4 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use, and an estimated cost of dismantling and removing the items and restoring the site on which they are located when the Group has an obligation to remove the assets or restore the site, and capitalised borrowing costs, where applicable.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net in the income statement.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis to write down the cost of property, plant and equipment to its estimated residual value over the estimated useful life (or lease term, if shorter) of each component of an item of property, plant and equipment.

Estimated useful lives are as follows:

Leasehold land	20 to 80 years
Buildings	10 to 58 years
Wharves, hardstanding and roads	5 to 33 years
Plant, equipment and machinery	3 to 25 years
Floating crafts	10 to 20 years
Dry-docking costs	2.5 to 5 years
Motor vehicles	3 to 10 years
Computers	3 to 5 years

No depreciation is provided on capital work-in-progress until the related property, plant and equipment is ready for use. Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.5 Intangible assets

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with infinite useful lives or not ready for use are stated at cost less accumulated impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures.

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Goodwill is measured at cost less accumulated impairment losses and is subject to testing for impairment, as described in note 2.6.

Computer software

Computer software, which is acquired by the Group, where it is not an integral part of the related hardware, is treated as an intangible asset. Computer software is amortised in the income statement on a straight-line basis over its estimated useful lives of 3 to 10 years, from the date on which it is ready for use.

Software development costs

Development expenditure attributable to projects, where the technical feasibility and commercial viability of which are reasonably assured, is capitalised and amortised over the time period for which the tangible benefits of the projects are expected to be realised. Software development costs are not amortised until the completion date and when the software is ready for use. Amortisation is charged to the income statement on a straight-line basis over estimated useful lives of 3 to 10 years.

Port concession, port use and other operating rights

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition the intangible asset is measured at cost, which includes capitalised borrowings costs, less accumulated amortisation and accumulated impairment losses.

The expenditures incurred in relation to the right to operate a port are capitalised as port use rights. These rights are amortised in the income statement on a straight-line basis over their estimated useful lives of 22 to 84 years (the period of the operating rights being available).

Research costs

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Other intangible assets

Other intangible assets which are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over estimated useful lives of 3 to 22 years.

Capital work-in-progress

No amortisation is provided on capital work-in-progress until the intangible asset is ready for use.

2.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Goodwill and other non-financial assets with infinite useful lives or not yet available for use are tested for impairment at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the income statement unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, other non-current assets, trade and other receivables, cash and bank balances, other non-current liabilities, trade and other payables, and borrowings.

Cash and cash equivalents comprise cash balances, bank deposits, and bank overdrafts. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire, or it transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of ownership of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised when the Group's contractual obligations specified in the contract expire or are discharged or cancelled.

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

Non-derivative financial instruments (unless it is a trade receivable without a significant financing component) are initially measured at fair value plus, for non-derivative financial instruments not at fair value through profit or loss (FVTPL), any directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Non-derivative financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) for equity investments.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The determination of the classification at initial recognition into each of the measurement category and the subsequent measurement for each measurement category are as described below.

(a) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

(b) Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the income statement.

(c) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Non-derivative financial assets - Policy applicable before 1 January 2018

On initial recognition, a financial asset is classified and measured at: loans and receivables, held-to-maturity investments, available-for-sale financial assets, and financial assets carried at cost. The determination of the classification at initial recognition into each of the measurement category and the subsequent measurement for each measurement category are as described below.

(a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, trade and other receivables and other non-current assets which are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(c) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When the financial asset is derecognised, the cumulative gain or loss in fair value reserve is reclassified to the income statement.

(d) Financial assets carried at cost

Investments in unquoted equity securities are classified as financial assets carried at cost only when the equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed.

Non-derivative financial liabilities - Policy applicable before and after 1 January 2018

Non-derivative financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement.

Derivative financial instruments and hedge accounting - Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign exchange, fuel price and interest rate risk exposures. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item in assessing whether they have values that generally move in the opposite direction because of the same hedged risk.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges under SFRS(I) 9.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as follows:

(a) Cash flow hedges

Changes in the fair value of the derivative designated as a hedging instrument of a cash flow hedge is recognised in other comprehensive income and presented within equity in the hedging reserve to the extent the hedge is effective, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation revoked, then hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in equity in the hedging reserve remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is reclassified to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the income statement.

(b) Fair value hedges

Changes in the fair value of a derivative designated as a hedging instrument of a fair value hedge are recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in the income statement and the carrying amount of the hedged item is adjusted.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement from that date.

(c) Hedge of net investment in a foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve, to the extent that the hedge is effective. The ineffective foreign currency differences are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in foreign currency translation reserve is reclassified to the income statement as an adjustment to the gain or loss on disposal when the investment in the foreign operation is disposed.

(d) Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

(e) Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement.

Derivative financial instruments and hedge accounting - Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018, except that embedded derivatives are separated for all host contracts, including host contracts that are financial assets.

2.8 Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECLs) on:
- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

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

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of loans and receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. An impairment loss in respect of a financial asset carried at cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All individually significant loans and receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in fair value reserve is reclassified to the income statement.

Impairment losses for loans and receivables and available-for-sale debt securities are reversed through the income statement if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised in other comprehensive income and presented within equity in the fair value reserve. Impairment losses for financial assets carried at cost are not reversed.

2.9 Financial guarantees

Financial guarantee contracts issued by the Company to external parties on behalf of entities within the Group are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

2.10 Leases

When entities within the Group are lessees of finance leases

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance cost and reduction of the lease liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expenses over the term of the lease. Contingent rentals are charged to the income statement in the financial year in which they are incurred.

When entities within the Group are lessors of operating leases

Assets leased out under operating leases are included in leasehold buildings and are depreciated over the period of the land lease. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term of the operating lease with the lessee.

2.11 Inventories

Inventories mainly comprise stores and consumables which are valued at cost of purchase (including cost incurred in bringing the inventories to their present location and condition) on a weighted average cost method less any applicable allowance for obsolescence. When inventories are consumed, the carrying amount of these inventories is recognised as an expense in the year in which the consumption occurs.

2.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligations in respect of defined benefit plans are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.13 Share capital

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

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.15 Revenue recognition

Income from services

Income from port and marine services rendered is recognised at a point in time and income from consultancy services is generally recognised over time, when the Group satisfies a performance obligation by transferring service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to each satisfied performance obligation. Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services.

License fee

License fee represents fees earned from the sale of license of software to customers and is recognised when the customer takes delivery of the software, and the criteria for acceptance have been satisfied.

System development revenue

System development contracts of less than 12 months' duration and completed within the financial year are recognised at a point in time based on the completed contract method. System development for longer-term contracts are recognised over time. The stage of completion is typically assessed by reference to work performed based on the ratio of costs incurred to date to the estimated total costs for each contract.

Service concession arrangements

Revenue related to construction or upgrade services under a service concession arrangement is recognised over time based on the percentage of completion of the work performed. The percentage of completion is assessed by reference to surveys of work performed. The related costs are recognised in the income statement when they are incurred. Operation or service revenue is recognised in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised as it accrues, using the effective interest method, except where the collection is contingent upon certain conditions being met, then such income is recognised when received.

2.16 Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

2.17 Finance costs

Finance costs comprise interest expense on borrowings which includes reclassifications of net losses previously recognised in other comprehensive income and the unwinding of the discount on provisions. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.18 Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Non-current assets held for sale or distribution

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured under different rules in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment losses.

2.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Executive Committee and Senior Management Council of the Company to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land $'000	Buildings $'000
Group		
Cost		
At 1 January 2017	1,401,091	607,094
Reclassifications	61,577	33,177
Additions	–	978
Disposals	(1,961)	(2,354)
Transferred to intangible assets	–	–
Translation differences on consolidation	148	10,668
At 31 December 2017	1,460,855	649,563
Reclassifications	6,368	10,327
Additions	–	1,647
Acquisition of subsidiaries	48,510	43,836
Disposals	(974)	(14,952)
Disposal of a subsidiary	–	(6,369)
Translation differences on consolidation	(1,044)	(6,207)
At 31 December 2018	1,513,715	677,845
Accumulated depreciation and impairment losses		
At 1 January 2017	781,983	351,250
Depreciation charge for the year	48,949	27,251
Disposals	(1,961)	(2,354)
Translation differences on consolidation	–	8,078
At 31 December 2017	828,971	384,225
Depreciation charge for the year	49,806	26,392
Acquisition of subsidiaries	6,672	17,985
Disposals	(974)	(14,857)
Disposal of a subsidiary	–	(1,253)
Translation differences on consolidation	–	(4,682)
At 31 December 2018	884,475	407,810
Carrying amounts		
At 1 January 2017	619,108	255,844
At 31 December 2017	631,884	265,338
At 31 December 2018	629,240	270,035

Wharves, hardstanding and roads $'000	Plant, equipment and machinery $'000	Floating crafts and dry-docking costs $'000	Motor vehicles $'000	Computers $'000	Capital work-in-progress $'000	Total $'000
2,495,579	5,077,959	454,359	23,010	146,626	1,154,824	11,360,542
269,854	793,259	1,175	1,062	23,465	(1,183,569)	–
2,774	38,690	13,879	203	2,152	890,863	949,539
(613)	(175,192)	(37,018)	(576)	(3,024)	–	(220,738)
–	–	–	–	–	(32,047)	(32,047)
(3,705)	58,653	(859)	(10)	1,346	(12,338)	53,903
2,763,889	5,793,369	431,536	23,689	170,565	817,733	12,111,199
74,323	219,672	24,290	1,635	24,927	(361,542)	–
8,050	48,462	17,014	926	7,572	279,863	363,534
–	25,055	–	1,010	44,821	–	163,232
(1,742)	(283,383)	(24,903)	(706)	(38,275)	–	(364,935)
(147,777)	(46,109)	–	(807)	(5,929)	(548,041)	(755,032)
(11,003)	(38,726)	(37)	(172)	(1,276)	(23,574)	(82,039)
2,685,740	5,718,340	447,900	25,575	202,405	164,439	11,435,959
1,183,931	2,750,393	192,914	17,260	119,633	–	5,397,364
115,641	327,198	35,681	2,332	21,162	–	578,214
(613)	(174,308)	(34,078)	(576)	(2,958)	–	(216,848)
3,483	37,499	(62)	17	1,145	–	50,160
1,302,442	2,940,782	194,455	19,033	138,982	–	5,808,890
120,471	332,051	34,188	2,220	19,996	–	585,124
–	10,034	–	69	43,207	–	77,967
(1,673)	(280,287)	(20,836)	(704)	(38,288)	–	(357,619)
(25,113)	(13,262)	–	(581)	(3,442)	–	(43,651)
(3,950)	(21,399)	(108)	(126)	(994)	–	(31,259)
1,392,177	2,967,919	207,699	19,911	159,461	–	6,039,452
1,311,648	2,327,566	261,445	5,750	26,993	1,154,824	5,963,178
1,461,447	2,852,587	237,081	4,656	31,583	817,733	6,302,309
1,293,563	2,750,421	240,201	5,664	42,944	164,439	5,396,507

	Plant, equipment and machinery $'000	Motor vehicles $'000	Computers $'000	Total $'000
Company				
Cost				
At 1 January 2017	247	774	1,918	2,939
Additions	16	–	121	137
Disposals	–	–	(5)	(5)
At 31 December 2017	263	774	2,034	3,071
Additions	–	–	19	19
Disposals	(8)	–	(41)	(49)
At 31 December 2018	255	774	2,012	3,041
Accumulated depreciation				
At 1 January 2017	182	489	1,714	2,385
Depreciation charge for the year	41	86	169	296
Disposals	–	–	(5)	(5)
At 31 December 2017	223	575	1,878	2,676
Depreciation charge for the year	23	85	115	223
Disposals	(8)	–	(41)	(49)
At 31 December 2018	238	660	1,952	2,850
Carrying amounts				
At 1 January 2017	65	285	204	554
At 31 December 2017	40	199	156	395
At 31 December 2018	17	114	60	191

Leased property, plant and equipment

At 31 December 2018, the net carrying amount of leased property, plant and equipment of the Group was $10.4 million (2017: $11.5 million; 1 Jan 2017: $12.9 million).

4 INTANGIBLE ASSETS

	Goodwill on consolidation	Computer software	Software development costs	Capital work-in-progress	Port and other operating rights	Other intangible assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost							
At 1 January 2017	534,427	42,659	65,091	674,500	546,568	15,081	1,878,326
Reclassifications	–	2,719	3,866	(6,585)	–	–	–
Additions	–	5,764	80	489,624	55	1,041	496,564
Disposals	–	–	–	(796)	–	–	(796)
Transferred from property, plant and equipment	–	2,631	29,416	–	–	–	32,047
Translation differences on consolidation	2,584	2,064	155	(11,128)	9,809	394	3,878
At 31 December 2017	537,011	55,837	98,608	1,145,615	556,432	16,516	2,410,019
Reclassifications	–	1,047	8,997	(1,158,301)	1,148,186	71	–
Additions	–	7,650	337	133,568	4,074	458	146,087
Acquisition of subsidiaries	18,652	2,706	15,702	243	–	17,983	55,286
Disposals	–	(2,048)	(7,664)	–	–	–	(9,712)
Translation differences on consolidation	(1,721)	(1,716)	(874)	(67,240)	(16,213)	(789)	(88,553)
At 31 December 2018	553,942	63,476	115,106	53,885	1,692,479	34,239	2,513,127
Accumulated amortisation and impairment losses							
At 1 January 2017	68,978	35,001	57,933	–	89,527	5,495	256,934
Amortisation charge for the year	–	4,799	7,630	–	18,454	877	31,760
Translation differences on consolidation	721	1,720	263	–	873	377	3,954
At 31 December 2017	69,699	41,520	65,826	–	108,854	6,749	292,648
Amortisation charge for the year	–	7,622	7,557	–	61,835	1,550	78,564
Acquisition of subsidiaries	–	2,688	8,341	–	–	–	11,029
Disposals	–	(2,048)	(977)	–	–	–	(3,025)
Translation differences on consolidation	(363)	(1,501)	(282)	–	(3,923)	(206)	(6,275)
At 31 December 2018	69,336	48,281	80,465	–	166,766	8,093	372,941
Carrying amounts							
At 1 January 2017	465,449	7,658	7,158	674,500	457,041	9,586	1,621,392
At 31 December 2017	467,312	14,317	32,782	1,145,615	447,578	9,767	2,117,371
At 31 December 2018	484,606	15,195	34,641	53,885	1,525,713	26,146	2,140,186

	Computer software	Software development costs	Capital work-in progress	Total
	$'000	$'000	$'000	$'000
Company				
Cost				
At 1 January 2017	3,795	411	2,193	6,399
Additions	108	–	5,700	5,808
At 31 December 2017	3,903	411	7,893	12,207
Additions	–	–	6,771	6,771
At 31 December 2018	3,903	411	14,664	18,978
Accumulated amortisation				
At 1 January 2017	3,024	411	–	3,435
Amortisation charge for the year	488	–	–	488
At 31 December 2017	3,512	411	–	3,923
Amortisation charge for the year	382	–	–	382
At 31 December 2018	3,894	411	–	4,305
Carrying amounts				
At 1 January 2017	771	–	2,193	2,964
At 31 December 2017	391	–	7,893	8,284
At 31 December 2018	9	–	14,664	14,673

Impairment testing for cash-generating units (CGUs) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's port business in the country of operation, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. At 31 December 2018, the carrying amount of goodwill primarily relates to the Group's port business CGU in Belgium of $455.9 million (2017: $456.7 million; 1 Jan 2017: $454.8 million). The remaining goodwill relates to the Group's port business CGUs in other countries.

The recoverable amounts of these port business CGUs were based on the value in use approach. They were determined by discounting the future cash flows generated from the continuing use of these CGUs. The cash flow projections were based on the financial budgets approved by management covering a five-year period and a further outlook based on the long-term nature of concession agreements.

Key assumptions include the expected growth in revenue, gross margin and discount rates. The pre-tax discount rate used for impairment testing of Belgium CGU was 8.3% (2017: 9.0%).

Judgement is required to determine key assumptions adopted in the cash flow projections and changes to the key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of the Belgium CGU to materially exceed its recoverable amount.

5 SUBSIDIARIES

	Company		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Equity investments, at cost	1,168,122	1,165,322	1,162,022
Loans to subsidiaries	9,050,692	8,606,841	8,274,644
	10,218,814	9,772,163	9,436,666
Impairment losses	(279,371)	(287,846)	(298,646)
	9,939,443	9,484,317	9,138,020

The loans to subsidiaries form part of the Company's net investments in these subsidiaries. The loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. These amounts are in substance capital contributions by the Company. Accordingly, these loans are stated at cost less accumulated impairment losses.

The loans are principally denominated in Singapore dollars, US dollars and Hong Kong dollars, and comprise:

(a) $1,661.1 million (2017: $1,679.2 million; 1 Jan 2017: $1,817.5 million) loans bearing fixed interest rates ranging from 3.80% to 4.63% (2017: 3.80% to 4.63%; 1 Jan 2017: 3.80% to 4.63%) per annum; and

(b) $57.7 million (2017: $54.5 million; 1 Jan 2017: $203.4 million) loans bearing floating interest rates ranging from 2.50% to 7.59% (2017: 2.24% to 6.50%; 1 Jan 2017: 1.06% to 6.29%) per annum and the interest rates repriced at intervals of 6 to 12 months.

The remaining loans to subsidiaries are interest-free.

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal place of business/ country of incorporation	Effective percentage held by the Group		
		2018	2017	1 Jan 2017
		%	%	%
PSA Corporation Limited	Singapore	100	100	100
PSA Marine (Pte) Ltd	Singapore	100	100	100
PSA Antwerp N.V.	Belgium	100	100	100

6 ASSOCIATES

	Group		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Investments in associates	3,418,825	3,413,661	3,539,030
Loans to associates	7,128	7,128	7,128
	3,425,953	3,420,789	3,546,158
Impairment losses	(7,128)	(7,128)	(7,128)
	3,418,825	3,413,661	3,539,030

The loans to associates form part of the Group's net investments in these associates. The loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. These amounts are in substance capital contributions by the Group. Accordingly, these loans are stated at cost less accumulated impairment losses.

Details of significant associates are as follows:

Name of associate	Principal place of business/ country of incorporation	Effective percentage held by the Group		
		2018	2017	1 Jan 2017
		%	%	%
Hutchison Port Holdings Limited	British Virgin Islands	20.0	20.0	20.0
Hutchison Ports Investments S.à r.l.	Luxembourg	20.0	20.0	20.0

The reconciliation of the SFRS(I) financial statements of the associates modified for fair value adjustments, with the carrying amounts of the investments in associates in the consolidated financial statements is as follows:

	Group		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
At 1 January	3,413,661	3,539,030	3,496,955
Group's share of:			
- profit for the year	148,062	170,765	184,197
- other comprehensive income	(90,208)	106,620	(80,111)
- total comprehensive income	57,854	277,385	104,086
Dividends received during the year	(110,154)	(130,518)	(134,370)
Investment during the year	–	668	–
Capital reduction during the year	(3,998)	–	–
Translation differences on consolidation	61,462	(272,904)	72,359
At 31 December	3,418,825	3,413,661	3,539,030

The Group's investments in associates relate mainly to its investment in Hutchison Port Holdings Limited and Hutchison Ports Investments S.à r.l.. The Group's share of contingent liabilities of the associates is $102.1 million (2017: $98.6 million; 1 Jan 2017: $111.6 million).

7 JOINT VENTURES

	Group		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Investments in joint ventures	1,973,395	1,834,940	1,775,473
Loans to joint ventures	854,296	472,973	518,420
	2,827,691	2,307,913	2,293,893
Impairment losses	(23,808)	(24,874)	(24,874)
	2,803,883	2,283,039	2,269,019

The loans to joint ventures form part of the Group's net investments in these joint ventures. The loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. These amounts are in substance capital contributions by the Group. Accordingly, these loans are stated at cost less accumulated impairment losses.

The loans are principally denominated in US dollars and Renminbi, and comprised:

(a) $442.6 million (2017: $407.8 million; 1 Jan 2017: $388.9 million) loans bearing fixed interest rates at 6.00% (2017: 6.00%; 1 Jan 2017: 6.00%) per annum; and

(b) $387.1 million (2017: $65.1 million; 1 Jan 2017: $124.4 million) loans bearing floating interest rates ranging from 2.56% to 6.39% (2017: 2.10% to 4.75%; 1 Jan 2017: 1.55% to 4.75%) per annum.

The remaining loans to joint ventures are interest-free.

Details of significant joint ventures are as follows:

Name of joint venture	Principal place of business/ country of incorporation	Effective percentage held by the Group		
		2018	2017	1 Jan 2017
		%	%	%
Dalian Container Terminal Co., Ltd.	People's Republic of China	26.0	26.0	49.0
Mersin Uluslararasi Liman Isletmeciligi A.S.	Turkey	51.0	51.0	50.0
PSA Panama International Terminal, S.A.	Republic of Panama	42.5	–	–
Sociedad Puerto Industrial Aguadulce S.A.	Colombia	47.3	47.3	46.3
Tianjin Port Pacific International Container Terminal Co., Ltd.	People's Republic of China	49.0	49.0	49.0

The Group's share of commitments of the joint ventures was as follows:

		Group		
		2018	2017	1 Jan 2017
		$'000	$'000	$'000
(a)	Capital commitments which have been authorised and contracted but not provided for in the financial statements	78,548	75,401	199,028
(b)	Non-cancellable operating lease commitments:			
	Within 1 year	6,919	3,829	4,695
	Between 1 and 5 years	16,683	6,450	7,723
	After 5 years	15,193	15,004	30,634

The Group does not have any individually material joint venture.

8 FINANCIAL ASSETS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Equity investments at FVOCI	1,187,432	–	–	110,625	–	–
Quoted trust units, available-for-sale	–	502,421	569,050	–	–	–
Quoted equity securities, available-for-sale	–	693,212	509,151	–	–	–
Unquoted equity securities, at cost	–	139,922	139,923	–	–	–
Impairment losses	–	(386)	(365)	–	–	–
	–	139,536	139,558	–	–	–
	1,187,432	1,335,169	1,217,759	110,625	–	–

9 OTHER NON-CURRENT ASSETS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Loan to joint venture	9,839	14,604	–	–	–	–
Other receivables	196,286	22,687	21,363	22,787	–	–
Non-current portion of financial assets at amortised cost/loans and receivables	206,125	37,291	21,363	22,787	–	–
Hedging instruments	21,949	3,348	4,021	–	–	–
Transferable corporate club memberships	1,589	1,516	1,490	–	–	–
	229,663	42,155	26,874	22,787	–	–

The loan to joint venture was denominated in Euro, unsecured, bears floating interest rate of 1% per annum and repayable by 2022.

10 DEFERRED TAX

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year were as follows:

	Provisions	Other items	Total
	$'000	$'000	$'000
Group			
Deferred tax assets			
At 1 January 2017	57,812	17,636	75,448
Recognised in income statement	(4,832)	(4,269)	(9,101)
Recognised in other comprehensive income	(408)	–	(408)
Translation differences on consolidation	994	761	1,755
At 31 December 2017	53,566	14,128	67,694
Acquisition of subsidiaries	286	325	611
Recognised in income statement	(13,874)	1,670	(12,204)
Recognised in other comprehensive income	(196)	–	(196)
Translation differences on consolidation	(332)	(407)	(739)
At 31 December 2018	39,450	15,716	55,166

	Property, plant and equipment	Fair value reserve	Other items	Total
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
At 1 January 2017	326,071	62,970	11,381	400,422
Recognised in income statement	54,486	–	(254)	54,232
Recognised in other comprehensive income	–	118,966	–	118,966
Translation differences on consolidation	550	–	556	1,106
At 31 December 2017	381,107	181,936	11,683	574,726
Acquisition of subsidiaries	234	–	14	248
Recognised in income statement	(27,276)	–	(917)	(28,193)
Recognised in other comprehensive income	–	(16,726)	7,072	(9,654)
Translation differences on consolidation	(272)	–	(365)	(637)
At 31 December 2018	353,793	165,210	17,487	536,490

Deferred tax assets and liabilities of the Company were attributable to the following:

	Company		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Deferred tax assets			
Provisions	4,963	5,380	6,370
Deferred tax liabilities			
Property, plant and equipment	25	132	195
Unremitted income	1,532	1,341	422
Other items	7,023	–	–
	8,580	1,473	617

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting were included in the statements of financial position as follows:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets	12,619	15,460	18,845	–	3,907	5,753
Deferred tax liabilities	493,943	522,492	343,819	3,617	–	–

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses amounting to $141.4 million (2017: $53.9 million; 1 Jan 2017: $70.9 million). The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these tax losses because there is no indication that future taxable profit will be available against which the respective subsidiaries of the Group can utilise the benefits.

11 TRADE AND OTHER RECEIVABLES

		Group			Company		
	Note	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Trade and accrued receivables	12	633,207	526,100	437,699	–	–	–
Deposits and other receivables	13	196,981	122,488	101,810	26,386	18,814	8,087
Amounts due from:							
Subsidiaries		–	–	–	96,696	114,445	136,684
Associates		185	12	–	–	–	–
Joint ventures		86,822	92,570	100,722	10,596	10,189	8,001
Related corporations		16	2	19	–	–	–
Loan to joint venture		4,373	4,493	–	–	–	–
Current portion of financial assets at amortised cost/ loans and receivables		921,584	745,665	640,250	133,678	143,448	152,772
Advances and prepayments		31,750	27,285	25,870	500	460	461
Hedging instruments		713	760	20,169	–	422	16,639
		954,047	773,710	686,289	134,178	144,330	169,872

The amounts due from subsidiaries, associates, joint ventures and related corporations were unsecured, interest-free and repayable on demand. The loan to joint venture was denominated in Euro, unsecured, bore floating interest rate of 1% per annum and repayable in one year.

12 TRADE AND ACCRUED RECEIVABLES

	Group		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Trade and accrued receivables	703,951	586,002	489,728
Allowance for impairment	(70,744)	(59,902)	(52,029)
	633,207	526,100	437,699

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's internationally dispersed customers. Due to the nature of the Group's business, credit risk is not concentrated in any specific geographical region but concentrated in companies exposed to business cyclical fluctuations that are commonly found in the shipping industry. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

13 DEPOSITS AND OTHER RECEIVABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	5,759	3,857	3,558	–	–	–
Other receivables	191,222	118,631	98,252	26,386	18,814	8,087
	196,981	122,488	101,810	26,386	18,814	8,087

14 CASH AND BANK BALANCES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and in hand	559,926	537,167	547,316	105,423	96,763	69,530
Fixed deposits	3,494,460	3,176,541	3,205,136	2,616,182	2,285,895	2,566,642
	4,054,386	3,713,708	3,752,452	2,721,605	2,382,658	2,636,172

At the reporting date, cash and cash equivalents for the Group include $656.1 million (2017: nil) cash from subsidiaries pooled together under a sweeping arrangement and managed centrally by the Company in bank balances and fixed deposits as part of the Group's cash management and treasury activities. These balances are not presented as part of the bank balance of the Company.

15 SHARE CAPITAL

	Company	
	2018	2017
	No. of shares	No. of shares
	'000	'000
Issued and fully-paid, with no par value:		
At 1 January and 31 December	607,372	607,372

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

Capital management

The Group defines capital as share capital and all components of equity. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

Certain subsidiaries within the Group are subject to externally imposed capital requirements as required by law. These subsidiaries have complied with the requirements during the financial year. The Company and the rest of its subsidiaries are not subject to any externally imposed capital requirements.

16 OTHER RESERVES

		Group			Company		
	Note	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Capital reserve	(a)	29,188	32,990	25,925	–	–	–
Insurance reserve	(b)	97,357	97,357	97,357	–	–	–
Foreign currency translation reserve	(c)	(965,981)	(926,534)	(798,807)	–	–	–
Hedging reserve	(d)	(32,881)	(33,729)	(27,528)	(19,718)	(15,097)	(1,443)
Fair value reserve	(e)	(334,468)	372,740	306,031	(13,666)	–	–
		(1,206,785)	(457,176)	(397,022)	(33,384)	(15,097)	(1,443)

(a) Capital reserve

The capital reserve comprises the Group's share of capital reserve of associates and joint ventures.

(b) Insurance reserve

The insurance reserve relates to a sum transferred from the former Port of Singapore Authority to PSA Corporation Limited in 1997 as part of the vesting of property, rights and liabilities. This reserve is to cover potential past liabilities and for funding future potential liabilities in relation to the port related activities undertaken by PSA Corporation Limited.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises:

(i) all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;

(ii) the effective portion of the cumulative net change in fair value of foreign currency loans used to hedge the Group's net investment in foreign operations;

(iii) foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations;

(iv) the Group's share of foreign currency translation reserve of associates and joint ventures; and

(v) changes in the equity of foreign operations as a result of adjusting non-monetary assets and liabilities and equity balances for hyperinflation (inflation adjustment).

(d) Hedging reserve

The hedging reserve comprises:

(i) the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred; and

(ii) the Group's share of hedging reserve of associates and joint ventures.

(e) Fair value reserve

The fair value reserve comprises:

(i) the cumulative net changes in the fair values of equity investments at FVOCI until the investments are derecognised; and

(ii) the Group's share of fair value reserve of associates and joint ventures.

17 BORROWINGS

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Non-current							
Unsecured fixed and floating rate notes		2,106,213	3,040,744	3,230,404	1,029,924	1,675,995	1,812,587
Secured bank loans		1,057,940	1,289,854	980,494	–	–	–
Unsecured bank loans		1,340,179	1,410,743	1,163,433	–	–	–
Finance lease liabilities		12,476	12,539	12,136	–	–	–
Loans from joint venture		60,456	45,866	–	–	–	–
Loans from non-controlling shareholders of subsidiaries		9,555	9,555	9,555	–	–	–
Unsecured loan from subsidiary		–	–	–	675,326	661,620	714,908
		4,586,819	5,809,301	5,396,022	1,705,250	2,337,615	2,527,495
Current							
Unsecured fixed and floating rate notes		982,368	–	144,484	681,745	–	144,484
Secured bank loans		62,818	30,044	37,565	–	–	–
Unsecured bank loans		201,603	127,800	262,982	–	–	135,265
Finance lease liabilities		134	–	–	–	–	–
Loans from joint venture		7,556	27,825	–	–	–	–
		1,254,479	185,669	445,031	681,745	–	279,749
Total borrowings		5,841,298	5,994,970	5,841,053	2,386,995	2,337,615	2,807,244
Total borrowings comprise:							
Total unsecured fixed and floating rate notes		3,088,581	3,040,744	3,374,888	1,711,669	1,675,995	1,957,071
Total secured bank loans	(a)	1,120,758	1,319,898	1,018,059	–	–	–
Total unsecured bank loans		1,541,782	1,538,543	1,426,415	–	–	135,265
Total finance lease liabilities	(b)	12,610	12,539	12,136	–	–	–
Total loans from joint venture	(c)	68,012	73,691	–	–	–	–
Total loans from non-controlling shareholders of subsidiaries	(d)	9,555	9,555	9,555	–	–	–
Total unsecured loan from subsidiary		–	–	–	675,326	661,620	714,908
		5,841,298	5,994,970	5,841,053	2,386,995	2,337,615	2,807,244

(a) Secured bank loans

The loans were secured by mortgages on the borrowing subsidiaries' property, plant and equipment and port use rights with a carrying amount of $1,766.5 million (2017: $1,619.8 million; 1 Jan 2017: $1,238.3 million).

(b) Finance lease liabilities

Finance lease liabilities were payable as follows:

	Principal $'000	Interest $'000	Total $'000
Group			
31 December 2018			
Payable within 1 year	134	10	144
Payable between 1 and 5 years	3,598	2,385	5,983
Payable after 5 years	8,878	820	9,698
Total	12,610	3,215	15,825
31 December 2017			
Payable between 1 and 5 years	2,355	1,812	4,167
Payable after 5 years	10,184	1,998	12,182
Total	12,539	3,810	16,349
1 January 2017			
Payable between 1 and 5 years	1,366	1,112	2,478
Payable after 5 years	10,770	3,410	14,180
Total	12,136	4,522	16,658

The effective interest rate of finance lease liabilities was 5.33% (2017: 5.33%) per annum.

(c) Loans from joint venture

The loans from joint venture were denominated in Euro, unsecured and bore floating interest rates. Interest rates repriced at intervals of three months.

(d) Loans from non-controlling shareholders of subsidiaries

The loans from non-controlling shareholders were unsecured and bore floating interest rates. Interest rates repriced at intervals of three months.

(e) *Terms and debt repayment schedule*

The terms and conditions of outstanding loans and borrowings were as follows:

			2018		2017		1 Jan 2017	
	Effective interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
	%		$'000	$'000	$'000	$'000	$'000	$'000
Group								
Unsecured fixed and floating rate notes	2.50 - 4.63	2019 - 2026	3,095,950	3,088,581	3,047,800	3,040,744	3,384,440	3,374,888
Secured bank loans	2.92 - 12.00	2019 - 2039	1,120,758	1,120,758	1,319,898	1,319,898	1,018,059	1,018,059
Unsecured bank loans	0.05 - 3.35	2019 - 2022	1,542,864	1,541,782	1,540,147	1,538,543	1,445,361	1,426,415
Loans from joint venture	0.62 - 1.50	2019 - 2022	68,012	68,012	73,691	73,691	–	–
Loans from non-controlling shareholders of subsidiaries	1.74	2027	9,555	9,555	9,555	9,555	9,555	9,555
			5,837,139	5,828,688	5,991,091	5,982,431	5,857,415	5,828,917
Company								
Unsecured fixed and floating rate notes	3.80 - 4.63	2019 - 2025	1,713,500	1,711,669	1,679,200	1,675,995	1,961,990	1,957,071
Unsecured bank loans	–	–	–	–	–	–	135,265	135,265
Unsecured loan from subsidiary	2.65	2026	675,326	675,326	661,620	661,620	714,908	714,908
			2,388,826	2,386,995	2,340,820	2,337,615	2,812,163	2,807,244

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings $'000	Finance lease liabilities $'000	Total $'000
Group			
At 1 January 2017	5,828,917	12,136	5,841,053
Changes from financing cash flows			
- Proceeds from bank loans and notes	841,021	–	841,021
- Repayment of bank loans and notes	(569,261)	–	(569,261)
- Proceeds from loans from joint venture	73,691	–	73,691
Total changes from financing cash flows	345,451	–	345,451
Effect of changes in foreign exchange rates	(194,279)	403	(193,876)
Changes in fair value	(505)	–	(505)
Amortisation of loan facilities upfront fees	2,847	–	2,847
At 31 December 2017	5,982,431	12,539	5,994,970
At 1 January 2018	5,982,431	12,539	5,994,970
Changes from financing cash flows			
- Proceeds from bank loans and notes	221,243	–	221,243
- Repayment of bank loans and notes	(221,972)	–	(221,972)
- Proceeds from loans from joint venture*	17,960	–	17,960
- Repayment of loans from joint venture	(21,659)	–	(21,659)
- Repayment of finance lease liabilities	–	(43)	(43)
Total changes from financing cash flows	(4,428)	(43)	(4,471)
Acquisition of subsidiaries	27,309	340	27,649
Disposal of a subsidiary	(196,770)	–	(196,770)
Effect of changes in foreign exchange rates	19,536	(226)	19,310
Changes in fair value	(2,303)	–	(2,303)
Amortisation of loan facilities upfront fees	2,913	–	2,913
At 31 December 2018	5,828,688	12,610	5,841,298

* Excludes loan from a joint venture carried at amortised cost (note 19).

18 PROVISIONS

	Compensation sum	Site restoration costs	Total
	$'000	$'000	$'000
Group			
At 1 January 2017	37,977	1,892	39,869
Provisions made	–	7,042	7,042
Translation differences on consolidation	2,143	–	2,143
At 31 December 2017	40,120	8,934	49,054
Provisions made	–	280	280
Provisions utilised	(612)	–	(612)
Write-back	(40,627)	–	(40,627)
Translation differences on consolidation	1,119	–	1,119
At 31 December 2018	–	9,214	9,214

The compensation sum in 2017 related to a provision made by a subsidiary arising from an existing customer's termination of contract with a third party. The amount was written back as the claim was settled during the year.

The provision for site restoration relates to provisions made by subsidiaries to restore their leased sites to original condition by the end of the lease terms.

19 OTHER NON-CURRENT OBLIGATIONS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Hedging instruments	17,109	56,268	29,612	17,109	18,977	–
Amount due to joint venture	7,387	9,147	8,611	–	–	–
Loan from a subsidiary	–	–	–	146,313	–	–
Loan from a joint venture	146,313	–	–	–	–	–
Loan from non-controlling shareholder of a subsidiary	6,909	6,909	16,709	–	–	–
Other non-current obligations	61,457	47,047	48,530	–	–	–
	239,175	119,371	103,462	163,422	18,977	–

The loans from a subsidiary and a joint venture are denominated in US dollars, unsecured, interest-free and due in 2025. The loan from non-controlling shareholder of a subsidiary forms part of the shareholder's investment in the subsidiary. The loan is unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future. This amount is in substance a capital contribution by the non-controlling shareholder of the subsidiary.

20 TRADE AND OTHER PAYABLES

	Note	Group			Company		
		2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Trade payables and accrued operating expenses		962,195	822,439	756,513	73,736	76,603	77,269
Deposits and other payables	21	293,593	667,348	509,835	31,527	31,283	35,785
Amounts due to:							
Subsidiaries		–	–	–	580,777	446,117	323,363
Joint ventures		40,655	47,206	26,771	–	–	10
Related corporations		1,086	1,356	1,002	–	–	–
Other financial liabilities at amortised cost		1,297,529	1,538,349	1,294,121	686,040	554,003	436,427
Advances		79,143	54,979	51,448	756	721	709
Hedging instruments		16,320	–	326	5,134	–	–
		1,392,992	1,593,328	1,345,895	691,930	554,724	437,136

The amounts due to subsidiaries, joint ventures and related corporations were unsecured, interest-free and repayable on demand.

21 DEPOSITS AND OTHER PAYABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	8,722	8,045	7,742	–	–	–
Accrued capital expenditure	50,113	478,446	313,511	–	–	–
Other payables	234,758	180,857	188,582	31,527	31,283	35,785
	293,593	667,348	509,835	31,527	31,283	35,785

The Group's and the Company's other payables included interest payable of $54.0 million (2017: $52.3 million; 1 Jan 2017: $52.1 million) and $30.4 million (2017: $29.8 million; 1 Jan 2017: $34.8 million) respectively and other sundry creditors.

22 REVENUE

This comprises revenue from container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services, software development and IT related services, consultancy fees but excludes intra-group transactions. Payment is due when services are provided to customer. Disaggregation of revenue is presented in note 29.

23 OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Dividend income from financial assets	52,378	60,250
Interest income from:		
Cash and bank balances	59,293	45,919
Joint ventures	41,272	27,463
Trade and other receivables	14,321	2,722
Gain on disposal of:		
Joint ventures	2,543	9,689
Property, plant and equipment, net	9,722	12,382
Net change in fair value of equity investments at FVTPL	7,785	–
Exchange gain, net	7,513	–
Others	17,469	22,953
	212,296	181,378

24 STAFF AND RELATED COSTS

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	883,101	808,199
Contributions to defined contribution plans	98,420	92,107
	981,521	900,306

25 SERVICE CONCESSION

Service concession revenue represents the fair value of the construction services provided. No margin has been recognised as the Group believes that the fair value of the construction services approximates the construction costs.

26 PROFIT FROM OPERATIONS

Profit from operations included the following items:

	Group	
	2018	2017
	$'000	$'000
Impairment loss on available-for-sale financial assets	–	66,629
Allowance for impairment on trade receivables	10,452	8,386
Loss on disposal of:		
Intangible assets	–	796
Subsidiary	8,760	–
Exchange loss, net	–	528
Operating lease expense	40,067	30,089

27 FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest paid or payable to:		
Banks and other financial institutions	104,047	52,938
Fixed and floating rate notes holders	113,649	115,917
Non-controlling shareholders of subsidiaries	172	111
	217,868	168,966

28 INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current tax expense		
Current year	259,876	174,752
Over provided in prior years	(14,993)	(2,478)
	244,883	172,274
Deferred tax expense		
Movements in temporary differences	(23,677)	64,033
Under provided in prior years	7,688	–
Change in tax rate	–	(700)
	(15,989)	63,333
Income tax expense	228,894	235,607
Tax reconciliation		
Profit before income tax	1,479,654	1,528,028
Share of profit of associates, net of tax	(148,062)	(170,765)
Share of profit of joint ventures, net of tax	(192,032)	(188,481)
Profit before income tax excluding share of profit of associates and joint ventures, net of tax	1,139,560	1,168,782
Tax calculated using Singapore tax rate of 17% (2017: 17%)	193,725	198,693
Effect of change in tax rate	–	(700)
Effect of different tax rates in other countries	2,017	4,437
Tax rebates and incentives	(15,952)	(15,486)
Income not subject to tax	(10,498)	(8,797)
Expenses not deductible for tax purposes	37,200	51,910
Change in unrecognised tax benefits	13,239	(2,827)
Withholding tax	16,468	10,855
Over provided in prior years	(7,305)	(2,478)
Income tax expense	228,894	235,607

29 OPERATING SEGMENTS

The Group is organised into business units based on their services and has two main reportable operating segments as follows:

- Port business: The provision of container handling, operation of multi-purpose terminals and other port related services.
- Marine business: The provision of marine services.

Other businesses are not significant and are therefore presented in aggregate as "others".

The Executive Committee and Senior Management Council of the Company monitor the operating results of the business units separately for the purpose of making strategic decisions. Performance is measured based on segment operating profit which includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Information about reportable segments

	Port business $'000	Marine business $'000	Others $'000	Total reportable segments $'000
Group				
31 December 2018				
Revenue				
Total revenue	3,765,400	301,573	40,695	4,107,668
Inter-segment revenue	(8,082)	(13,373)	–	(21,455)
External revenue	3,757,318	288,200	40,695	4,086,213
Operating profit	1,134,879	87,695	(803)	1,221,771
Material item				
Depreciation and amortisation	624,300	37,699	1,084	663,083
Segment assets	8,275,471	352,709	114,415	8,742,595
Segment liabilities	1,395,796	75,403	28,041	1,499,240
31 December 2017				
Revenue				
Total revenue	3,679,254	310,949	–	3,990,203
Inter-segment revenue	(7,858)	(14,660)	–	(22,518)
External revenue	3,671,396	296,289	–	3,967,685
Operating profit	1,196,680	104,315	–	1,300,995
Material item				
Depreciation and amortisation	569,467	39,723	–	609,190
Segment assets	8,955,272	320,674	–	9,275,946
Segment liabilities	1,519,765	72,463	–	1,592,228
1 January 2017				
Segment assets	7,996,567	333,060	–	8,329,627
Segment liabilities	1,269,191	72,060	–	1,341,251

The capital expenditure for port and marine business segments was $428.1 million (2017: $921.7 million; 1 Jan 2017: $1,311.0 million) and $72.6 million (2017: $22.0 million; 1 Jan 2017: $22.1 million) respectively.

Reconciliations of reportable segment operating profit, assets and liabilities

	Group	
	2018	2017
	$'000	$'000
Operating profit		
Operating profit for reportable segments	1,221,771	1,300,995
Corporate expenses	(76,639)	(77,996)
Other income	212,296	181,378
Impairment loss on available-for-sale financial assets	–	(66,629)
Share of profit of associates, net of tax	148,062	170,765
Share of profit of joint ventures, net of tax	192,032	188,481
Finance costs	(217,868)	(168,966)
Profit before income tax	1,479,654	1,528,028

		Group	
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Segment assets			
Segment assets for reportable segments	8,742,595	9,275,946	8,329,627
Associates	3,418,825	3,413,661	3,539,030
Joint ventures	2,803,883	2,283,039	2,269,019
Cash and bank balances	4,054,386	3,713,708	3,752,452
Financial assets	1,187,432	1,335,169	1,217,759
Deferred tax assets	12,619	15,460	18,845
Hedging instruments	22,662	4,108	24,190
	20,242,402	20,041,091	19,150,922
Segment liabilities			
Segment liabilities for reportable segments	1,499,240	1,592,228	1,341,251
Corporate liabilities	108,712	113,257	118,037
Borrowings	5,841,298	5,994,970	5,841,053
Current tax payable	220,334	147,202	191,428
Deferred tax liabilities	493,943	522,492	343,819
Hedging instruments	33,429	56,268	29,938
	8,196,956	8,426,417	7,865,526

Geographical information

The Group operates principally in Southeast Asia, Europe and Mediterranean, and Northeast Asia. Contributions from the other individual overseas operations are not significant and are therefore presented in aggregate as "others". Segment revenue is based on geographical location of the operations. Segment assets are based on the geographical location of the assets. Non-current assets presented consist of property, plant and equipment, intangible assets and other non-current assets.

	Group	
	2018	2017
	$'000	$'000
Revenue		
Southeast Asia	2,824,791	2,714,284
Europe and Mediterranean	749,470	774,193
Northeast Asia	345,874	337,699
Others	166,078	141,509
	4,086,213	3,967,685

		Group	
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Non-current assets			
Southeast Asia	4,414,735	4,628,266	4,552,736
Europe and Mediterranean	1,117,969	1,092,508	1,023,521
Northeast Asia	678,788	719,492	713,416
Others	1,554,864	2,021,569	1,321,771
	7,766,356	8,461,835	7,611,444

Revenue and non-current assets included $2,824.6 million (2017: $2,714.3 million) and $4,414.7 million (2017: $4,627.6 million; 1 Jan 2017: $4,552.4 million) respectively from Singapore.

30 FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. Exposure to credit, liquidity and market risks (including interest rate, currency and price risks) arises in the normal course of the Group's business. The Group has written risk management policies and guidelines. In addition, the Group has established processes to monitor and manage major exposures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving hedging instruments are allowed only with counterparties that are of certain credit standing.

At 31 December 2018, there was no significant concentration of credit risk. The maximum exposure to credit risk was represented by the carrying amounts of each financial asset, including hedging instruments, in the statements of financial position.

The Group entities use varied methods including past due information to assess its exposure to credit risk which takes into account the risk characteristics of the customers. As trade and other receivables are short-term in nature, forward-looking information need not be incorporated. Credit risks are defined using qualitative and quantitative factors that are indicative of the risk of default.

A summary of these entities' exposure to credit risk for trade and accrued receivables as at 31 December 2018 are as follows:

	Gross carrying amount	Impairment loss allowance	Credit impaired
	$'000	$'000	
Not past due	399,983	–	No
Past due less than 30 days	137,247	–	No
Past due 30 - 120 days	79,967	(1,085)	No
Past due more than 120 days	86,754	(69,659)	Yes
	703,951	(70,744)	

An analysis of the credit quality of loans and receivables (excluding deposits, other receivables and other non-current assets, net of allowance for impairment) under FRS 39 is as follows:

	Group		Company	
	2017	1 Jan 2017	2017	1 Jan 2017
	$'000	$'000	$'000	$'000
Not past due	470,933	458,418	124,634	144,685
Past due less than 30 days	81,051	61,995	–	–
Past due 30 - 120 days	57,642	13,174	–	–
Past due more than 120 days	13,551	4,853	–	–
	623,177	538,440	124,634	144,685

Movements in allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group
	Lifetime ECL
	$'000
At 1 January 2017 per FRS 39	52,029
Allowance for impairment	8,386
Allowance written off	(818)
Translation differences on consolidation	305
At 31 December 2017 per FRS 39	59,902
At 1 January 2018 per FRS 39	59,902
Adjustment on initial application of SFRS(I) 9	–
At 1 January 2018 per SFRS(I) 9	59,902
Allowance for impairment	10,452
Amounts written off	(276)
Acquisition of subsidiaries	835
Translation differences on consolidation	(169)
At 31 December 2018 per SFRS(I) 9	70,744

Except for the impaired receivables, no allowance for impairment is considered necessary in respect of the remaining trade receivables, including those receivables that are past due, as the Group believes that the amounts are still collectible, based on historical payment patterns and good credit records maintained by the customers.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing guarantees on behalf of.

At 31 December 2018, the Company has issued guarantees on behalf of its subsidiaries and joint ventures which amounted to $17.7 million (2017: $31.1 million; 1 Jan 2017: $26.6 million). These guarantees would become immediately payable by the Company in the event of default by these subsidiaries and joint ventures.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The following are the expected contractual undiscounted cash inflows/(outflows) of non-derivative financial liabilities and hedging instruments, including interest payments and excluding the impact of netting agreements:

			Cash flows		
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
31 December 2018					
Non-derivative financial liabilities					
Interest-bearing liabilities	5,763,731	(6,648,013)	(1,424,812)	(3,816,116)	(1,407,085)
Loans from joint venture	68,012	(71,341)	(8,468)	(61,457)	(1,416)
Loans from non-controlling shareholders of subsidiaries	9,555	(10,680)	(225)	(900)	(9,555)
Trade and other payables	1,297,529	(1,297,529)	(1,297,529)	–	–
Hedging instruments					
- Assets	(22,662)				
Inflow		685,303	20,584	664,719	–
Outflow		(665,767)	(52,814)	(612,953)	–
- Liabilities	33,429				
Inflow		639,001	321,662	27,298	290,041
Outflow		(653,816)	(338,000)	(27,420)	(288,396)
	7,149,594	(8,022,842)	(2,779,602)	(3,826,829)	(1,416,411)

			Cash flows		
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
31 December 2017					
Non-derivative financial liabilities					
Interest-bearing liabilities	5,911,724	(7,067,460)	(366,389)	(5,227,962)	(1,473,109)
Loans from joint venture	73,691	(75,884)	(28,537)	(45,427)	(1,920)
Loans from non-controlling shareholders of subsidiaries	9,555	(10,276)	(144)	(577)	(9,555)
Trade and other payables	1,538,349	(1,538,349)	(1,538,349)	–	–
Hedging instruments					
- Assets	(4,108)				
Inflow		73,043	70,051	2,992	–
Outflow		(68,538)	(66,812)	(1,726)	–
- Liabilities	56,268				
Inflow		1,006,523	16,398	699,284	290,841
Outflow		(1,066,197)	(51,158)	(719,793)	(295,246)
	7,585,479	(8,747,138)	(1,964,940)	(5,293,209)	(1,488,989)
1 January 2017					
Non-derivative financial liabilities					
Interest-bearing liabilities	5,831,498	(6,768,368)	(598,627)	(4,508,554)	(1,661,187)
Loans from non-controlling shareholders of subsidiaries	9,555	(10,090)	(107)	(428)	(9,555)
Trade and other payables	1,294,121	(1,294,121)	(1,294,121)	–	–
Hedging instruments					
- Assets	(24,190)				
Inflow		385,677	33,659	30,548	321,470
Outflow		(356,945)	(27,429)	(27,420)	(302,096)
- Liabilities	29,938				
Inflow		730,193	40,507	689,686	–
Outflow		(782,425)	(75,137)	(707,288)	–
	7,140,922	(8,096,079)	(1,921,255)	(4,523,456)	(1,651,368)

			Cash flows		
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
	$'000	$'000	$'000	$'000	$'000
Company					
31 December 2018					
Non-derivative financial liabilities					
Interest-bearing liabilities	2,386,995	(2,765,427)	(786,317)	(1,060,943)	(918,167)
Trade and other payables	686,040	(686,040)	(686,040)	–	–
Hedging instruments					
- Liabilities	22,243				
Inflow		599,539	282,200	27,298	290,041
Outflow		(603,167)	(287,351)	(27,420)	(288,396)
	3,095,278	(3,455,095)	(1,477,508)	(1,061,065)	(916,522)
31 December 2017					
Non-derivative financial liabilities					
Interest-bearing liabilities	2,337,615	(2,843,596)	(64,108)	(1,825,015)	(954,473)
Trade and other payables	554,003	(554,003)	(554,003)	–	–
Hedging instruments					
- Assets	(422)				
Inflow		57,898	57,898	–	–
Outflow		(57,536)	(57,536)	–	–
- Liabilities	18,977				
Inflow		324,271	6,686	26,744	290,841
Outflow		(329,516)	(6,850)	(27,420)	(295,246)
	2,910,173	(3,402,482)	(617,913)	(1,825,691)	(958,878)
1 January 2017					
Non-derivative financial liabilities					
Interest-bearing liabilities	2,807,244	(3,276,717)	(340,881)	(1,923,343)	(1,012,493)
Trade and other payables	436,427	(436,427)	(436,427)	–	–
Hedging instruments					
- Assets	(16,639)				
Inflow		357,592	7,224	28,898	321,470
Outflow		(336,366)	(6,850)	(27,420)	(302,096)
	3,227,032	(3,691,918)	(776,934)	(1,921,865)	(993,119)

Market risk

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

(a) *Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate exposures as well as a balanced maturity period. At the reporting date, the interest rate profile of the interest-bearing financial assets and liabilities was:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fixed rate						
Cash and bank balances	3,494,460	3,176,541	3,205,136	2,616,182	2,285,895	2,566,642
Borrowings	(3,454,400)	(3,392,791)	(3,749,101)	(2,386,995)	(2,337,615)	(2,662,760)
	40,060	(216,250)	(543,965)	229,187	(51,720)	(96,118)
Floating rate						
Cash and bank balances	559,926	537,167	547,316	105,423	96,763	69,530
Borrowings	(2,386,898)	(2,602,179)	(2,091,952)	–	–	(144,484)
	(1,826,972)	(2,065,012)	(1,544,636)	105,423	96,763	(74,954)

Hedging

The Group has raised funding with issuance of debt capital market instruments and bank loans to diversify funding sources. Interest rate swaps have been entered to achieve an appropriate mix of fixed and floating rate exposures within the Group's policy.

Fair value hedge

A portion of the fixed rate Singapore dollar notes with a notional amount of $150.0 million (2017: $150.0 million; 1 Jan 2017: $150.0 million) has been hedged against the exposure to changes in the fair value of the notes. In connection with this, the Group entered into interest rate swap contracts to receive fixed rate interest and pay variable rate on the $150.0 million (2017: $150.0 million; 1 Jan 2017: $150.0 million) notes. The Group is therefore exposed to market fluctuations in interest rates on the $150.0 million (2017: $150.0 million; 1 Jan 2017: $150.0 million) notes and the corresponding interest rate swap contracts. The net fair value of the swaps as at 31 December 2018 comprised assets of $0.7 million (2017: $3.3 million; 1 Jan 2017: $4.0 million).

Cash flow hedge

A portion of the floating rate bank loans amounting to $630.0 million (2017: $630.0 million; 1 Jan 2017: $389.2 million and forecasted loan drawdown of $215.8 million) have been hedged against the exposure to market fluctuations in interest rate payments. In connection with these loans, the Group entered into cross currency swap contracts to receive variable rate interest and pay fixed rate on the notional amounts. Both the floating rate bank loans and cross currency swaps have the same terms and conditions. The net fair value of the swaps as at 31 December 2018 comprises assets of $21.9 million (2017: comprises liabilities of $37.3 million; 1 Jan 2017: comprises liabilities of $29.6 million). The weighted average interest rate of the swaps as at 31 December 2018 ranged from 7.52% to 9.03% and the SGD:INR forward exchange rate as at 31 December 2018 ranged from 45.22 to 53.40. The swaps will mature in 2021. Reclassification adjustments are recorded in finance income/cost.

Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of 100bps in interest rates would decrease the Group's profit before tax by approximately $13.5 million (2017: $15.9 million; 1 Jan 2017: $13.1 million). A general decrease of 100bps in interest rates would have the equal but opposite effect on the Group's profit before tax. The general increase or decrease of 100bps in interest rates would have no significant impact on the Group's other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into account the associated tax effects and share of non-controlling interests.

At 31 December 2018, it is estimated that a general increase of 100bps in interest rates would increase the Company's profit before tax by approximately $1.0 million (2017: increase by approximately $1.0 million; 1 Jan 2017: decrease by approximately $0.7 million). A general decrease of 100bps in interest rates would have the equal but opposite effect on the Company's profit before tax. The general increase or decrease of 100bps in interest rates would have no significant impact on the Company's other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into account the associated tax effects.

(b) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, bank deposits, bank loans and fixed and floating rate notes that are denominated in a currency other than the functional currencies of the Group entities. The functional currencies of the Group entities are primarily the Singapore dollar and the Euro. In respect of other monetary assets and liabilities held in currencies other than the functional currencies of the Group entities, the Group monitors the net exposure.

A portion of the Group and the Company's fixed rate bonds amounting to $272.0 million (2017: $267.4 million; 1 Jan 2017: $289.0 million) has been hedged against the exposure to fluctuations in foreign currency. In connection with this, the Group and the Company entered into cross currency swap contracts to receive and pay fixed interest rate. Both the fixed rate bonds and foreign currency contracts have the same terms and conditions. The net fair value of the swaps as at 31 December 2018 comprises liabilities of $17.1 million (2017: comprises liabilities of $19.0 million; 1 Jan 2017: comprises assets of $16.7 million). The weighted average SGD:USD forward exchange rate as at 31 December 2018 ranged from 0.73 to 0.74. The swap will mature in 2026. Reclassification adjustments are recorded in finance income/cost.

The Group's US dollar and Hong Kong dollar denominated unsecured bank loans, fixed and floating rate notes amounting to $1.95 billion (2017: $1.99 billion; 1 Jan 2017: $2.27 billion) are designated as hedging instruments for the Group's investments in its associates.

The Group's (excluding the US dollar and Hong Kong dollar denominated unsecured bank loans, fixed and floating rate notes designated as hedging instruments for the Group's investments in its associates) and Company's significant exposures to foreign currencies were as follows:

	2018		2017	
	HK Dollar	US Dollar	HK Dollar	US Dollar
	$'000	$'000	$'000	$'000
Group				
Financial assets	516	415,619	–	502,421
Other non-current assets	–	135,570	–	–
Cash and bank balances	18,804	178,581	32,634	92,348
Trade and other receivables	–	74,567	–	14,303
Interest-bearing liabilities	–	(166,518)	–	(82,906)
Trade and other payables	(10,560)	(91,066)	(10,360)	(69,750)
	8,760	546,753	22,274	456,416
Company				
Financial assets	–	110,625	–	–
Loans to subsidiaries	–	1,045,147	–	928,625
Cash and bank balances	14,146	166,292	11,668	83,189
Interest-bearing liabilities	(348,365)	(1,765,649)	(341,702)	(1,728,473)
Trade and other payables	(10,560)	(19,841)	(10,360)	(19,438)
	(344,779)	(463,426)	(340,394)	(736,097)

Sensitivity analysis

At 31 December 2018, it is estimated that a 10% strengthening in the Singapore dollar against the Hong Kong dollar would decrease the Group's profit before tax by approximately $0.8 million (2017: $2.2 million) and decrease the Group's other comprehensive income by approximately $0.05 million (2017: nil). A 10% weakening in the Singapore dollar against the Hong Kong dollar would have the equal but opposite effect on the Group's profit before tax and other comprehensive income.

At 31 December 2018, it is estimated that a 10% strengthening in the Singapore dollar against the US dollar would decrease the Group's profit before tax by approximately $13.1 million (2017: increase by approximately $4.6 million) and decrease the Group's other comprehensive income by approximately $41.6 million (2017: $50.2 million). A 10% weakening in the Singapore dollar against the US dollar would have the equal but opposite effect on the Group's profit before tax and other comprehensive income.

At 31 December 2018, it is estimated that a 10% strengthening in the Singapore dollar against the Hong Kong dollar would increase the Company's profit before tax by approximately $34.5 million (2017: $34.0 million). A 10% weakening in the Singapore dollar against the Hong Kong dollar would have the equal but opposite effect on the Company's profit before tax.

At 31 December 2018, it is estimated that a 10% strengthening in the Singapore dollar against the US dollar would increase the Company's profit before tax by approximately $57.4 million (2017: $73.6 million) and decrease the Company's other comprehensive income by approximately $11.1 million (2017: nil). A 10% weakening in the Singapore dollar against the US dollar would have the equal but opposite effect on the Company's profit before tax and other comprehensive income.

This analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effects and share of non-controlling interests.

(c) Equity price risk

Equity security price risk is the risk of changes in fair value of the Group's investments due to changes in the underlying equity securities prices. The risk is concentrated in the Group's investments in equity securities.

Sensitivity analysis

At 31 December 2018, it is estimated that a 10% increase in the underlying equity prices would increase the Group's other comprehensive income by $118.7 million (2017: $119.6 million). A 10% decrease in the underlying equity prices would have the equal but opposite effect on the Group's other comprehensive income (2017: decrease the Group's profit before tax by approximately $50.2 million and other comprehensive income by approximately $69.3 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into account the associated tax effects and share of non-controlling interests.

31 FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

(a) Quoted equity securities and trust units

Fair value is based on quoted bid prices at the reporting date, without any deduction for transaction costs.

(b) Hedging instruments

The fair value of interest rate swaps, cross currency swaps and fuel forward contracts is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Fixed rate interest-bearing borrowings

Fair value is calculated based on quoted offer price or discounted expected future principal and interest cash flows using market interest rates.

(d) Floating rate interest-bearing borrowings

The Group believes that the carrying amounts of floating rate interest-bearing loans, which are repriced at least semi-annually, reflect the corresponding fair values.

(e) Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

(f) Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including cash and bank balances, trade and other receivables, trade and other payables, current borrowings) are assumed to approximate their fair values because of the short period to maturity.

Fair values versus carrying amounts

The fair values of financial assets and financial liabilities, together with the carrying amounts were as follows:

	Note	Amortised cost	FVOCI – equity instruments	Fair value – hedging instruments	Other financial liabilities	Total carrying amounts	Fair values
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
31 December 2018							
Equity investments at FVOCI	8	–	1,187,432	–	–	1,187,432	1,187,432
Hedging instruments	9, 11	–	–	22,662	–	22,662	22,662
		–	1,187,432	22,662	–	1,210,094	1,210,094
Other non-current assets	9	196,286	–	–	–	196,286	196,286
Trade and other receivables	11	921,584	–	–	–	921,584	921,584
Cash and bank balances	14	4,054,386	–	–	–	4,054,386	4,054,386
		5,172,256	–	–	–	5,172,256	5,172,256
Hedging instruments	19, 20	–	–	(33,429)	–	(33,429)	(33,429)
Unsecured fixed and floating rates notes	17	–	–	–	(3,088,581)	(3,088,581)	(3,091,650)
Secured bank loans	17	–	–	–	(1,120,758)	(1,120,758)	(1,120,758)
Unsecured bank loans	17	–	–	–	(1,541,782)	(1,541,782)	(1,541,782)
Finance lease liabilities	17	–	–	–	(12,610)	(12,610)	(12,610)
Loans from joint venture	17	–	–	–	(68,012)	(68,012)	(68,012)
Loans from non-controlling shareholders of subsidiaries	17	–	–	–	(9,555)	(9,555)	(9,555)
Trade and other payables	20	–	–	–	(1,297,529)	(1,297,529)	(1,297,529)
		–	–	–	(7,138,827)	(7,138,827)	(7,141,896)

	Note	Loans and receivables $'000	Available-for-sale $'000	Hedging instruments $'000	Other financial liabilities $'000	Total carrying amounts $'000	Fair values $'000
Group							
31 December 2017							
Financial assets	8	–	1,195,633	–	–	1,195,633	1,195,633
Other non-current assets	9	22,687	–	–	–	22,687	22,687
Hedging instruments	9, 11	–	–	4,108	–	4,108	4,108
Trade and other receivables	11	745,665	–	–	–	745,665	745,665
Cash and bank balances	14	3,713,708	–	–	–	3,713,708	3,713,708
		4,482,060	1,195,633	4,108	–	5,681,801	5,681,801
Unsecured fixed and floating rate notes	17	–	–	–	(3,040,744)	(3,040,744)	(3,094,025)
Secured bank loans	17	–	–	–	(1,319,898)	(1,319,898)	(1,319,898)
Unsecured bank loans	17	–	–	–	(1,538,543)	(1,538,543)	(1,538,543)
Finance lease liabilities	17	–	–	–	(12,539)	(12,539)	(12,539)
Loans from joint venture	17	–	–	–	(73,691)	(73,691)	(73,691)
Loans from non-controlling shareholders of subsidiaries	17	–	–	–	(9,555)	(9,555)	(9,555)
Hedging instruments	19	–	–	(56,268)	–	(56,268)	(56,268)
Trade and other payables	20	–	–	–	(1,538,349)	(1,538,349)	(1,538,349)
		–	–	(56,268)	(7,533,319)	(7,589,587)	(7,642,868)
1 January 2017							
Financial assets	8	–	1,078,201	–	–	1,078,201	1,078,201
Other non-current assets	9	21,363	–	–	–	21,363	21,363
Hedging instruments	9, 11	–	–	24,190	–	24,190	24,190
Trade and other receivables	11	640,250	–	–	–	640,250	640,250
Cash and bank balances	14	3,752,452	–	–	–	3,752,452	3,752,452
		4,414,065	1,078,201	24,190	–	5,516,456	5,516,456
Unsecured fixed and floating rate notes	17	–	–	–	(3,374,888)	(3,374,888)	(3,445,697)
Secured bank loans	17	–	–	–	(1,018,059)	(1,018,059)	(1,018,059)
Unsecured bank loans	17	–	–	–	(1,426,415)	(1,426,415)	(1,426,415)
Finance lease liabilities	17	–	–	–	(12,136)	(12,136)	(12,136)
Loans from non-controlling shareholders of subsidiaries	17	–	–	–	(9,555)	(9,555)	(9,555)
Hedging instruments	19, 20	–	–	(29,938)	–	(29,938)	(29,938)
Trade and other payables	20	–	–	–	(1,294,121)	(1,294,121)	(1,294,121)
		–	–	(29,938)	(7,135,174)	(7,165,112)	(7,235,921)

	Note	Amortised cost	FVOCI – equity instruments	Fair value – hedging instruments	Other financial liabilities	Total carrying amounts	Fair values
		$'000	$'000	$'000	$'000	$'000	$'000
Company							
31 December 2018							
Equity investments at FVOCI	8	–	110,625	–	–	110,625	110,625
Other non-current assets	9	22,787	–	–	–	22,787	22,787
Trade and other receivables	11	133,678	–	–	–	133,678	133,678
Cash and bank balances	14	2,721,605	–	–	–	2,721,605	2,721,605
		2,878,070	–	–	–	2,878,070	2,878,070
Hedging instruments	19, 20	–	–	(22,243)	–	(22,243)	(22,243)
Unsecured fixed and floating rate notes	17	–	–	–	(1,711,669)	(1,711,669)	(1,748,292)
Unsecured loan from subsidiary	17	–	–	–	(675,326)	(675,326)	(678,395)
Trade and other payables	20	–	–	–	(686,040)	(686,040)	(686,040)
		–	–	–	(3,073,035)	(3,073,035)	(3,112,727)

	Note	Loans and receivables	Hedging instruments	Other financial liabilities	Total carrying amounts	Fair values
		$'000	$'000	$'000	$'000	$'000
Company						
31 December 2017						
Hedging instruments	11	–	422	–	422	422
Trade and other receivables	11	143,448	–	–	143,448	143,448
Cash and bank balances	14	2,382,658	–	–	2,382,658	2,382,658
		2,526,106	422	–	2,526,528	2,526,528
Unsecured fixed and floating rate notes	17	–	–	(1,675,995)	(1,675,995)	(1,729,197)
Unsecured loan from subsidiary	17	–	–	(661,620)	(661,620)	(676,864)
Hedging instruments	19	–	(18,977)	–	(18,977)	(18,977)
Trade and other payables	20	–	–	(554,003)	(554,003)	(554,003)
		–	(18,977)	(2,891,618)	(2,910,595)	(2,979,041)
1 January 2017						
Hedging instruments	11	–	16,639	–	16,639	16,639
Trade and other receivables	11	152,772	–	–	152,772	152,772
Cash and bank balances	14	2,636,172	–	–	2,636,172	2,636,172
		2,788,944	16,639	–	2,805,583	2,805,583
Unsecured fixed and floating rate notes	17	–	–	(1,957,071)	(1,957,071)	(2,047,823)
Unsecured bank loans	17	–	–	(135,265)	(135,265)	(135,265)
Unsecured loan from subsidiary	17	–	–	(714,908)	(714,908)	(710,347)
Trade and other payables	20	–	–	(436,427)	(436,427)	(436,427)
		–	–	(3,243,671)	(3,243,671)	(3,329,862)

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by valuation method. The different levels have been defined as follows:

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

Financial assets and financial liabilities carried at fair value

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2018				
Hedging instrument assets	–	22,662	–	22,662
Equity instruments	1,050,837	–	136,595	1,187,432
	1,050,837	22,662	136,595	1,210,094
Hedging instrument liabilities	–	(33,429)	–	(33,429)
Unsecured fixed rate notes	–	(150,623)	–	(150,623)
	–	(184,052)	–	(184,052)
31 December 2017				
Hedging instrument assets	–	4,108	–	4,108
Available-for-sale financial assets	1,195,633	–	–	1,195,633
	1,195,633	4,108	–	1,199,741
Hedging instrument liabilities	–	(56,268)	–	(56,268)
Unsecured fixed rate notes	–	(152,926)	–	(152,926)
	–	(209,194)	–	(209,194)
1 January 2017				
Hedging instrument assets	–	24,190	–	24,190
Available-for-sale financial assets	1,078,201	–	–	1,078,201
	1,078,201	24,190	–	1,102,391
Hedging instrument liabilities	–	(29,938)	–	(29,938)
Unsecured fixed rate notes	–	(153,431)	–	(153,431)
	–	(183,369)	–	(183,369)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
31 December 2018				
Equity instruments	110,625	–	–	110,625
Hedging instrument liabilities	–	(22,243)	–	(22,243)
31 December 2017				
Hedging instrument assets	–	422	–	422
Hedging instrument liabilities	–	(18,977)	–	(18,977)
1 January 2017				
Hedging instrument assets	–	16,639	–	16,639

Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed*

	Level 1 $'000	Level 2 $'000	Total $'000
Group			
31 December 2018			
Other non-current assets	–	196,286	196,286
Unsecured fixed and floating rate notes	–	(2,941,027)	(2,941,027)
Secured bank loans	–	(1,120,758)	(1,120,758)
Unsecured bank loans	–	(1,541,782)	(1,541,782)
Finance lease liabilities	–	(12,610)	(12,610)
Loans from joint venture	–	(68,012)	(68,012)
Loans from non-controlling shareholders of subsidiaries	–	(9,555)	(9,555)
	–	(5,693,744)	(5,693,744)
31 December 2017			
Other non-current assets	–	22,687	22,687
Unsecured fixed and floating rate notes	–	(3,094,025)	(3,094,025)
Secured bank loans	–	(1,319,898)	(1,319,898)
Unsecured bank loans	–	(1,538,543)	(1,538,543)
Finance lease liabilities	–	(12,539)	(12,539)
Loans from joint venture	–	(73,691)	(73,691)
Loans from non-controlling shareholders of subsidiaries	–	(9,555)	(9,555)
	–	(6,048,251)	(6,048,251)

Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed*

	Level 1 $'000	Level 2 $'000	Total $'000
Group			
1 January 2017			
Other non-current assets	–	21,363	21,363
Unsecured fixed and floating rate notes	–	(3,445,697)	(3,445,697)
Secured bank loans	–	(1,018,059)	(1,018,059)
Unsecured bank loans	–	(1,426,415)	(1,426,415)
Finance lease liabilities	–	(12,136)	(12,136)
Loans from non-controlling shareholders of subsidiaries	–	(9,555)	(9,555)
	–	(5,911,862)	(5,911,862)
Company			
31 December 2018			
Unsecured fixed and floating rate notes	–	(1,748,292)	(1,748,292)
Unsecured loan from subsidiary	–	(678,395)	(678,395)
	–	(2,426,687)	(2,426,687)
31 December 2017			
Unsecured fixed and floating rate notes	–	(1,729,197)	(1,729,197)
Unsecured loan from subsidiary	–	(676,864)	(676,864)
	–	(2,406,061)	(2,406,061)
1 January 2017			
Unsecured fixed and floating rate notes	–	(2,047,823)	(2,047,823)
Unsecured bank loans	–	(135,265)	(135,265)
Unsecured loan from subsidiary	–	(710,347)	(710,347)
	–	(2,893,435)	(2,893,435)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

32 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

The Group acquired equity interests in certain subsidiaries (mainly in Singapore and Canada) during 2018. The acquisition of the subsidiaries has no significant impact to the Group's net profit for the year. The effects of the acquisition on the financial position of the Group were as follows:

	Group 2018 $'000
Property, plant and equipment	85,265
Intangible assets	44,258
Financial assets	1,514
Deferred tax assets	611
Other non-current assets	113
Cash and bank balances	33,459
Other current assets	73,016
Borrowings	(27,649)
Current tax payable	(2,091)
Deferred tax liabilities	(248)
Other non-current obligations	(428)
Other current liabilities	(37,030)
Identifiable net assets	170,790
Less: Non-controlling interests	(56,321)
Total identifiable net assets	114,469
Less: Amounts previously accounted for as financial asset and joint venture	(1,968)
Gain on disposal of joint venture	(2,543)
Net change in fair value of equity investments at FVTPL	(7,785)
Total consideration paid	102,173
Cash acquired	(33,459)
Net cash outflow on acquisition of subsidiaries	68,714

(b) Disposal of a subsidiary

The Group disposed equity interest in a subsidiary in America during 2018. The effects of the disposal on the financial position of the Group were as follows:

	Group 2018 $'000
Property, plant and equipment	711,381
Other non-current assets	2,956
Cash and bank balances	7,756
Other current assets	30,945
Borrowings	(196,770)
Current liabilities	(7,212)
Other non-current obligations	(2,930)
Net assets derecognised	546,126
Non-controlling interests	7,215
Reclassification of reserves	11,578
Accounted for as investments in joint ventures	(179,411)
Accounted for as loans to joint ventures	(234,894)
Accounted for as amounts due from joint ventures	(12,933)
Net assets disposed	137,681
Loss on disposal of a subsidiary	(8,760)
Total consideration deferred	(128,921)
Cash and bank balances disposed	(7,756)
Disposal of a subsidiary, net of cash disposed	(7,756)

33 COMMITMENTS

As at the reporting dates, the Group had the following commitments:

		Group	
		2018 $'000	2017 $'000
(a)	Capital commitments which have been authorised and contracted but not provided for in the financial statements	407,468	453,780
(b)	Non-cancellable operating lease commitments:		
	Within 1 year	21,109	14,514
	Between 1 and 5 years	32,724	16,665
	After 5 years	75	2,349

The Group leases equipment and office premises under operating leases. The leases run over various periods with some leases containing an option to renew the lease upon expiry. Lease terms are reviewed at renewal of leases.

34 RELATED PARTIES

Key management personnel compensation

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

The compensation paid or payable to key management personnel comprised:

	Group	
	2018	2017
	$'000	$'000
Directors' fees	2,715	2,543
Senior Management Council remuneration	18,300	18,920
	21,015	21,463

Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties were as follows:

	Group	
	2018	2017
	$'000	$'000
Provision of services		
Related corporations	1,357	1,184
Joint ventures	65,681	100,040
Purchase of services		
Related corporations	(29,943)	(29,013)
Joint ventures	(133,668)	(172,996)

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual periods beginning on 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date. The SFRS(I)s that are applicable to the Group are:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has adopted SFRS(I) and SFRS(I) 15 using the retrospective approach. In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017 in relation to SFRS(I) 9. Accordingly, the information for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for 2017 to the extent that these disclosures relate to items within the scope of SFRS(I) 9. There were no material adjustments on the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 on the Group's and the Company's financial position, financial performance and cash flows except as described below.

(a) Classification of financial assets

The following table explains the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's and the Company's financial assets as at 1 January 2018.

			1 January 2018	
	Original classification under FRS 39	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39**	**New carrying amount under SFRS(I) 9**
			$'000	**$'000**
Group				
Financial assets				
Quoted trust units	Available-for-sale	FVOCI - equity instrument	502,421	502,421
Quoted equity securities	Available-for-sale	FVOCI - equity instrument	693,212	693,212
Unquoted equity securities	At cost	FVOCI - equity instrument	135,936	135,936
Unquoted equity securities	At cost	FVTPL - equity instrument	3,600	3,600
Other non-current assets	Loans and receivables	Amortised cost	22,687	22,687
Hedging instruments	Fair value - hedging instrument	Fair value - hedging instrument	4,108	4,108
Trade and other receivables	Loans and receivables	Amortised cost	745,665	745,665
Cash and bank balances	Loans and receivables	Amortised cost	3,713,708	3,713,708
			5,821,337	5,821,337
Company				
Financial assets				
Hedging instruments	Fair value - hedging instrument	Fair value - hedging instrument	422	422
Trade and other receivables	Loans and receivables	Amortised cost	143,448	143,448
Cash and bank balances	Loans and receivables	Amortised cost	2,382,658	2,382,658
			2,526,528	2,526,528

(b) Impairment of financial assets

SFRS(I) 9 replaces the incurred loss model in FRS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 did not result in significant additional allowances for impairment.

(c) Hedge accounting

Under FRS 39, the change in fair value of the forward elements of the forward exchange contracts (forward points) was recognised immediately in the income statement. However, under SFRS(I) 9, the forward points are separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity. There is no significant impact on the reserves as at 1 January 2018 arising from hedge accounting.

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted the following key new SFRS(I) applicable to the Group that has been issued but not yet effective.

SFRS(I) 16 *Leases* effective for annual periods beginning after 1 January 2019
SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group is currently performing a detailed analysis to assess the impact upon adoption of SFRS(I) 16 on its financial statements.

This page is intentionally left blank

CORPORATE DIRECTORY

PSA HEADQUARTERS

PSA International Pte Ltd
38th Floor, PSA Building,
460 Alexandra Road
Singapore 119963
Tel +65 62794010
Fax +65 62744677
www.globalpsa.com

SOUTHEAST ASIA

PSA Southeast Asia
36th Floor, PSA Building,
460 Alexandra Road,
Singapore 119963
Tel +65 62747111
Fax +65 62744261

SINGAPORE

PSA Singapore
36th Floor, PSA Building,
460 Alexandra Road,
Singapore 119963
Tel +65 62741111
Fax +65 62795463
www.singaporepsa.com

Multi-Purpose Terminals
33 Harbour Drive,1st Floor,
Pasir Panjang Terminal Building 2,
Singapore 117606
Tel +65 67716161
Fax +65 67716182

THAILAND

Eastern Sea Laem Chabang Terminal
Laem Chabang Port, B3, Toong
Sukhla, Sriracha, Chonburi 20230,
Thailand
Tel +66 033 005688
Fax +66 038 490095
www.esco.co.th

VIETNAM

SP-PSA International Port
Cai Mep-Thi Vai Linking-port Road,
Phu My Ward, Phu My Township,
Ba Ria – Vung Tau Province, Vietnam
Tel + 84 64 3924567
Fax +84 64 3924555
www.sp-psa.com.vn

INDONESIA

New Priok Container Terminal One
Jalan Terminal Kalibaru Raya
Kav.B No.1, Kelurahan Kalibaru,
Kecamatan Cilincing,
Jakarta Utara 14110, Indonesia
Tel +62 212 9144888
Fax +62 212 9144889
www.npct1.co.id

NORTHEAST ASIA

CHINA

PSA China
Unit 2601 Office Tower A,
Phoenix Place,
5A Shuguang Xili, Chaoyang District,
Beijing 100028, China
Tel +86 10 57623600
Fax +86 10 57623611

Dalian Container Terminal
Dayaowan Container Terminal,
Dalian, 116601, China
Tel +86 411 87597308
Fax +86 411 87598307
www.dct.com.cn

Fuzhou Container Terminals
Fuzhou International Container Terminal
Fujian Jiangyin International
Container Terminal
Xin Jiang Road, Jiangyin, Fuqing
Fujian, 350309, China
Tel +86 180 36608888
Fax +86 597 85966666
www.fct-fuzhou.com.cn

Fuzhou Qingzhou Container Terminal
113 Luoxing Road Mawei,
Fujian Fuzhou, 350015 China
Tel +86 180 36608888
Fax: +86 591 83986897
www.fct-fuzhou.com.cn

Guangzhou Container Terminal
1 Huangpu Xingang Road,
Guangzhou Economic and
Technological Development Zone,
Guangzhou, 510730, China
Tel +86 20 82256328
Fax +86 20 82256233
www.gct.com.cn

Tianjin Terminals
Tianjin Port Alliance International
Container Terminal
TACT Business Building, No. 1068
Lin Hai Road, Tanggu District,
Tianjin City 300461, China

Tianjin Port Pacific
International Container Terminal
Tianjin Dongjiang Free Trade Zone,
3889 Meizhou Road, Tianjin,
300463, China
Tel + 86 22 25603502
Fax + 86 22 25603502
www.tpct.cc

PSA Dongguan Container Terminal
Port Avenue, Shatian Xidatan Section,
Dongguan, Guangdong 523990,
China
Tel +86 769 88666181 ext 109
www.psa-dgct.com

LYG-PSA Container Terminal
Lianyungang Miaoling Port Zone,
Jiangsu, China
Tel +86 518 81768555
www.lyg-psa.com

Beibu Gulf-PSA International
Container Terminal
Qinzhou Port Bonded Zone,
Guangxi, China
www.globalpsa.com

CUIRC Railway Container Terminals
F11, Office Building No.1,
No.5 Yard, Beifengwo Street, Haidian
District, Beijing, 100038, China
Tel +86 188 59158797
www.crintermodal.com

SOUTH KOREA

PSA Korea
#1017 Gwanghwamun Officia 92
Saemunan-ro, Jongno-gu, Seoul,
Korea 110-999
Tel +82 2 7398840
Fax +82 2 7398843

Incheon Container Terminal
135 Chukhang-daero 118beon-gil,
Jung-gu, Incheon, Korea 22354
Tel +82 32 8908901
Fax +82 32 8908989
www.psa-ict.co.kr

Busan Terminals
Pusan Newport International Terminal
330 Sinhangnam-ro, Gangseo-gu,
Busan, Korea 46767
Tel +82 51 2908001
Fax +82 51 2908002
www.pnitl.com

PSA Hyundai Pusan New-port Terminal
454 Sinhangnam-ro, Gangseo-gu,
Busan, Korea 46767
Tel +82 51 2901701
Fax +82 51 2901730
www.psa-hpnt.co.kr

JAPAN

Hibiki Container Terminal
Chisaki, 3-chome, Hibiki-machi,
Wakamatsu-ku, Kitakyushu City, Japan
Tel +86 10 57623600
Fax +86 10 57623611

MIDDLE EAST SOUTH ASIA

PSA Middle East South Asia
34th Floor, PSA Building
460 Alexandra Road
Singapore 119963
Tel +65 62795189
Fax +65 62795186

INDIA

PSA India
Level 2, Kalpataru Synergy, Santacruz
(E), Mumbai 400055, India
Tel +91 22 61696220
Fax +91 22 61695999

Tuticorin Container Terminal
Tuticorin Container Terminal Building,
Berth No.7 Harbour Estate, Tuticorin
628004, India
Tel +91 461 2382099
Fax +91 461 2382066
www.psasical.co.in

Chennai International Terminals
Regus Citi Centre, Level 6,
Chennai Citi Centre,
10/11 Dr. Radhakrishnan Salai,
Chennai 600004, India
Tel +91 44 25613000
Fax +91 44 25613111
www.citpl.co.in

Bharat Mumbai Container Terminals
The Galaxy, Admin Building,
4th Container Terminal,
Jawaharlal Nehru Port, Sheva,
Navi Mumbai 400707, India
Tel +91 22 27248000
Fax +91 22 27248090
www.bmctpl.com

Bharat Kolkata Container Terminal
6A Middleton Street, 8th Floor,
Chhabildas Tower, Kolkata 700071, India
Tel +91 33 40373800
Fax +91 33 40373801
www.bkct.co.in

SAUDI ARABIA

Saudi Global Ports
Port Gate Complex,
Office No.9-2nd Floor, Port Road,
Al Khalidiah, Dammam,
Kingdom of Saudi Arabia
Tel +966 35103751
Fax +966 38574248
www.saudiglobalports.com.sa

EUROPE AND MEDITERRANEAN

PSA Europe
Napelsstraat 79
2000 Antwerp, Belgium
Tel +32 3 260 6111
Fax +32 3 260 6271

BELGIUM

PSA Antwerp
Napelsstraat 79,
2000 Antwerp, Belgium
Tel +32 3 260 6111
Fax +32 3 260 6268
www.psa-antwerp.be

PSA Zeebrugge
Caxtonweg Q140 - 143, 8380
Zeebrugge, Belgium
Tel +32 50 252117
www.psa-zeebrugge.be

ITALY

PSA Voltri-Pra
Voltri Terminal Eurpoa S.p.A Bacino
Portuale di Prà,16157 Genoa, Italy
Tel +39 010 6996415
Fax +39 010 6996297
www.vte.it

Southern European Container Hub
Calata Sanità, Palazzina Uffici,
16126 Genova Porto, Italy
Tel +39 010 6483184
Fax +39 010 6483146
www.sech.it

PSA Venice
Vecon S.p.A Venice Container Terminal
Porto Commerciale – Molo B, 30175
Marghera (VE), Italy
Tel +39 041 2582781
Fax +39 041 5380944
www.vecon.it

PORTUGAL

PSA Sines
Terminal de Contentores de Sines,
Apartado 195, 7520-903 Sines, Portugal
Tel +351 26 9870600
Fax +351 26 9870614
www.psasines.pt

TURKEY

Mersin International Port
Yenimahalle 101 Cad. 5307 Sok. No:5,
33100 Mersin, Turkey
Tel +90 324 2412900
Fax +90 324 2324671
www.mersinport.com.tr

THE AMERICAS

PANAMA

PSA Panama International Terminal
Former Rodman Naval Base,
Panama City, Republic of Panama
Tel +507 3783800
www.psa.com.pa

ARGENTINA

Exolgan Container Terminal
Alberti 1780, Dock Sud, Avellaneda,
Buenos Aires, Argentina
Tel +54 11 42290001/ 58119101
Fax +54 11 42290031/ 58119104
www.exolgan.com

COLOMBIA

Sociedad Puerto Industrial Aguadulce
Calle 3 No. 1A-07, Oficina 404,
Edificio 2 Cosmo Pacifico,
Buenaventura, Colombia
Tel +571 6370533 / +572 3989329

CANADA

Ashcroft Terminal
390-1130 West Pender Street,
Vancouver, BC V6E 4A4, Canada
Tel +1 604 5635595
www.ashcroftterminal.com

MARINE

SINGAPORE

PSA Marine
70 West Coast Ferry Road,
Singapore 126800
Tel +65 6777 2288
Fax +65 6379 9800
www.psamarine.com

PSA

The World's Port of Call

PSA International Pte Ltd
38th Floor PSA Building
460 Alexandra Road
Singapore 119963
Tel +65 6279 4010
Fax +65 6274 4677
www.globalpsa.com

Registration No.: 197200399R