ZIM INTEGRATED
SHIPPING SERVICES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

INDEX TO FINANCIAL STATEMENTS

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Auditor's Report to the Shareholders of ZIM Integrated Shipping Services Ltd.

We have audited the accompanying consolidated Statements of financial position of ZIM Integrated Shipping Services Limited (hereinafter: "the Company") as at December 31, 2019 and 2018 and the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows, for each of the three years ended on December 31, 2019. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated subsidiaries, whose assets constitute approximately 10% and 8% of total consolidated assets as at December 31, 2019 and 2018, respectively, and whose revenues constitute approximately less than 3%, 1% and 1% of the total consolidated revenues for the years ended December 31, 2019, 2018 and 2017, respectively. The financial statements of those companies were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors' Regulations (Manner of Auditor's Performance) 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board of Directors and its management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of December 31, 2019 and 2018 and their results of operations, changes in its equity and cash flows for each of the three years ended December 31, 2019, in accordance with International Financial Reporting Standards (IFRS).

Without qualifying our opinion, we refer to Note 1b of the financial statements regarding the Company's deficit in equity and working capital as of December 31, 2019 and 2018; the net loss recorded during the year ended December 31, 2019 and 2018; the profit from operating activities in the year ended December 31, 2019 and the loss from operating activities in the year ended December 31, 2018; the deterioration in the business environment and the uncertainties in the global trade mainly due to the recent escalation of the coronavirus outbreak; the risk of deviation from financial covenants, which is influenced, inter alia, by the recovery of trade volumes and freight rates; Management steps to improve financial position, cash flows and liquidity; and to Management and the Board of Directors' assessment, based on the forecasted cash flow for the foreseeable future, together with the steps mentioned in the Note 1b, in respect of the Company's ability to meet its liabilities, and to comply with the financial covenants in the foreseeable future.

Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)
Haifa, March 19, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 (*) 2019 US $'000	December 31 2018 US $'000
Assets			
Vessels	5	**717,941**	617,427
Containers and handling equipment	5	**425,738**	351,687
Other tangible assets	5	**69,102**	20,993
Intangible assets	6	**64,920**	64,638
Investments in associates		**8,444**	8,752
Other investments	9	**2,766**	2,790
Deferred expenses			8,977
Trade and other receivables	8	**5,318**	3,182
Deferred tax assets	24(c)	**1,048**	1,055
Total non-current assets		**1,295,277**	1,079,501
Assets classified as held for sale	5(a)	**11,583**	42,859
Inventories		**60,342**	70,492
Trade and other receivables	8	**317,059**	378,343
Other investments	9	**59,047**	68,651
Cash and cash equivalents	10	**182,786**	186,291
Total current assets		**630,817**	746,636
Total assets		**1,926,094**	1,826,137
Equity			
Issued capital	11	**88**	88
Capital reserves		**1,784,469**	1,787,704
Accumulated deficit		**(2,042,226)**	(2,018,086)
Equity attributable to owners of the Company		**(257,669)**	(230,294)
Non-controlling interests		**5,402**	6,282
Total equity		**(252,267)**	(224,012)
Liabilities			
Lease liabilities	7	**641,750**	503,503
Loans and other liabilities	12	**541,932**	553,198
Employee benefits	13	**67,990**	60,133
Deferred tax liabilities	24(c)	**350**	346
Total non-current liabilities		**1,252,022**	1,117,180
Trade and other payables	14	**422,417**	467,756
Provisions	15	**17,998**	24,417
Contract liabilities		**130,281**	126,448
Lease liabilities	7	**215,576**	110,545
Loans and other liabilities	12	**140,067**	203,803
Total current liabilities		**926,339**	932,969
Total liabilities		**2,178,361**	2,050,149
Total equity and liabilities		**1,926,094**	1,826,137

(*) See also Note 2(e) with respect to the implementation of IFRS 16.

Aharon Fogel	**Eli Glickman**	**Xavier Destriau**
Chairman of the Board of Directors	**President & CEO**	**Chief Financial Officer**

Date of approval of the financial statements: March 19, 2020

The accompanying Notes are an integral part of these consolidated Financial Statements.

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31		
		(*) 2019	2018	2017
	Note	US $'000	US $'000	US $'000
Income from voyages and related services	16	**3,299,761**	3,247,864	2,978,291
Cost of voyages and related services				
Operating expenses and cost of services	17	**(2,810,693)**	(2,999,613)	(2,600,147)
Depreciation	22	**(226,026)**	(100,152)	(97,168)
Gross profit		**263,042**	148,099	280,976
Other operating income	18	**38,099**	5,317	4,235
Other operating expenses	19	**(1,239)**	(38,071)	(2,600)
General and administrative expenses	20	**(151,605)**	(143,920)	(147,560)
Share of profits of associates (**)		**4,725**	5,359	7,594
Results from operating activities		**153,022**	(23,216)	142,645
Finance income	23(a)	**2,447**	19,201	2,061
Finance expenses	23(b)	**(156,747)**	(101,706)	(119,110)
Net finance expenses		**(154,300)**	(82,505)	(117,049)
Profit (loss) before income taxes		**(1,278)**	(105,721)	25,596
Income taxes	24	**(11,766)**	(14,132)	(14,233)
Profit (loss) for the year		**(13,044)**	(119,853)	11,363
Attributable to:				
Owners of the Company		**(18,149)**	(125,653)	6,235
Non-controlling interests		**5,105**	5,800	5,128
Profit (loss) for the year		**(13,044)**	(119,853)	11,363

(*) See also Note 2(e) with respect to the implementation of IFRS 16.
(**) See also Note 2(e) with respect to the change of presentation in the consolidated income statements.

The accompanying Notes are an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31		
	2019	2018	2017
	US $'000	US $'000	US $'000
Profit (loss) for the year	**(13,044)**	(119,853)	11,363
Other components of comprehensive income			
Items of other comprehensive income that were or will be reclassified to profit and loss			
Foreign currency translation differences for foreign operations	**(4,657)**	(6,382)	3,099
Net change in fair value of available-for sale financial assets			(781)
Items of other comprehensive income that would never be reclassified to profit and loss			
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	**(294)**	(2,603)	
Defined benefit pension plans actuarial gains (losses)	**(5,710)**	2,058	(4,037)
Income tax on other comprehensive income	**14**	(9)	6
Other comprehensive income for the year, net of tax	**(10,647)**	(6,936)	(1,713)
Total comprehensive income for the year	**(23,691)**	(126,789)	9,650
Attributable to:			
Owners of the Company	**(28,148)**	(131,710)	2,364
Non-controlling interests	**4,457**	4,921	7,286
Total comprehensive income for the year	**(23,691)**	(126,789)	9,650

The accompanying Notes are an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attribute to the owners of the Company							
	Share capital	Share premium	General Reserves (*)	Translation reserve	Accumulated Deficit	Total	Non-controlling interests	Total equity
	US $'000							
Balance at January 1, 2019	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)
Profit (loss) for the year					**(18,149)**	**(18,149)**	**5,105**	**(13,044)**
Other comprehensive income for the year				**(4,008)**	**(5,991)**	**(9,999)**	**(648)**	**(10,647)**
Transaction with an interested party, net of tax			**807**			**807**		**807**
Share-based compensation			**707**			**707**		**707**
Acquisition of non-controlling interest			**(741)**			**(741)**	**(39)**	**(780)**
Dividend paid to non-controlling interests in subsidiaries							**(5,298)**	**(5,298)**
Balance at December 31, 2019	**88**	**700,222**	**1,105,350**	**(21,103)**	**(2,042,226)**	**(257,669)**	**5,402**	**(252,267)**
Balance at January 1, 2018	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)
Profit (loss) for the year					(125,653)	(125,653)	5,800	(119,853)
Other comprehensive income for the year				(5,503)	(554)	(6,057)	(879)	(6,936)
Transaction with an interested party, net of tax			1,049			1,049		1,049
Share-based compensation			368			368		368
Dividend paid to non-controlling interests in subsidiaries							(5,148)	(5,148)
Balance at December 31, 2018	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)
Balance at January 1, 2017	88	700,222	1,101,743	(12,533)	(1,893,302)	(103,782)	3,125	(100,657)
Profit for the year					6,235	6,235	5,128	11,363
Other comprehensive income for the year				941	(4,812)	(3,871)	2,158	(1,713)
Transaction with an interested party, net of tax			1,417			1,417		1,417
Dividend paid to non-controlling interests in subsidiaries							(4,059)	(4,059)
Issuance of capital to non-controlling interests in subsidiaries							157	157
Balance at December 31, 2017	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)

(*) Include reserves related to transactions with an interested party and share-based compensation.

The accompanying Notes are an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31		
		(*) 2019	2018	2017
		US $'000	US $'000	US $'000
Cash flows from operating activities				
Profit (loss) for the year		**(13,044)**	(119,853)	11,363
Adjustments for:				
Depreciation and amortization	22	**245,510**	111,567	108,386
Impairment of tangible assets, intangible assets and other investments	19	**1,150**	37,993	2,400
Net finance expenses	23	**154,300**	82,505	117,049
Share of profits of associates		**(4,725)**	(5,359)	(7,594)
Capital gain	18	**(35,471)**	(3,015)	(1,178)
Income taxes	24	**11,766**	14,132	14,233
		359,486	117,970	244,659
Change in inventories		**9,731**	(6,650)	(22,358)
Change in trade receivables and other receivables (**)		**43,422**	(3,807)	(15,346)
Change in trade and other payables including contract liabilities and deferred income		**(28,111)**	131,679	35,578
Change in provisions and employee benefits		**(7,690)**	(9,588)	(4,578)
		17,352	111,634	(6,704)
Dividends received from associates		**5,453**	6,522	6,585
Interest received		**1,970**	1,687	677
Income tax paid		**(13,630)**	(12,804)	(14,291)
Net cash generated from operating activities		**370,631**	225,009	230,926
Cash flows from investing activities				
Proceeds from sale of tangible assets, intangible assets, investments and affiliates		**44,794**	45,423	4,710
Acquisition of tangible assets, intangible assets and investments		**(16,150)**	(22,582)	(29,494)
Change in other investments and other receivables		**9,382**	28,270	(68,764)
Net cash generated from (used in) investing activities		**38,026**	51,111	(93,548)

(*) See also Note 2(e) with respect to the implementation of IFRS 16.
(**) See also Note 8(b) with respect to a factoring arrangement.

The accompanying Notes are an integral part of these consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31		
		(*) 2019	**2018**	**2017**
		US $'000	**US $'000**	**US $'000**
Cash flows from financing activities				
Receipt of long-term loans and other long-term liabilities		**678**	55,378	
Sale and lease back transactions		**13,151**		
Repayment of borrowings and lease liabilities		**(300,763)**	(199,973)	(134,386)
Change in short-term loans		**3,324**	(10,365)	78,947
Issuance of capital to non-controlling interests in consolidated company				157
Dividend paid to non-controlling interests		**(4,818)**	(5,148)	(4,059)
Interest paid		**(122,972)**	(82,569)	(76,677)
Other financial expenses paid				(3,750)
Net cash used in financing activities		**(411,400)**	(242,677)	(139,768)
Net change in cash and cash equivalents		**(2,744)**	33,443	(2,390)
Cash and cash equivalents at beginning of the year		**186,291**	157,888	157,600
Effect of exchange rate fluctuation on cash held		**(761)**	(5,040)	2,678
Cash and cash equivalents at the end of the year	10	**182,786**	186,291	157,888

(*) See also Note 2(e) with respect to the implementation of IFRS 16.

The accompanying Notes are an integral part of these consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Reporting entity

(a) ZIM Integrated Shipping Services Ltd. (hereinafter - the "Company" or "ZIM") and its subsidiaries (hereinafter - the "Group" or "the Companies") and the Group's interests in associates, operate in the field of container shipping and related services.

ZIM is a company incorporated in Israel, with limited liability. The address of the Company's registered office is 9 Andrei Sakharov Street, Haifa, Israel.

(b) Financial position

The container shipping industry is dynamic and volatile and has been marked in recent years by instability of market environment, which is characterized by volatility in freight rates and bunker prices, including significant uncertainties in the global trade, mainly due to USA related trade restrictions. Moreover, the recent escalation of the coronavirus outbreak adds to short-term downside risks, as factories in China have remained closed for longer than usual due to the extension of the Chinese New Year holidays. While the effects of the coronavirus are difficult to assess or predict, the extent to which the coronavirus may impact the Company's future results, financial position, liquidity and the risk of deviation from financial covenants is uncertain and will depend on future developments, including in volumes of trades and freight rates, which are influenced by the duration and spread of the outbreak.

In view of the aforementioned business environment and in order to mitigate the coronavirus short-term downside risks and to improve the company's results of operations and liquidity position, Management continues to expand its potential liquidity sources by means of improved payment terms with vendors, enhanced efforts of collection from customers and disposal and / or refinancing of certain assets. The Company also continues to optimize its network by entering into new partnerships and cooperation agreements (see also below) and by constantly upgrading its customer's offerings, whilst maintaining efficiencies and focusing on cost reductions. In case the actual downside impact of the coronavirus on the Company's results of operations and liquidity position was to be more severe than forecasted, management would take additional measures to mitigate the downside impact.

During the third quarter of 2018, the Company entered into a strategic operational cooperation with the “2M” alliance. According to this cooperation, commencing from September 2018, the Company and the parties of the 2M alliance (Maersk and MSC) operate together certain lines between Asia and the US East-Coast, enabling ZIM to provide its customers improved port coverage and transit time, while generating cost efficiencies. During 2019, this cooperation was extended also to certain lines in the Asia Mediterranean, Asia - Pacific Northwest and Asia – US Gulf trades.

Despite the steps mentioned above, an adverse trend, mainly in volumes of trades, freight rates and / or bunker prices (including the potential impact of the coronavirus as well as the issued IMO regulations related to sulfur emissions that came into effect on January 1, 2020) could negatively affect the entire industry and also affect the Company's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants.

As at December 31, 2019, the Company complies with its updated financial covenants, the Company's liquidity amounts to US$ 184 million (Minimum Liquidity required is US$ 125 million) - see also Note 12(c).

As of December 31, 2019 the Company's total equity amounted to a negative balance of US$ 252 million (compared to a negative balance of US$ 224 million as of December 31, 2018) and its working capital amounted to a negative balance of US$ 296 million (including an increase of US$ 136 million related to the implementation of IFRS 16 – see also Note 2(e), compared to a negative balance of US$ 186 million as of December 31, 2018).

1 Reporting entity (cont'd)

(b) Financial position (cont'd)

During the year ended December 31, 2019, the Company recorded operating income of US$ 153 million (compared to operating loss of US$ 23 million during the year ended December 31, 2018 and operating income of US$ 143 million during the year ended December 31, 2017) and net loss of US$ 13 million (compared to net loss of US$ 120 million during the year ended December 31, 2018 and net income of US$ 11 million during the year ended December 31, 2017).

The Company's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially on volume of trades and freight rates. Current economic conditions and uncertainties (including the impact of the coronavirus), make forecasting difficult, and there is possibility that actual performance may be materially different from Management plans and expectations.

In the opinion of the Company's management and its Board of Directors, the Company's forecasted cash flow in the foreseeable future, together with the steps above mentioned, enable the Company to meet its financial obligations and to comply with its updated financial covenants in such period.

2 Basis of Preparation

(a) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by IASB.
The Financial Statements were approved for issue by the Board of Directors on March 19, 2020.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Financial instruments, including derivatives, measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.
- Non-current assets classified as held-for-sale
- Provisions
- Assets and liabilities for employee benefits
- Investments in associates

(c) Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimations made by management in the application of IFRSs that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 29.

2 Basis of Preparation (cont'd)

(d) Functional and presentation currency

These Consolidated Financial Statements are presented in United States dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(e) Changes in accounting policies

Change of presentation in the consolidated income statement

The Company determined that it is more appropriate to show its share of profit of associates (mainly agencies) prior to finance costs and income taxes, since associates are an integral part of the Group's operations and as such presentation is applied by other major companies in the shipping industry.

Accordingly, the Company reclassified the presentation of its share of profit of associates in the consolidated income statement and include it as part of its results from operating activities, commencing 2019 financial year (applied to all presented periods).

IFRS 16, Leases:

As from January 1, 2019 the Company initially applies International Financial Reporting Standard 16, which replaces IAS 17 (Leases) and its related interpretations regarding lease arrangements. For lessees, the standard presents a unified model for the accounting treatment of most leases according to which the lessee has to recognize an asset and a liability in respect of the lease in its financial statements - see also Note 3(e)(ii).

The Company chose to adopt IFRS 16 using the modified retrospective approach (i.e. without restating its comparative figures), as well as to apply the optional expedients with respect to; short-term leases (including leases with remaining period on adoption date of up to 12 months), determining the discounting rate considering the remaining lease period (the weighted average of discounting rates applied on adoption date was 19.0%), retaining the definition of a lease under IAS17 with respect to leases outstanding as of adoption date, including non-lease components in the accounting of lease arrangements and applying the standard provisions to a portfolio of leases with similar characteristics. The adoption did not affect the Company's retained earnings.

Below is a reconciliation between the commitments as at December 31, 2018 (as disclosed in Note 25 to the 2018 annual financial statements) and the lease liabilities recognized as at January 1, 2019 with respect to the adoption of IFRS 16.

	Balance at January 1, 2019 (Unaudited) US $'000
Commitments as at 31 December 2018 (Undiscounted)	481,885
Less service and other commitments	(131,980)
Obligations related to operating leases, as at 31 December 2018 (Undiscounted)	349,905
Less short-term leases	(70,720)
Adjustments related to re-assessment of extension/termination options	22,079
Lease obligations recognized as at 1 January 2019 (Undiscounted)	301,264
Discounting	(65,439)
Lease liabilities recognized as at 1 January, 2019	235,825

2 Basis of Preparation (cont'd)

(e) Changes in accounting policies (cont'd)

The table below presents the effect on the consolidated statement of financial position as at January 1, 2019 related to the adoption of the new guidance under IFRS 16:

	According to IAS 17	Re-classification	Recognition	According to IFRS 16
		(Unaudited)		
		US $'000		
Non-Current Assets				
Vessels	617,427	18,155	122,287	757,869
Containers and handling equipment	351,687		73,174	424,861
Other tangible assets	20,993	1,089	40,364	62,446
Deferred expenses	8,977	(8,977)		
Current Assets				
Trade and other receivables	11,565	(10,267)		1,298
Non-Current liabilities				
Lease liabilities, loans and other liabilities	(1,056,701)		(162,862)	(1,219,563)
Current Liabilities				
Lease liabilities, loans and other liabilities	(201,233)		(72,963)	(274,196)

Further to the above, the implementation of IFRS 16 resulted in a reduction in the Company's lease expenses, along with an increase in its depreciation expenses and interest expenses. The Company's net loss for the year ended December 31, 2019 include a loss, related to the implementation of IFRS 16, of US$ 14.4 million.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Operating cycle

The normal operating cycle of the Company is not longer than one year.

(b) Basis of consolidation

(i) Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Substantive rights held by the Group and by others are taken into account in assessing control.

The Group recognizes goodwill at acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of non-controlling interests in the acquiree less the net amount of the identifiable assets acquired and the liabilities assumed.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree and the liabilities incurred by the acquirer to the previous owners of the acquiree.

3 Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

In a step acquisition, the difference between the acquisition date fair value of the Group's pre-existing equity rights in the acquiree and the carrying amount at that date is recognized in profit or loss under other income or expenses.

Costs associated with the acquisition that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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 changed when necessary to align them with the policies adopted by the Group.

(iii) Non-controlling interests

Non-controlling interests reflects the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

<u>Measurement of non-controlling interests on the date of the business combination</u>
Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at either fair value or their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

<u>Allocation of profit or loss and other comprehensive income to the shareholders</u>
Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.

(iv) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. 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. The difference between; (i) the sum of the proceeds and fair value of the retained interest, and (ii) the derecognized balances, is recognized in profit or loss under other income or other expenses. Subsequently the retained interest is accounted for as an equity-accounted investee or as a financial asset in accordance with the provisions of IAS28 and IFRS 9, depending on the level of influence retained by the Group in the relevant company.

The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities.

(iv) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of voting rights in another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Company's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases (See also Note 2(e) with respect to change of presentation in the consolidated income statement).

3 Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

(iv) Investment in associates (cont'd)

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero. When the Company's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Group continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests, after the aforesaid interests were reduced to zero. The recognition of further losses is discontinued except to the extent that the Group has an obligation to support the investee or has made payments on behalf of the investee.

(v) Change in interest held in associated companies while retaining significant influence

When the Group increases its interest in an associated Group accounted for by the equity method while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains the same.
When there is a decrease in the interest in an associated Group accounted for by the equity method while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale.

(vi) Loss of significant influence

The application of the equity method is discontinued from the date the group loses significant influence in an associate and it accounts for the retained investment as a financial asset or a subsidiary, as relevant. On the date of losing significant influence, any retained interest it has in the former associate is measured at fair value. Any difference between the sum of the fair value of the retained interest and any proceeds received from the partial disposal of the investment in the associate, and the carrying amount of the investment on that date, are recognized in profit or loss. Amounts recognized in equity through other comprehensive income with respect to such associates are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself disposed the related assets or liabilities.

(vii) Transactions eliminated in consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising from retranslation of those assets and liabilities are recognised in profit or loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of their recognition.

3 Significant accounting policies (cont'd)

(c) Foreign currency (cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into United States dollars at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

(d) Financial instruments

(i) Non-derivative financial assets

The Group's non-derivative financial instruments include investments in equity and debt securities, trade and other receivables and cash and cash equivalents, classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss. The Group's balances of trade and other receivables and deposits are held within a business model whose objective is collecting the contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are subsequently measured at amortized cost.

<u>Initial recognition of financial assets</u>

The Group initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets acquired in a regular way purchase, are recognized initially on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

<u>Impairment of financial assets</u>

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets. Impairment losses related to trade and other receivables, including other financial assets, are presented under financing expenses.

<u>Derecognition of financial assets</u>

The Group derecognizes a financial asset when the contractual rights of the Group to the cash flows from the asset expire or the Group transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

<u>Cash and cash equivalents</u>

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3 Significant accounting policies (cont'd)

(d) Financial instruments (cont'd)

(ii) Non-derivative financial liabilities

The Group's non-derivative financial liabilities include loans and borrowings from banks and others, lease liabilities, debentures and trade and other payables.

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. With respect to a lease liability, the Company also remeasures its carrying amount to reflect reassessments and / or modifications of the lease (see also Note 3(e)(ii)).

Debt modifications

An exchange of debt instruments having substantially different terms, or a substantial modification of terms of a debt instrument, between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. The difference between the carrying amount of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as part of the financial income or expenses. Any costs incurred in relation to such modifications are recognized in profit or loss as part of the financial income or expenses. The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability. In addition to the aforesaid quantitative criterion, the Group examines, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments. In the case of insubstantial change in terms, the new cash flows are discounted at the original effective interest rate, with the difference between the present value of the financial liability with the new terms and the present value of the original financial liability being recognized in profit or loss.

Offset of financial instruments

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

(iii) Derivative financial instruments (economic hedges)

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss. The Company is engaged in derivative transactions with respect to fuel prices, usually in the framework of Option contracts (measured based on Black Sholes model) while the changes in fair value of such derivatives are included in the operating expenses.

(iv) Financial guarantees

A financial guarantee is initially recognized at fair value. In subsequent periods a financial guarantee is measured at the higher of the amount recognized in accordance with the guidelines of IAS 37 and the liability initially recognized after being amortized in accordance with IFRS 15. Any resulting adjustment of the liability is recognized in profit or loss.

(v) 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.

3 Significant accounting policies (cont'd)

(e) Vessels, containers, handling equipment and other tangible assets

(i) Owned assets

Vessels, containers, handling equipment and other tangible assets are stated at cost less accumulated depreciation (see paragraph (iv) below) and accumulated impairment losses (see Note 3(g)). The cost of inspecting a vessel (dry docking), that needs to be performed after a number of years of operation (usually once every five years), is separated from the cost of the vessel and depreciated according to the period until the following inspection. The Company's management believes that there is no other material separate component whose contractual period of use is different from the contractual period of use of the whole vessel.

Gains and losses on disposal of vessels, containers, handling equipment and other tangible assets are determined by the difference between the net consideration from disposal and the carrying amount of these items and are recognised net within "other operating income / expenses" in profit or loss.

<u>Subsequent costs</u>

The Group recognises within the carrying amount of an asset (vessel, container, handling equipment or other tangible asset), the cost of replacing part of such an asset, when that cost is incurred, if it is probable that the future economic benefits embodied with such part will flow to the Group and the cost of the part can be measured reliably (while the carrying amount of the replaced part is derecognized). Material improvements that increase the economic benefits expected from the assets are capitalised as part of their cost. All other costs are recognised in the income statement as an expense as incurred.

<u>Depreciation</u>

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful life of each part of the asset (vessel, container, handling equipment or other tangible asset). Freehold land is not depreciated.

The estimated useful lives of vessels, containers, handling equipment and other tangible assets for the current and comparative periods are as follows (taking into account a residual value of mainly 10% of the cost of the assets, where applicable):

		years
1.	Vessels	25 - 30
2.	Containers	Mainly 13
3.	Chassis	30
4.	Other equipment	13
5.	Dry docking for owned vessels	Up to 5

The estimated useful lives of other tangible assets for the current and comparative periods are as follows:

		years	
1.	Buildings	25	
2.	Computer systems and communication equipment	4 - 7	(mostly 5 years)
3.	Other	5 - 15	

Depreciation methods, useful life and residual values are reviewed at each balance sheet date.

3 Significant accounting policies (cont’d)

(e) Vessels, containers, handling equipment and other tangible assets (cont’d)

(ii) Leased (Right-of-use) assets

Policy applied in reported periods, following January 1st, 2019:

A lease, in accordance with IFRS 16 (see also Note 2(e)), defined as an arrangement that conveys the right to control the use (and obtain substantially all the economic benefits from use) of an identified asset for a period of time in exchange for consideration, is initially recognized on the date in which the lessor makes the underlying asset available for use by the lessee.

Upon initial recognition, the Company recognizes a lease liability at the present value of the future lease payments during the lease term and concurrently recognizes a right-of-use asset at the same amount of the liability, adjusted for any prepaid and/or initial direct costs incurred in respect of the lease. The present value is calculated using the implicit interest rate of the lease, or the Company’s incremental borrowing rate applicable for such lease, when the implicit rate is not readily determinable. The lease term is the non-cancellable period of the lease, in addition to any optional period which is reasonably certain to apply, considering extension and/or termination options.

Following recognition, the Company depreciates a right-of-use asset on a straight-line basis (see below), as well as adjust its value to reflect any re-measurement of its corresponding lease liability or any impairment losses in accordance with IAS 36.

The Company chose to apply the available exemptions with respect to short-term leases and leases of low-value assets, as well as the expedient with respect to the inclusion of non-lease components in the accounting of a lease.

Further to the adoption of IFRS 16, fixed assets previously recognized with respect to financial leases, were reclassified as right-of-use assets on adoption date.

Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in such circumstances, the Group accounts for the modification as a separate lease. When the Group doesn’t account the modification as a separate lease, on the initial date of the lease modification, the Group determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate, against the right-of-use asset.

For lease modifications that includes a decrease in scope of the lease, as a preceding step and before remeasuring the lease liability against the right-of-use asset, the Group first recognizes a decrease in the carrying amount of the right-of-use asset (on a pro-rata basis) and the lease liability (considering the revised leased payments and pre-modification discounting rate), in order to reflect the partial or full cancellation of the lease, with the net change recognized in profit or loss.

Sale and lease-back

The Group applies the requirements of IFRS 15 to determine whether an asset transfer is accounted for as a sale. If an asset transfer satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount that relates to the right of use retained by the Group. Accordingly, the Group only recognizes the amount of gain or loss that relates to the rights transferred. If the asset transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, the Group accounts the transaction as secured borrowing.

Depreciation

Right-of-use assets, including leasehold improvements, are depreciated over the lease term, or their useful lives (considering residual value, if applicable), if it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The term of leases in which the Group is engaged with, are as follows:

		years
1.	Vessels	1 - 6
2.	Containers	1 - 13
3.	Buildings, vehicles and other assets	Mainly 1 - 10

With respect to estimated useful lives, please refer to Note 3(e)(i) above.

3 Significant accounting policies (cont'd)

(e) Vessels, containers, handling equipment and other tangible assets (cont'd)

(ii) Leased (Right-of-use) assets (cont'd)

Policy applied in reported periods, prior to January 1st, 2019:

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term, reflecting a constant periodic rate of interest on the remaining balance of the liability.

Lease modifications

If the terms of a lease in which the Group is a lessee are modified, the Company assesses whether the revised terms would have resulted in different classification of the lease had they been in effect at inception.

If a lease previously accounted for as a finance lease is reclassified as an operating lease, the Group derecognizes the leased asset and the finance lease liability and recognizes the profit (loss) from derecognizing the leased asset (calculated as the difference between the fair value of the leased asset and its carrying amount) in other operating income (expenses) and the profit (loss) from derecognizing the liability (calculated as the difference between (1) the fair value of the leased asset and the fair value of any liabilities incurred and instruments issued as part of the modification and (2) the carrying amount of the liability) in finance income (expense).

If a lease previously accounted for as an operating lease, is reclassified as a financial lease, the group recognize a leased asset and a finance lease liability at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

If a lease previously accounted for as a finance lease is not reclassified as a result of the modification, the modification is accounted for as a debt modification.

If a lease previously accounted for as an operating lease is not reclassified as a result of the modification, the revised lease payments, including any liabilities incurred and instruments issued as part of the modification, are expensed on a straight-line basis throughout the remaining lease term.

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets.

Subsequently to its' initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development of software

Development activities involve a plan or design for the production of new or substantially improved processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in profit or loss as incurred.

In subsequent periods, capitalised development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

3 Significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(iii) Software

The Group's assets include computer systems consisting of hardware and software. The licenses for the software, which are considered to be a separate item, adding functionality to the hardware, are classified as intangible assets.

(iv) Dry docking for chartered vessels

The cost of inspecting the fleet of vessels held under bareboat charter is amortized according to the period until the following inspection or the period until the end of the charter, if shorter.

(v) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss as incurred.

(vi) Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	5 years
Dry docking for chartered vessels	Up to 5 years
Capitalised software development costs	5-8 years

Amortization methods, useful life and residual values are reviewed at each balance sheet date.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortized cost the reversal is recognised in profit or loss.

(ii) Non-financial assets

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (hereinafter: "CGU"). The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. For this purpose, the Company, accounted as one cash generating unit, estimates its recoverable amount on the basis of its value-in-use, using the discounted cash flow (DCF) method.

An impairment loss is recognised if the carrying amount of the Company's assets or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in that unit, on a pro rata basis.

3 Significant accounting policies (cont'd)

(g) Impairment (cont'd)

(ii) Non-financial assets (cont'd)

An impairment loss is allocated between the owners of the Company and the non-controlling interests on the same basis that the profit or loss is allocated.

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 balance sheet 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 amortization, if no impairment loss had been recognised.

(h) Employee benefits

(i) Post-employment benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or with funds managed by a trustee, and they are classified as defined contribution plans and as defined benefit plans.

(a) Defined contribution plans

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

(b) Defined benefit plans

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

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is the yield at the balance sheet date on high grade corporate bonds denominated in the same currency, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a net asset for the Group, an asset is recognized up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realized over the life of the plan or after settlement of the obligation.

Gains or losses resulting from settlements of a defined benefit plan are recognized in profit or loss.

The Group recognizes immediately, directly in other comprehensive income, all actuarial gains and losses arising from defined benefit plans.

3 Significant accounting policies (cont'd)

(h) Employee benefits (cont'd)

(ii) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value. The discount rate is the yield at the balance sheet date on high grade corporate bonds denominated in the same currency, that have maturity dates approximating the terms of the Group's obligations.

(iii) Other long-term benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on long-term high grade corporate bonds denominated in the same currency, that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(v) Share-based compensation

The grant date fair value of share-based compensation awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based compensation awards that are conditional upon meeting service and non-market performance conditions, is adjusted to reflect the number of awards that are expected to vest.

(i) Provisions

A provision is recognized 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 more likely than not that an outflow of economic benefits will be required to settle the obligation.
The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Company settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

Legal claims

The Financial Statements includes appropriate provisions in respect of claims against the Group which, in the opinion of the Group's management, based, among others, on the opinion of its legal advisers retained in respect of those claims, is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.
Note 26 contains details of the additional exposure due to contingent claims where the amounts are significant.

3 Significant accounting policies (cont’d)

(j) Revenue Recognition from shipping services and related expenses

The Group considers each freight transaction as comprised of one performance obligation, recognized per the time-based portion completed as at the balance sheet date. The operating expenses related to cargo traffic are recognized immediately as incurred. If the expected incremental expenses related to the cargo exceed its expected related revenue, the loss is recognized immediately in profit or loss.

With respect to presentation and in accordance with IFRS 15 guidance, the Company recognizes "Contract assets", reflecting receivables (not eligible to be classified as a financial asset, i.e. as trade receivables) and "Contract liabilities", reflecting obligation to provide services, both with respect to engagements with customers, not yet completed as at the respective balance sheet date. Contract assets and contract liabilities relating to the same contract are to be presented on a net basis in the statement of financial position. On the other hand, trade receivables and contract liabilities deriving from the same contract are to be presented on a gross basis in the statement of financial position.

(k) Finance income and expenses

Finance income includes mainly interest income, recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses include mainly interest expense on borrowings and impairment losses recognised on trade and other receivables.

Foreign currency gains and losses are reported on a net basis.

In the statements of cash flows, interest received and dividends received are presented as part of cash flows from operating activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

(l) Income taxes

Income taxes include current and deferred taxes. Current taxes and deferred taxes are recognised in profit or loss except to amounts relate to items recognised directly in equity or in other comprehensive income, to the extent they relate to such items.

Current taxes are the taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding amounts used for taxation purposes. Deferred taxes are not recognised for the following temporary differences: (i) the initial recognition of goodwill, (ii) 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 (iii) differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment. Deferred taxes are 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 balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, or to the extent it can be utilized in future periods against taxable temporary differences (i.e. deferred tax liabilities). Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised in profit or loss when the liability to pay the related dividends is recognised by the distributing company.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

3 Significant accounting policies (cont'd)

(l) Income taxes (Cont'd)

- In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - The same taxable entity; or
  - Different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are contractual to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Transactions with controlling shareholder

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction, with the difference between the fair value and the consideration from the transaction recorded in the Company's equity.

(n) Government grants

Grants received from the Government of Israel with respect to the cost of employing Israeli resident sailors on Israeli vessels are deducted from the salary costs.

(o) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the moving average principle, and mainly includes fuel on board.

(p) Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through a sale transaction and not through continuing use.
Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. In subsequent periods, depreciable assets classified as held for sale are not periodically depreciated. Impairment losses recognized on initial classification as held for sale, and subsequent gains or losses on remeasurement, are recognized in profit or loss.

4 Determination of 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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Non-derivative financial liabilities

See Note 28(d)(1).

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows. Trade and other receivables are measured at the original invoice amount if the effect of discounting is immaterial.

(c) Cash Generating Unit for impairment testing

See Note 6.

(d) Assets classified as held for sale

The fair value of assets classified as held for sale is estimated as the expected sale price less costs to sell. The sale price of vessels is calculated based on the estimated steel prices and the vessels weight.

(e) Derivatives

See Note 28.

(f) Financial assets measured at fair value through other comprehensive income

The fair value of financial assets classified as measured at fair value through other comprehensive income is measured based on their quoted prices on an active market.

5 Vessels, containers, handling equipment and other tangible assets (*)

Cost:

	Balance at January 1, 2019	Additions (**)	Disposals	Lease Modifications	Effect of movements in exchange rates	Balance at December 31 2019
	US $'000					
Vessels	941,201	**240,908**		**(3,126)**		**1,178,983**
Containers and equipment	789,144	**180,634**	**(105,588)**	**(35,277)**	**(15)**	**828,898**
Computer systems and Communication equipment	46,115	**8,271**	**(307)**		**(496)**	**53,583**
Other property and equipment	51,407	**60,369**	**(1,592)**		**(1,364)**	**108,820**
Total	1,827,867	**490,182**	**(107,487)**	**(38,403)**	**(1,875)**	**2,170,284**

Depreciation and impairment charges:

	Balance at January 1, 2019	Depreciation	Disposals	Lease Modifications	Effect of movements in exchange rates	Balance at December 31 2019
	US $'000					
Vessels	323,774	**139,682**		**(2,414)**		**461,042**
Containers and equipment	437,457	**78,399**	**(87,682)**	**(25,002)**	**(12)**	**403,160**
Computer systems and Communication equipment	36,372	**5,647**	**(304)**			**41,715**
Other property and equipment	40,421	**13,249**	**(558)**		**(1,252)**	**51,860**
Total	838,024	**236,977**	**(88,544)**	**(27,416)**	**(1,264)**	**957,777**
Payments on account, net	264					**274**

Net carrying amounts:

	Balance at January 1, 2019	Balance at December 31, 2019
	US $'000	US $'000
Vessels	617,427	**717,941**
Containers and equipment	351,687	**425,738**
Computer systems and Communication equipment	9,743	**11,868**
Other property and equipment	10,986	**56,960**
Payments on account of other assets	264	**274**
	20,993	**69,102**
Total	990,107	**1,212,781**

(*) Including right-of-use assets (see also Note 7).
(**) Mostly related to right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Vessels, containers, handling equipment and other tangible assets (cont'd) (*)

Cost:

	Balance at January 1, 2018	Additions	Disposals	Transfer (**)	Effect of movements in exchange rates	Balance at December 31 2018
	US $'000					
Vessels	1,087,688			(146,487)		941,201
Containers and equipment	831,536	64,402	(22,791)	(84,003)		789,144
Computer systems and Communication equipment	41,565	4,971	(160)		(261)	46,115
Other property and equipment	51,546	1,331	(777)		(693)	51,407
Total	2,012,335	70,704	(23,728)	(230,490)	(954)	1,827,867

Depreciation and impairment charges:

	Balance at January 1, 2018	Depreciation	Disposals	Transfer (**)	Effect of movements in exchange rates	Balance at December 31 2018
	US $'000					
Vessels	371,023	34,542		(81,791)		323,774
Containers and equipment	458,945	62,964	(16,605)	(67,847)		437,457
Computer systems and Communication equipment	33,820	2,945	(163)		(230)	36,372
Other property and equipment	40,213	1,511	(736)		(567)	40,421
Total	904,001	101,962	(17,504)	(149,638)	(797)	838,024
Payments on account, net	280					264

Net carrying amounts:

	Balance at January 1, 2018	Balance at December 31, 2018
	US $'000	US $'000
Vessels	716,665	617,427
Containers and equipment	372,591	351,687
Computer systems and Communication equipmen	7,745	9,743
Other property and equipmen	11,333	10,986
Payments on account of other assets	280	264
	19,358	20,993
Total	1,108,614	990,107

(*) Including leased assets under financial leases - see also Note 7.
(**) Vessels and containers transferred to Assets classified as held for sale (see also Note 5(a)).

5 Vessels, containers, handling equipment and other tangible assets (cont'd)

(a) Assets held for sale

On December 31, 2018, in line with commercial and cost-benefit considerations, the Company designated three vessels, to be sold or scraped. Accordingly, the Company classified such vessels as held for sale, measured per their scrap value and recorded an impairment in an amount of US$ 38 million (under other operating expenses.) During 2019, the Company completed the sale of two of such vessels. In addition, and further to an agreement concluded in December 2018, with respect to the sale of containers (for a net consideration of US$ 20 million), the Company classified the related containers as held for sale and disposed most of such containers during 2019. The above-mentioned assets, which remained outstanding as of December 31, 2019, continue to be classified as held-for-sale, as the Company remains committed to its plan to dispose such assets within the following year.

(b) See also Note 12(a) with respect to securing tangible assets.

6 Intangible assets

Cost:

	Balance at January 1, 2019	Additions	Disposals	Effect of movements in exchange rates	Balance at December 31 2019
			US $'000		
Goodwill (*)	8,230	**559**		**(490)**	**8,299**
Software (mostly development costs)	173,508	**8,746**	**(15)**	**57**	**182,296**
Dry docking	4,514				**4,514**
Other intangible assets	3,415				**3,415**
Total	189,667	**9,305**	**(15)**	**(433)**	**198,524**

Amortization and impairment losses:

	Balance at January 1, 2019	Amortization	Disposals	Effect of movements in exchange rates	Balance at December 31 2019
			US $'000		
Goodwill (*)					
Software (mostly development costs)	118,530	**8,073**	**(15)**	**57**	**126,645**
Dry docking	4,117	**312**			**4,429**
Other intangible assets	2,382	**148**			**2,530**
Total	125,029	**8,533**	**(15)**	**57**	**133,604**

Net carrying amounts:

	Balance at January 1, 2019	Balance at December 31, 2019
	US $'000	US $'000
Goodwill	8,230	**8,299**
Software (mostly development costs)	54,978	**55,651**
Dry docking	397	**85**
Other intangible assets	1,033	**885**
Total	64,638	**64,920**

(*) For additional information regarding the allocation of Goodwill to the Company's CGU and its annual impairment test - see below.

6 Intangible assets (cont'd)

Cost:

	Balance at January 1, 2018	Additions	Disposals	Effect of movements in exchange rates	Balance at December 31 2018
			US $'000		
Goodwill (*)	10,090			(1,860)	8,230
Software (mostly development costs)	158,707	14,925	(36)	(88)	173,508
Dry docking	4,514				4,514
Other intangible assets	3,415				3,415
Total	176,726	14,925	(36)	(1,948)	189,667

Amortization and impairment losses:

	Balance at January 1, 2018	Amortization	Disposals	Effect of movements in exchange rates	Balance at December 31 2018
			US $'000		
Goodwill (*)					
Software (mostly development costs)	110,851	7,787	(36)	(72)	118,530
Dry docking	3,627	490			4,117
Other intangible assets	1,054	1,328			2,382
Total	115,532	9,605	(36)	(72)	125,029

Net carrying amounts:

	Balance at January 1, 2018	Balance at December 31, 2018
	US $'000	US $'000
Goodwill	10,090	8,230
Software (mostly development costs)	47,856	54,978
Dry docking	887	397
Other intangible assets	2,361	1,033
Total	61,194	64,638

(*) For additional information regarding the allocation of Goodwill to the Company's CGU and its annual impairment test - see below.

6 Intangible assets (cont'd)

Impairment test

Further to the continuing volatility in the shipping industry as discussed in Note 1(b), the Company tested its assets for impairment (mainly its fixed and intangible assets), as of December 31, 2019. For the purpose of IAS 36, the Company, which operates an integrated liner network, has one cash-generating unit (hereinafter: CGU), which consists of all of the Company's operating assets. The Company estimated its recoverable amount on the basis of its value-in-use, using the discounted cash flow (DCF) method.

The Company's assumptions were made for the period ended on December 31, 2024 and a representative year intended to reflect a long-term, steady state. The key assumptions are set forth below:

- A detailed cash flow for the abovementioned period, based upon the Company's business plan.
- Bunker price: according to the future price curve of fuel.
- Freight rates: a compound annual growth rate of 0.8% over the projection period.
- Increase in aggregate TEU shipped: a compound annual growth rate of 3.1% over the projection period, which is in line with the expected trends in the trades the company is planning to focus on.
- Charter hire rates: contractual rates in effect as of December 31, 2019, and assuming anticipated market rates for renewals of charters expiring in the projection period.
- Post tax discount rate of 8%.
- Long-term nominal growth rate of 1.5%, which is consistent with the expected industry average.
- Capital expenditures that are similar or equal to the Company's expected depreciation;
- Payment of tax at the Company's corporate tax rate of 23%; also assumes expected use of tax losses.

The impairment test resulted with a recoverable amount exceeding the carrying value by a considerable amount. Therefore, no impairment was recognized in the financial statements in respect of the CGU.

Although the Company believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective.
There can be no assurance as to how long bunker prices and freight rates will remain at their current levels or whether they will increase or decrease by any significant degree.

Change by 100 bps in the following assumptions will result in an increase (decrease) in the fair value of the recoverable amount as follows:

	Increase	**Decrease**
	By 100 bps	
	US$ million	
Discount rate	(265)	359
Terminal growth rate	332	(244)

7 Leases

The Group is engaged in multiple lease arrangements for vessels and containers, supporting its operating activities, as well as for buildings, vehicles, IT equipment and other tangible assets. Such lease arrangements are characterized by large-scale, frequent and recurring engagements in common market terms.

(a) Right-of-use assets

	Vessels	Containers and Equipment	Buildings, Vehicles and other tangible assets	Total
		US $'000		
Balance as at January 1, 2019	491,333	317,360	242	808,935
IFRS 16 Adoption (*)	**140,442**	**73,174**	**41,453**	**255,069**
Depreciation	**(131,050)**	**(69,700)**	**(13,716)**	**(214,466)**
Other	**99,755**	**87,169**	**21,834**	**208,758**
Balance as at December 31, 2019	**600,480**	**408,003**	**49,813**	**1,058,296**

(*) See also Note 2(e).

(b) Maturity analysis of the Group's lease liabilities

	2019	2018
	US $'000	
Less than one year	**215,576**	110,545
One to five years	**425,780**	262,268
More than five years	**215,970**	241,235
Total	**857,326**	614,048

The Group's lease liabilities are mostly denominated in USD, discounted by interest rates with weighted average of 12%.

(c) Amounts recognized in profit or loss

	2019
	US $'000
Interest expenses on lease liabilities	**97,620**
Expenses relating to short-term leases:	
Vessels	**181,856**
Containers	**27,417**
Capital gains related to sale and leaseback transactions	**3,619**

(d) Amounts recognized in the statement of cash flows

	2019
	US $'000
Cash outflow related to lease liabilities	**319,166**

(e) For further details regarding the Company's obligations, related to leases accounted as linear expenses along the lease period (in accordance with the Company's policy for exemptions available with respect to short-term leases and leases of low-value assets), see Note 25.

8 Trade and other receivables

(a) Carrying amounts

	2019	2018
	US $'000	
Non-current other receivables		
Long-term loans	**240**	244
Others	**5,078**	2,938
	5,318	3,182
Current trade and other receivables		
Trade receivables	**263,749**	313,685
Other receivables		
Insurance recoveries (see also Note 15)	**4,576**	7,531
Government institutions	**11,540**	12,428
Prepaid expenses	**25,531**	15,014
Current portion of deferred expenses		10,510
Amounts due from associates	**159**	198
Other receivables	**11,504**	18,977
	53,310	64,658
	317,059	378,343

The Group's exposure to credit and currency risks is disclosed in Note 28.

(b) Factoring facility

In August 2019, the Company entered into a revolving arrangement with a financial institution, subject to periodical renewals, for the recurring sale, meeting the criteria of "true sale", of portion of receivables, designated by the Company. According to this arrangement, an agreed portion of each designated receivable is sold to the financial institution in consideration of cash in the amount of the portion sold (limited to an aggregated amount of US$ 90 million), net of the related fees. The collection of receivables previously sold, enables the recurring utilization of the above-mentioned limit. The true sale of the receivables under this arrangement meets the conditions for derecognition of financial assets as prescribed in IFRS 9 (Financial Instruments).

Further to this arrangement, the Company is required to comply with a minimum balance of cash (as determined in the agreement) in the amount of US$ 125 million, same as already required following the Company's 2014 debt restructuring (see Note 12(c) above), as well with other requirements customarily applied in such arrangements. As at December 31, 2019, the total amount of receivables sold to the financial institution, out of the above-mentioned limit, was US$ 58 million.

Prior to this arrangement, such receivables were securing certain rescheduled payments (the "Deferred Amounts"), as agreed in 2016 with certain creditors and lessors of the Company. Accordingly, On August 2019, the Company early repaid the outstanding balance of the Deferred Amounts in a total sum of US$ 29 million. Following the balance sheet date, the agreement was renewed to additional period ending February 2021.

9 Other investments

	2019	2018
	US$'000	
Non-current investments - long term deposits (*)	**2,766**	2,790

(*) Mainly long-term deposits which are not bearing any interest.

	2019	2018
Current investments		
Short term bank deposits (*)	**56,493**	66,166
Financial assets at fair value through profit or loss	**988**	538
Financial assets at fair value through other comprehensive income	**1,566**	1,947
	59,047	68,651

(*) Mainly deposits under lien - see also Note 12(a).

The interest rates on the deposits in 2019 were approximately 3.1%.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 28.

10 Cash and cash equivalents

	2019	2018
	US$'000	
Bank balances and cash in hand	**130,997**	154,516
Demand deposits	**51,789**	31,775
Cash and cash equivalents in the consolidated statement of financial position	**182,786**	186,291

The effective interest rate on the demand deposits (including deposits denominated in currencies other than USD) in 2019 was approximately 1.4%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial liabilities is disclosed in Note 28.

11 Capital and reserves

(a) Share capital

		2019	2018
Number of ordinary shares (issued and paid up):			
Balance at the beginning of the year		**10,000,000**	10,000,000
Balance at the end of the year		**10,000,000**	10,000,000
Ordinary shares	- in US$'000's	**88**	88
	- in NIS'000's	**300**	300

As of December 31, 2019 and 2018 the authorised share capital is comprised of 350,000,001 ordinary shares, each with a par value of NIS 0.03.

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets, except as disclosed in (b) below.

(b) Special State Share

The issued and paid-up share capital includes one share which is a Special State Share.
In the framework of the process of privatising the Company, all the State of Israel's holdings in the Company (about 48.6%) were acquired by The Israel Corporation pursuant to an agreement from February 5, 2004. As part of the process, the Company allotted to the State of Israel a Special State Share so that it could protect the vital interests of the State.

On July 14, 2014 the State and the Company have reached a settlement agreement (the "Settlement Agreement") that has been validated as a judgment by the Supreme Court. The Settlement Agreement provides, inter alia, the following arrangement shall apply: State's consent is required to any transfer of the shares in the Company which confers on the holder a holding of 35% and more of the Company's share capital. In addition, any transfer of shares which confers on the holders a holding exceeding 24% but not exceeding 35%, shall require a prior notice to the State. To the extent the State determines that the transfer involves a potential damage to the State's security or any of its vital interests or if the State did not receive the relevant information in order to formulate a decision regarding the transfer, the State shall be entitled to inform, within 30 days, that it objects to the transfer, and it will be required to reason its objection. In such an event, the transferor shall be entitled to approach a competent court on this matter.

The Special State Share is non-transferable; its rights are described in the new Company's Articles of Association.

Except for the rights attached to the said share, it does not confer upon its holder voting rights or any share capital related rights.

12 Loans and other liabilities

This Note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 28.

(a) The loans and other liabilities are as follows:

	2019	2018
	US$'000	
Non-current liabilities		
Loans from financial institutions	**10,139**	16,517
Loan from shipyard	**48,223**	44,535
Other loans and liabilities	**39,704**	56,946
Debentures	**443,866**	435,200
	541,932	553,198
Current liabilities		
Current portion of loans from financial institution	**1,989**	30,567
Current portion of other loans and liabilities	**10,039**	44,352
Current portions of debentures	**11,608**	15,769
	23,636	90,688
Short-term borrowings	**116,431**	113,115
	140,067	203,803

See also Note 28(b) with respect to the contractual maturities of financial liabilities.

Liens placed in respect of liabilities

As security for part of the short and long term bank credit and other long-term loans and liabilities, liens have been registered on most of the vessels fleet and its equipment, including the revenues generated by the vessels and the insurance rights relating to the vessels, containers, handling equipment, deposits and other assets. The aggregate carrying values of the securing assets, as well as of right-of-use asset (accounted as securing their corresponding lease liabilities), are as follows:

	2019	2018
	US $'000	
Vessels	**725,558**	644,130
Containers and handling equipment	**418,862**	336,042
Deposits	**51,477**	61,485
Buildings, vehicles and others	**55,822**	5,818
	1,251,719	1,047,475

12 Loans and other liabilities (cont'd)

(b) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	December 31, 2019				
	Currency	**Effective interest (2)**	**Year of Maturity**	**Face value**	**Carrying Amount (3)**
				US $'000	
Debentures :					
Tranche A (1)	US$	Libor + 2.8%	2021	**15,634**	**15,634**
Tranche C (1)	US$	7%	2023	**359,808**	**322,620**
Tranche D (1)	US$	7.9%	2023	**127,772**	**117,220**
Long-term loans:					
Tranche A (1)	US$	Libor + 2.8%	2021	**1,693**	**1,693**
Tranche E (1)	US$	8.7%	2026	**72,108**	**48,223**
Other	US$	1.4%-12.4%	2020-2023	**54,374**	**54,374**
Long-term liabilities (4)	Mainly US$		2020-2030	**5,804**	**5,804**
Short-term credit from banks (5)	US$	4.3%	2020	**116,431**	**116,431**
				753,624	**681,999**

	December 31, 2018				
	Currency	**Effective interest (2)**	**Year of Maturity**	**Face value**	**Carrying Amount (3)**
				US $'000	
Debentures :					
Tranche A (1)	US$	Libor + 2.8%	2021	25,273	25,273
Tranche C (1)	US$	7%	2023	359,808	313,398
Tranche D (1)	US$	7.9%	2023	125,248	112,298
Long-term loans:					
Tranche A (1)	US$	Libor + 2.8%	2020-2021	32,179	32,179
Tranche E (1)	US$	8.7%	2026	70,843	44,535
Other	US$	1.4%-12.4%	2020-2023	72,257	72,257
Long-term liabilities	US$		2019-2022	43,946	43,946
Short-term credit from banks	US$	4.9%	2019	113,115	113,115
				842,669	757,001

See also Note 7(b) with respect to lease liabilities.

(1) During 2014 the Company completed its debt restructuring, which involved the majority of its creditors, related parties and additional stakeholders. In the framework of the restructuring, the following debt instruments were issued:
(i) Tranche A, as fully secured debt (partially issued as debentures).
(ii) Tranches C and D, as unsecured notes, payable on June 2023 and subject to early repayment mechanism related to excess cash and proceeds from the sale of assets, as defined in the restructuring agreement.
(iii) Tranche E, as unsecured loan, payable on 2026, subject to the full settlement of Tranches A, C and D.

(2) The effective interest rate is the rate that discounts estimated future cash payments or receipts through the contractual life of the financial instrument to the net carrying amount of the financial instrument and it does not necessarily reflect the contractual interest rate.

(3) Regarding the carrying amount of the assets securing the Company's loans and liabilities see Note 12(a).

(4) Includes US$ 5.7 million which are not bearing any interest.

(5) Includes US$ 50 million subject to Libor + 2.5%.

12 Loans and other liabilities (cont'd)

(c) Financial covenants

During the last few years, due to deteriorating market conditions, the Company obtained amendments to its financial covenants, the most recent of which concluded in the third quarter of 2018. Accordingly, below are the current financial covenants that the Company is required to comply with:

1) Fixed Charge Cover ratio - Defined as Consolidated EBITDAL to Fixed Charges. EBITDAL means Consolidated EBITDA (Group's Consolidated EBITDA, following certain adjustments as specifically defined in the facility agreements), after adding back vessels and equipment lease costs. Fixed Charges mean mainly cash interest, scheduled repayments of indebtedness and vessels and equipment lease payments. During the period starting on (and including) September 30, 2018 and through (and including) December 31, 2019, all prior Fixed Charge Cover ratio requirements were waived. In the following periods, commencing March 31, 2020, the required ratio will be 0.90:1 and will remain at that level thereafter.

2) Total Leverage ratio - Defined as Total Debt to Consolidated EBITDA. During the period starting on (and including) September 30, 2018 and through (and including) December 31, 2019, all prior Total Leverage ratio requirements were waived. In the following periods, commencing March 31, 2020, the required ratio will be 9.00:1 and will remain at that level thereafter.

3) Minimum Liquidity – Starting December 31, 2016 the minimum Liquidity, as defined in the facility agreements and further amended, is required at US$ 125 million.

Under these amendments, it was also determined that if the Company's performance improves and certain conditions are met, the Fixed Cover ratio levels and the Total Leverage ratio levels, as agreed at the restructuring, will be reinstated.

As at December 31, 2019, the Company complies with all its financial covenants. According to these consolidated Financial Statements, the Company's liquidity, as defined in the related agreements, amounts to US$ 184 million (Minimum Liquidity required is US$ 125 million).

(d) Movement in liabilities deriving from financing activities

	Loans and other liabilities		
	Long-term Loans and other	**Debentures**	**Lease Liabilities**
Balance as at January 1, 2019	306,032	450,969	614,048
Changes from financing cash flows:			
Receipt of long-term loans	**10,547**		**3,282**
Repayment of borrowings	**(65,397)**	**(9,639)**	**(225,727)**
Change in short-term loans	**3,318**		
Additional Leases (*)			**458,581**
Other Changes (**)	**(27,975)**	**14,144**	**7,142**
Balance as at December 31, 2019	**226,525**	**455,474**	**857,326**

(*) Includes $236 million related to the adoption of IFRS16 (see also Note 2(e)).
(**) Mainly includes non-cash maturities, lease modifications, discount amortization and accrual of PIK interest.

12 Loans and other liabilities (cont'd)

(d) Movement in liabilities deriving from financing activities (cont'd)

	Loans and other liabilities		
	Loans and other Liabilities	Debentures	Financial Lease Liabilities
Balance as at January 1, 2018	335,024	445,082	668,017
Changes from financing cash flows:			
Receipt of long-term loans (*)	53,491		1,887
Repayment of borrowings	(74,020)	(7,415)	(118,538)
Change in short-term loans	(10,365)		
Additional Financial Leases			62,682
Other Changes (**)	1,902	13,302	
Balance as at December 31, 2018	306,032	450,969	614,048

(*) Mainly related to:
- (i) An arrangement for the purpose of refinancing a portion of the Company's secured debt, in the framework of a sale, lease and optional buyback of four vessels at the end of a five years lease period, which resulted with gross proceeds in the total amount of US$ 40 million (the transaction is accounted as a secured borrowing as the Company retains ownership of such vessels throughout the arrangement, due to a Call and Put options mechanism).
- (ii) A bank loan in an amount of US$ 10 million, secured by certain real-state assets, scheduled to be repaid along a period of 4 years, in accordance with the repayment schedule determined in the agreement.

(**) Mainly includes discount amortization and accrual of PIK interest.

13 Employee benefits

(a) Composition

	2019	2018
	US$'000	
Present value of obligations (see section (f) below)	**67,502**	(*) 58,575
Fair value of the plan assets (see section (f) below)	**(28,525)**	(*) (27,186)
Recognized liability for defined benefit obligations	**38,977**	31,389
Termination benefit-liability for early retirement	**16,003**	18,159
Other long-term benefits	**13,010**	10,585
Short-term benefits:		
Liability for annual leave	**7,459**	7,264
Current portion of liability for early retirement	**6,081**	6,170
Total employee benefits	**81,530**	73,567
Presented in the statement of financial position as follows:		
Short-term (Note 14)	**13,540**	13,434
Long-term	**67,990**	60,133
	81,530	73,567

(*) Represented.

(b) Defined contribution pension plans

According to the Israeli Severance Pay Law - 1963, an employee who is dismissed, or who reaches the retirement age, is entitled to severance payments, in a sum equal, in essence, to 8⅓% of his last monthly salary multiplied by the actual months of employment (hereinafter – "Severance Obligation").

The Severance Pay Law allows employers to be relieved from part or all of the Severance Obligation by making regular deposits to pension funds and insurance companies, if it is approved (beforehand) by a relevant regulation or Collective Agreement.

The Group makes regular deposits to pension funds and insurance companies. With respect to some of its employees, the Group makes such payments replacing its full Severance Obligation regarding those employees and, therefore, treats those payments as if they were payments to a defined contribution pension plan. With respect to most of the other employees, the Group makes such payments replacing only (6%)/(8⅓%) of the respective Severance Obligation. Therefore, the Company treats those payments as payments to a defined contribution pension plan and treats the remainder (2⅓%)/(8⅓%) as payments to a defined benefit pension plan.

(c) Defined benefit pension plan

(i) The post-employment liability included in the statement of financial position represents the balance of liabilities not covered by deposits and/or insurance policies in accordance with the existing labour agreements, the Severance Pay Law and the salary components which Management believes entitle the employees to receipt of compensation.

To cover their pension and severance liabilities, the Company and certain of its subsidiaries make regular deposits with recognised pension and severance pay funds in the employees' names and purchase insurance policies.

The reserves in compensation funds include accrued linkage differentials (for Israeli CPI), interest accrued and deposited in compensation funds in banks and insurance companies. Withdrawal of the reserve monies is contingent upon fulfilment of detailed provisions in the Severance Pay Law.

(ii) Group retirees receive, in addition to the pension payments, benefits which consist mainly of a holiday gift and vouchers. The Group's liability in respect of these costs accumulates during the service period. The contractual costs are in respect of the post-employment period, based on an actuarial calculation for existing retirees and for the serving employees entitled to this benefit according to their contractual retirement age.

13 Employee benefits (cont'd)

(d) Other long-term employee benefits

(i) Provision for annual absence

Under the labour agreement, employees retiring on pension are entitled to certain compensation in respect of unutilised annual absence. The provision was measured based on actuarial calculations. The actuarial assumptions applied include those noted in section (g) below, as well as assumptions based on the Group's experience according to the likelihood of payment of annual absence pay at retirement age and utilisation of days by the LIFO method.

(ii) Company participation in education fees for children of employees studying in higher educational institutions

Under the labour agreement, employees are entitled to the participation of the Company in education fees for their children. The provision was measured based on actuarial calculations. The actuarial assumptions applied include those noted in section (g) below, as well as assumptions based on the Company's experience according to the likelihood of payment of educational fees.

(e) Benefits in respect of voluntary early retirement

According to agreements reached with certain employees who retired early, these employees are entitled to a pension from the Group until they reach regular retirement age. A provision, computed based on the present value of the early retirement payments is included in the Consolidated Statement of Financial Position.

(f) Movement in the present value of the defined benefit pension plan obligation

	2019	2018
	US $'000	
Defined benefit obligation at January 1st	**58,575**	(*) 66,268
Benefits paid by the plan	**(4,250)**	(4,605)
Current service cost and interest	**2,968**	3,091
Foreign currency exchange changes in plan measured in a currency different from the entity's functional currency	**4,016**	(3,952)
Actuarial losses (gains) recognised in other comprehensive income	**6,193**	(2,227)
Defined benefit obligation at December 31st	**67,502**	58,575

Movement in the present value of plan assets

	2019	2018
	US $'000	
Fair value of plan assets at January 1st	**27,185**	(*) 29,016
Contribution paid by the Group	**937**	889
Benefits paid by the plan	**(2,234)**	(1,963)
Return on plan assets	**397**	488
Foreign currency exchange changes in plan measured in a currency different from the entity's functional currency	**1,482**	(1,076)
Actuarial gains (losses) recognised in other comprehensive income	**758**	(169)
Fair value of plan assets at December 31st	**28,525**	27,185

Plan assets composition

	2019	2018
	US $'000	
Equity instruments	**9,839**	9,962
Debt instruments	**15,707**	14,167
Cash and deposits	**989**	1,339
Other	**1,990**	1,717
	28,525	27,185

(*) Represented.

13 Employee benefits (cont'd)

(g) Actuarial assumptions

The principal actuarial assumptions at the balance sheet date:

(i) Annual resignation and dismissal rates were determined on the basis of the past experience of the Group; for employees of the Company the resignation rate is estimated between 8%-10% and the dismissal rate is estimated between 1% and 2.5%. For the subsidiaries, the resignation rate is estimated at between 2.6% and 4% and the dismissal rate is estimated at between 2% and 2.6%.

(ii) The relevant discount rates are as follows:

	2019	2018	2017
Early retirement	1%-1.1%	2.1%-2.4%	1.4%-1.6%
Annual absence	2.1%-2.2%	3.5%-3.7%	3.2%-3.3%
Tuition fees	1.3%-1.8%	2.5%-3.1%	1.8%-2.5%
Defined benefit plan	1%-3.15%	2.0%-4.0%	1.8%-3.5%

(iii) Assumptions regarding future benefits growth were made on the basis of the Group's experience and management's assessments. The Group - For employees, the average future salary growth increment is between 2% and 4.5% per year 2019, and between 2% and 4.5% per year in 2018 and 2017.
Assumptions regarding future mortality are based on published statistics and mortality tables.

(iv) The overall long-term rate of return on assets is between 1.8% and 3.8% per year in 2019, and between 3.1% and 3.6% per year in 2018 and between 2.7% and 3.9% per year in 2017. The long-term rate of return addresses the portfolio as a whole, based exclusively on historical returns, without adjustments.

(v) Sensitivity analysis
Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

	Defined benefit obligation	
	At December 31, 2019	
	Increase	Decrease
	US $'000	
Discount rate (0.5% movement)	**(3,455)**	**3,815**
Future benefit growth (0.5% movement)	**2,629**	**(2,639)**

As at December 31, 2019, the weighted average duration of the defined benefit obligation was 10 years (as at December 31, 2018 - 9 years).

In 2020, the Group expects to pay about US$ 1,393 thousands in contributions to the funded defined benefit pension plan.

(h) The Company's Board of Directors approved compensation plans for the Company's employees and management (the "Plans") for the years 2017-2019, payable as cash bonuses. The payment of cash bonuses under the Plans was subject to the satisfaction of certain pre-conditions, such as profitability and minimum EBITDA, while the actual bonus payable to each participant under the Plans is based on each participant's meeting of certain key performance indicators (determined based on the overall performance of the Company and the individual performance of each participant).

During the second half of 2018, the Company's Board of Directors approved the adoption of a share option plan that allows for the grant of options to purchase ordinary shares of the Company, as well as specific grants to certain members of management, which constitute less than 5% of the Company's share capital on a fully diluted basis and reflects an expense of approximately US$ 2 million, to be recognized along the vesting period.

14 Trade and other payables

	2019	2018
	US$'000	
Trade payables	**350,775**	377,846
Other payables		
Salaries and related payables	**8,392**	6,754
Provision for annual leave and early retirement (see Note 13(a))	**13,540**	13,434
Government institutions	**9,169**	9,128
Accrued interest	**3,776**	4,652
Accrued expenses	**13,054**	11,707
Advances from customers and others (*)	**11,171**	31,695
Payables and other credit balances	**12,540**	10,616
	71,642	87,986
Derivatives not used for hedging		1,924
	422,417	467,756

(*) 2018 - Mainly proceeds received with respect to sale of containers – see also Note 5(a).

All of the trade and other payables are contractual to be settled within one year or are repayable on demand. The Group's exposure to currency, liquidity and market risks related to trade and other payables is disclosed in Note 28.

15 Provisions

	2019
	US $'000
Balance at the beginning of the year	24,417
Provisions added during the year	**8,987**
Provisions utilized during the year	**(12,125)**
Provisions reversed during the year	**(3,281)**
Balance at the end of the year	**17,998**

Legal and employee claims
For legal matters addressed against the Group, see Note 26.

Claims covered by insurance
Claims covered by insurance represent mainly claims for damage to cargo of customers that was shipped in containers at the responsibility of the Company. The Company has agreements with insurance companies that indemnify it in respect of such damages (other than the self-participation provided in the insurance agreements). Regarding assets that were recognised in respect thereto, see Note 8, insurance recoveries.

16 Income from voyages and related services

(a) Composition

	2019	2018	2017
		US $'000	
Shipping	**3,257,121**	3,208,315	2,942,072
Other	**42,640**	39,549	36,219
	3,299,761	3,247,864	2,978,291

(b) Disaggregation of revenues

	2019	2018
	US $'000	
Freight Revenues from containerized cargo, per Business Unit		
Pacific	**1,365,757**	1,385,579
Cross-Suez	**328,444**	387,336
Atlantic	**571,206**	493,735
Intra-Asia	**372,894**	353,219
Latin America	**208,963**	215,975
	2,847,264	2,835,844
Other Revenues (*)	**452,497**	412,020
	3,299,761	3,247,864

(*) Mainly related to non-containerized cargo and demurrage.

17 Operating expenses and cost of services

	2019	2018	2017
		US $'000	
Wages and expenses relating to seagoing personnel	**10,392**	10,043	10,581
Maintenance and repair of vessels	**4,060**	4,708	4,113
Expenses relating to fleet equipment (mainly containers and chassis)	**25,560**	25,743	25,602
Fuel and lubricants (*)	**386,917**	536,634	386,883
Insurance	**8,634**	9,583	9,270
Expenses related to cargo handling	**1,421,354**	1,379,320	1,285,365
Port expenses	**200,610**	273,988	251,703
Agents' commissions	**149,210**	159,790	160,398
Cost of related services and sundry	**61,437**	72,009	67,370
Slots purchase and hire of vessels	**515,102**	480,374	358,908
Hire of containers	**27,417**	47,421	39,954
	2,810,693	2,999,613	2,600,147

(*) Including gain from change in fair value of fuel derivatives in an amount of US$ 1 million and loss from change in fair value of fuel derivatives in an amount of US$ 2 million in 2019 and 2018, respectively.

18 Other operating income

	2019	2018	2017
		US $'000	
Capital gain, net	**(*) 35,471**	3,015	1,178
Sundry	**2,628**	2,302	3,057
	38,099	5,317	4,235

(*) Mainly related to sales of containers and real-estate assets.

19 Other operating expenses

	2019	2018	2017
		US $'000	
Impairment, net	**1,150**	(*) 37,993	2,400
Sundry	**89**	78	200
	1,239	38,071	2,600

(*) See also Note 5(a).

20 General and administrative expenses

	2019	2018	2017
		US $'000	
Salaries and related expenses	**105,354**	98,278	102,655
Office equipment and maintenance	**12,019**	16,643	15,096
Depreciation and amortization	**19,171**	10,925	10,728
Consulting and legal fees	**4,714**	6,039	6,225
Travel and vehicle expenses	**3,562**	5,294	5,620
Other	**6,785**	6,741	7,236
	151,605	143,920	147,560

21 Personnel expenses

	2019	2018	2017
		US $'000	
Salaries and related expenses:			
Operating expenses	**137,990**	132,003	133,542
General and administrative	**105,354**	98,278	102,655
	243,344	230,281	236,197

22 Depreciation and amortization expenses

	2019	2018	2017
		US $'000	
Operating expenses:			
Depreciation	**226,026**	100,152	97,168
Amortization	**313**	490	490
General and administrative	**19,171**	10,925	10,728
	245,510	111,567	108,386

23 Finance income and expenses

(a) Finance income

	2019	2018	2017
		US $'000	
Interest income	**2,447**	2,492	2,061
Net foreign currency exchange rate differences		16,709	
	2,447	19,201	2,061

(b) Finance expenses

	2019	2018	2017
		US $'000	
Interest expenses	**147,383**	100,584	102,175
Net foreign currency exchange rate differences	**8,351**		16,011
Impairment losses on trade and other receivables	**1,013**	1,122	924
	156,747	101,706	119,110

24 Income tax

(a) Measurement of results for tax purposes

The Company measures its results for tax purposes in United States dollar, as stipulated by the relevant regulations.

Israeli subsidiaries are taxed under the Israeli Income Tax ordinance - 1961. Non-Israeli subsidiaries are taxed under the laws in their countries of residence.

	2019	2018	2017
		US $'000	
Current tax expenses			
Current period	**13,028**	12,744	12,611
Taxes in respect of previous years	**(1,313)**	631	1,237
	11,715	13,375	13,848
Deferred tax expenses			
Origination and reversal of temporary differences	**51**	757	385
Total income taxes in income statements	**11,766**	14,132	14,233

24 Income tax (cont'd)

(b) Reconciliation of effective tax rate

The reconciliation is based on the Company's domestic tax rate.

	2019	2018	2017
		US $'000	
Profit (loss) for the year	**(13,044)**	(119,853)	11,363
Income taxes	**11,766**	14,132	14,233
Profit (loss) excluding income taxes	**(1,278)**	(105,721)	25,596
Income tax using the domestic corporation tax rate	**(294)**	(24,316)	6,143
Current year losses for which no deferred tax asset was recognized	**7,759**	29,097	3,666
Effect of tax rates in foreign jurisdictions	**4,769**	4,936	3,509
Non-deductible expenses	**393**	401	243
Effect of different tax rates on specific gains	**2,084**	4,383	2,421
Effect of share of profits of associates	**(1,087)**	(1,232)	(1,823)
Other	**(*) (1,858)**	863	74
	11,766	14,132	14,233

(*) Mainly related to taxes in respect of previous years.

(c) Deferred tax assets and liabilities

(1) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
			US $'000			
Vessels, containers, handling equipment and other tangible assets (*)			**(150,698)**	(176,636)	**(150,698)**	(176,636)
Financial liabilities	**12,281**	15,339			**12,281**	15,339
Employee benefits	**17,190**	15,394			**17,190**	15,394
Tax losses carry-forwards	**125,171**	149,494			**125,171**	149,494
Other items			**(3,246)**	(2,882)	**(3,246)**	(2,882)
Net deferred tax assets (liabilities)	**154,642**	180,227	**(153,944)**	(179,518)	**698**	709
Net deferred tax assets recognised in the statement of the financial position					**1,048**	1,055
Net deferred tax liabilities recognised in the statement of the financial position					**(350)**	(346)
					698	709

(*) In accordance with Israeli Income Tax Regulations, the Group is entitled to deduct depreciation for vessels and related equipment at a higher rate than recorded in its financial statements.

24 Income tax (cont'd)

(c) Deferred tax assets and liabilities (cont'd)

(2) Unrecognised deferred tax assets

On December 31, 2019 there are carry forward tax losses in the amount of US$ 2,339 million (2018: US$ 2,438 million, 2017: US$ 2,342 million).

Deferred tax assets have not been recognised in respect of the tax losses, in the amount of US$ 414 million at December 31, 2019 (2018: US$ 413 million, 2017: US$ 392 million) since it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Under existing Israeli tax laws, there is no time limit on utilising tax losses.

(d) Movement in deferred tax assets and liabilities during the year

	Vessels containers handling equipment and other tangible assets	Financial liabilities	Employee benefits	Accumulated tax losses	Other items	Total
	US $'000					
Balance January 1, 2019	(176,636)	15,339	15,394	149,494	(2,882)	709
Recognised in profit or loss	**25,942**	**(3,058)**	**1,819**	**(24,323)**	**(364)**	**16**
Recognised in other comprehensive income	**(4)**		**(23)**			**(27)**
Balance December 31, 2019	**(150,698)**	**12,281**	**17,190**	**125,171**	**(3,246)**	**698**

	Vessels containers handling equipment and other tangible assets	Financial liabilities	Employee benefits	Accumulated tax losses	Other items	Total
	US $'000					
Balance January 1, 2018	(180,411)	16,943	18,910	149,093	(3,961)	574
Recognised in profit or loss	3,786	(1,604)	(3,272)	401	1,079	390
Recognised in other comprehensive income	(11)		(244)			(255)
Balance December 31, 2018	(176,636)	15,339	15,394	149,494	(2,882)	709

(e) Amendments to the Israeli Income Tax Ordinance

Presented hereunder are the tax rates relevant to the Company in the years 2017-2019:

2017 – 24%
2018 – 23%
2019 – 23%

On December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate was reduced from 25% to 23% in two steps. The first step was to a rate of 24% as from January 2017 and the second step was to a rate of 23% as from January 2018. Tax balances as at December 31, 2019 were calculated according to the tax rate expected to apply on the date of reversal.

(f) Tax assessments

The tax assessments of the Company through (and including) the year 2014 are considered to be final.

25 Commitments

Commitments are mainly in respect of short-term leases and other service charges.
As at December 31, 2019, the projected future payments are as follows:

	Related party	Other	Total
		US $'000	
2020	**2,779**	**64,362**	**67,141**
2021		**15,604**	**15,604**
2022		**15,466**	**15,466**
2023		**15,426**	**15,426**
2024		**10,385**	**10,385**
2025 and thereafter		**7,913**	**7,913**
	2,779	**129,156**	**131,935**

Lease payments are mainly denominated in United States dollar.

26 Contingencies

(a) The Group is involved in a number of legal matters, including applications to approve the filing of class actions, some of which may involve significant amounts. The developments and/or resolutions in some of such matters, including through either negotiations or litigation, are subject to a high level of uncertainty that cannot be reliably quantified at the reporting date.
As at December 31, 2019, the total amount claimed with respect to legal matters, excluding those discloses below, as well as excluding claims in the ordinary course of business, which are covered by insurance (and in respect of which the Company has included a provision in the amount it is likely to bear, based on past experience) is approximately US$ 10 million. Regarding the provision recognized in respect of legal matters, including insurance claims- see Note 15.
In addition, within the ordinary course of business, the Company and its subsidiaries provided guaranties, which as at December 31, 2019 amounted to approximately US$ 8 million

(b) The Company was involved as a respondent in an application for the approval of a derivative action filed to the District Court in Israel by several shareholders (hereinafter- "the plaintiffs") of the Israeli Corporation Ltd. ("IC"). During 2012 the parties reached a compromise, which was approved by the court, according to which the Company undertook to pay to IC an amount of US$ 12 million (NIS 45 million) subject to certain terms and conditions agreed, which have not yet taken place (such as, among others, the existence of retained earnings and compliance with the distribution terms provided in the Israeli Companies Law).

(c) During 2014 a petition for approval of a derivative action was submitted to the District Court in Tel Aviv by a shareholder of IC against, among others, IC and the Company. The petitioner argues that the transaction executed by IC in connection with its participation in the Company's restructuring deviates from the approval of IC's shareholders meeting and that the condition precedent to the execution of IC's participation in the restructuring, as approved by such meeting, regarding the transferability of the shares in the Company was not fulfilled. The petitioner moved to have the defendants (other than IC and the Company) to convene IC's shareholders meeting to approve IC's participation in the Company's restructuring or have the defendants (other than IC) compensate IC in the amount of US$ 27.4 million which, as argued, reflects the damage caused to IC due to its participation in the Company's restructuring, being the decreased value of the Company's shares held by IC in consideration therefore, due to the incompletion of the said condition precedent. During 2016, the petition was rejected by the court, followed by an appeal filed by the petitioner. In February 2019, the petitioner withdrew his appeal, thus ending the proceeding.

26 Contingencies (Cont'd)

(d) During 2016, the Company's wholly-owned agency in Israel, along with other third-party shipping agencies, has been served with an application to approve the filing of a class action. The petitioner alleges, among other things, that the agency has, in breach of the Port Regulations, charged their customers for services rendered with higher rates than permitted, as well as charged for services which are not included in the list of services detailed in the aforesaid regulations. During the second half of 2019, this application was rejected by court, followed by an appeal filled for this court's ruling. Management, based on legal advice, believes it is more likely than not that the appeal of the petitioner will be dismissed.

(e) During 2017, the Company has been served, together with another defendant, with an application to approve the filing of class action in Israel, related to alleged breaches of competition laws in respect of carriage of vehicles form South East Asia to Israel. The applicants estimated the total damage caused to the class of plaintiffs at a total of NIS 403 million (approximately US$ 108 million) based on an expert opinion attached to the application, although may not necessarily be correct and/or relevant to the Company. Management, based on legal advice, believes that it has good defense arguments for dismissing the application of the claim to be approved as a class action and it is more likely than not that such application will be dismissed.

(f) During 2017, the Company representatives received subpoenas in connection with a United States Department of Justice Antitrust Division investigation into the container liner shipping industry in the United States. During 2018, The Company submitted to the Department of Justice internal documents and its legal advisors maintained current contact with The Department of Justice regarding the Company's compliance with the subpoenas. In February 2019 the Company received notice from the United States Department of Justice Antitrust Division that the investigation has concluded without any adverse findings against either ZIM or its former senior officers.

(g) In one jurisdiction, courts ruled against shipping agencies operating in this jurisdiction in respect of alleged overcharging of local charges from customers, including a subsidiary of the Company. The shipping agencies have appealed to the local Supreme Court against this ruling. During 2018 and 2019, the shipping agencies conducted negotiations to achieve an out of court solution.

(h) The legal matters mentioned in sections (d) and (g) above, do not include a specific claimed amount and are subject to significant level of uncertainty that cannot be reliably quantified. However, the maximal potential exposure of the Company's subsidiaries, if any, is estimated up to tens of millions of US dollars.

(i) Based on legal advice and management estimation, the Company included a provision in its financial statements, with respect to certain of the above-mentioned matters.

27 Related parties

(a) Associates:

(1) Transactions:

	Note	2019	2018	2017
			US $'000	
Other operating income	18	**261**	244	67
Finance income	23(a)		15	33
Operating expenses and cost of services	17	**4,126**	4,765	3,568

27 Related parties (cont'd)

(2) Balances:

	Note	2019	2018
		US $'000	
Trade and other receivables	8	**13,558**	14,357
Trade and other payables	14	**2,695**	2,899

(b) Key management personnel (**):

	2019	2018	2017
		US $'000	
Short-term employee benefits (*)	**3,535**	3,170	3,593
Long-term employee benefits (*)	**531**	506	508
(*) Numbers of officers	**4**	5	5

(**) See also Note 13(h)

(c) Other related parties (excluding those detailed in (a)-(b) above)

(1) Transactions:

	Note	2019	2018	2017
			US $'000	
Income from voyages and related services	16	**10,393**	9,621	9,124
Operating expenses and cost of services	17	**9,788**	24,759	30,640
Other operating income	18	**23**	31	29
Finance income	23(a)	**49**		
Finance expenses	23(b)	**5,930**	924	190

(2) Transactions with directors:

	2019	2018	2017
		US $'000	
Directors fees	**1,738**	1,814	1,831

(3) Balances:

	Note	2019	2018
		US $'000	
Cash and cash equivalents			10,629
Trade and other receivables	8	**1,789**	1,799
Trade and other payables	14	**1,398**	628
Loans, lease and other liabilities	12	**(*) 22,731**	112,600

(*) Includes lease liabilities (recognized due to the implementation of IFRS 16) for which the Group paid $12 million during the year ended December 31, 2019.

(d) Regarding transactions with related parties see also Note 25.

28 Financial risk management

Overview

The Group has exposure to the following risks, related to financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, as well as the Group's management of its capital. Further quantitative disclosures are included throughout the Financial Statements.

In order to manage these risks and as described hereunder, the group executes from time to time transactions of derivative financial instruments.

The CFO has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's Board of Directors has appointed a Finance Committee to deal with, among other issues, certain financial reporting aspects of the Group's activities and monitoring the Group's hedging policies. The committee reports to the Company's Board of Directors on its activities.

As at December 31, 2019, there were no outstanding fuel hedging transactions (as at December 31, 2018 presented under 'Trade and other payables'). With respect to gains and losses related to the fair value of derivative transactions for fuel prices hedges (level 2 measurement) - see Note 17.

(a) Credit risk

Trade and other receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each significant customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has also an influence on credit risk.

The income of the Group is derived from income from voyages and services in different countries worldwide. The exposure to a concentration of credit risk with respect to trade receivables is limited due to the relatively large number of customers, wide geographic spread and the ability in some cases to auction the contents of the container, the value of which is most likely to be greater than the customer's debt for the services provided with respect to such container. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position.

The Group has established a credit policy under which each new credit customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes financial analysis from external sources. Credit limits are established for each customer, representing its maximum outstanding balance, available upon approval by the relevant level of authorisation. These limits are reviewed periodically, at least once a year. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

Most of the Group's customers have been transacting with the Group for a few years and losses have occurred infrequently. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on a cash basis, unless otherwise approved by the credit committee.

In some cases, based on their robustness, customers are requested to provide guarantees.

Specific provisions for doubtful debts are made to reflect the expected losses related to debts whose collection is doubtful per management's estimation.

28 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Investments

The Company's policy is to invest its cash surplus mainly in time deposits in US dollar.

The funds are deposited in Israeli and international banks with international rating of A-/A3 (or higher) or its equivalent local rating.

The investment policy is reviewed from time to time by the Company's finance committee and its board of directors and amended as needed.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

As at December 31, 2019 credit to customers in the amount of approximately US$ 64 million is guaranteed by credit insurance.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		December 31, 2019					
		Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-5 years	More than 5 years
	Note	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
Non-derivative financial liabilities							
Debentures	12(a)	**455,474**	**564,495**	**26,663**	**18,839**	**518,993**	
Long-term loans and other liabilities	12(a)	**104,237**	**154,309**	**14,180**	**13,168**	**41,821**	**85,140**
Lease liabilities	7	**857,326**	**1,112,115**	**294,671**	**174,861**	**392,593**	**249,990**
Short-term borrowings	12(a)	**116,431**	**117,393**	**117,393**			
Trade and other payables	14	**387,564**	**387,564**	**387,564**			
		1,921,032	**2,335,876**	**840,471**	**206,868**	**953,407**	**335,130**

		December 31, 2018					
		Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-5 years	More than 5 years
	Note	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
Non-derivative financial liabilities							
Debentures	12(a)	450,969	589,604	31,199	19,441	538,964	
Long-term loans and other liabilities	12(a)	158,005	215,396	59,354	18,231	50,376	87,435
Lease liabilities	7	614,047	824,196	157,145	120,843	264,628	281,580
Short-term borrowings	12(a)	113,115	118,666	118,666			
Trade and other payables	14	410,791	410,791	410,791			
		1,746,927	2,158,653	777,155	158,515	853,968	369,015

28 Financial risk management (cont'd)

(c) Market risk

The Group executes from time to time transactions of derivatives, in order to manage market risks.

(1) Currency risk

The Group is exposed to currency risk on purchases, receivables and payables where they are denominated in a currency other than the United States dollar.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	December 31, 2019		
	US$	NIS	Others
	US$'000	US$'000	US$'000
Non-current assets			
Trade and other receivables	**3,160**	**1,226**	**932**
Other non-current investments	**607**	**1,195**	**964**
Current assets			
Other current investments	**51,196**	**1,607**	**6,244**
Trade and other receivables	**215,605**	**2,470**	**62,426**
Cash and cash equivalents	**147,718**	**8,345**	**26,723**
Non-current liabilities			
Loans and other liabilities	**(537,243)**	**(4,690)**	
Lease liabilities	**(607,171)**	**(22,286)**	**(12,292)**
Current liabilities			
Short term borrowings and current maturities	**(137,040)**	**(713)**	**(2,313)**
Lease liabilities	**(203,321)**	**(6,518)**	**(5,738)**
Trade and other payables	**(225,550)**	**(45,958)**	**(116,056)**
	(1,292,039)	**(65,322)**	**(39,110)**

	December 31, 2018		
	US$	NIS	Others
	US$'000	US$'000	US$'000
Non-current assets			
Trade and other receivables	956	724	1,501
Other non-current investments	618	1,101	1,071
Current assets			
Other current investments	61,390	1,986	5,276
Trade and other receivables	270,473	9,076	62,225
Cash and cash equivalents	156,685	4,818	24,788
Non-current liabilities			
Loans and other liabilities	(1,032,566)	(8,689)	(2,907)
Current liabilities			
Short term borrowings and current maturities	(290,928)	(1,043)	
Trade and other payables	(260,871)	(45,026)	(104,894)
	(1,094,243)	(37,053)	(12,940)

28 Financial risk management (cont'd)

(c) Market risk (cont'd)

(1) Currency risk (cont'd)

Sensitivity analysis

A 10 percent appreciation of the United States dollar against NIS at December 31 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis for 2019 and 2018.

	Equity/ Profit or loss US $'000
December 31, 2019	**6,532**
December 31, 2018	3,705

A 10 percent devaluation of the United States dollar against the NIS on December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(2) Interest rate risk

The Group prepares a summary of its exposure to interest rate risk on a periodic basis.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2019	2018
	US $'000	US $'000
Fixed rate instruments		
Financial assets	**243,348**	252,278
Financial liabilities	**(1,465,389)**	(1,163,397)
	(1,222,041)	(911,119)
Variable rate instruments		
Financial liabilities	**(68,078)**	(170,299)
	(68,078)	(170,299)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate instruments at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A 10% change in variable interest rates at the balance sheet date would not have significant influence over the Company's equity and profit or loss (assuming that all other variables, in particular foreign currency rates, remain constant).

(3) Other market price risk

The Group does not enter into commodity contracts other than to meet its operational needs. These transactions do not meet the criteria for hedging for accounting purposes and therefore the change in their fair value is recognised directly in profit or loss.

28 Financial risk management (cont'd)

(d) Fair value

(1) Financial instruments not measured at fair value

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term investments, deposits, derivatives, bank overdraft, short-term loans and borrowings, trade payables and other payables are the same or proximate to their fair value.

The fair values of the remaining financial assets and liabilities, together with their fair value measurement hierarchy and their corresponding carrying amounts included in the statements of financial position, are as follows:

		December 31, 2019		December 31, 2018	
		Carrying amount	**Fair value Level 2**	**Carrying amount**	**Fair value Level 2**
	Note	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Lease liabilities, loans and other liabilities:					
- Debentures	12(a)	**(455,474)**	**(211,862)**	(450,969)	(245,517)
- Lease liabilities (*)				(614,048)	(564,738)
- Other	12(a)	**(104,236)**	**(76,781)**	(158,004)	(122,581)

(*) According to IFRS 7, commencing January 1, 2019, the disclosure with respect to fair value measurement of lease liabilities is no longer required.

The valuation technique which was used in order to measure the fair value is the discounted cash flows technique, considering interest rates estimated by external evaluator.

As of December 31, 2019, the valuation was based on rating implied in recent transactions, reflecting weighted average interest rate of 36% with respect to the debentures and weighted average interest rate of 14% with respect to long-term loans and other liabilities.

(2) Financial instruments measured at fair value

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

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

(3) Level 1 financial instruments carried at fair value

As at December 31, 2019, the fair value of investments in equity instruments at fair value through other comprehensive income in an amount of US$ 2 million, are presented under current other investments.

(4) Level 2 financial instruments carried at fair value

As at December 31, 2019, the fair value of derivatives transactions for fuel prices hedge in an insignificant amount are presented under Other receivables.

(5) Level 3 financial instruments carried at fair value

As at December 31, 2019 and 2018 such analysis is immaterial.

29 Significant accounting estimates and judgements

The significant accounting estimates and judgements are as follows:

(i) Assessment of impairment of non-current assets

The Group assesses the recoverable amount of its cash-generating unit, consisting all of its operating assets, based on value-in-use. Value-in-use is the present value of the future cash flows expected to be derived from the use of an asset or cash-generating unit. Change in the related estimates may affect the recognition of impairment losses, or the reversal of such. Regarding the significant assumptions used in the valuation see also Note 6.

(ii) Assessment of probability of contingent liabilities

Legal claims, including class actions, are pending against the Company and/or its investees. Management evaluates based on the opinion of its legal advisors, whether it is more likely than not that an outflow of economic resources will be required in respect of potential liabilities under such legal claims. The developments and/or resolutions in such matters, including through either negotiations or litigation, are subject to a high level of uncertainty which could result in creation, adjustment or reversal of a provision for such claims. For information with respect to the Company’s exposure to claims and legal matters, see Note 26 (Contingent liabilities).