DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003

The company's registered number is 1554521

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DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

DIRECTORS:	O Frie - Chairman E S K Pedersen - Managing Director C Merrild J S Nielsen J A Phillips
SECRETARY:	P L Jensen
AUDITORS:	KPMG LLP 6 Lower Brook Street Ipswich IP4 1AP
BANKERS:	National Westminster Bank Plc 10 Station Road Clacton on Sea Essex CO15 1TA
REGISTERED OFFICE:	Scandinavia House Parkeston Quay Harwich Essex CO12 4QG
REGISTRATION NO:	1554521

REPORT OF THE DIRECTORS

The directors submit their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is that of a freight terminal operator, shipping and port agents.

The turnover for existing operations in 2003 increased 6% over 2002 reflecting the increased activities and freight volumes in most areas. The result for 2003 was lower than 2002, but as planned. Exceptional costs were incurred in connection with the the sale of Tor Baltica.

The result for 2004 is expected to increase over 2003 due to continuing expansions.

On 1 September 2003, the group disposed of the freight vessel m/v Tor Baltica.

On 8 December 2003, the company changed its name from DFDS PLC to DFDS Tor Line PLC.

DIVIDENDS

The directors are unable to recommend the payment of a dividend (2002: £nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as shown below:

O Frie
C Merrild
E S K Pedersen
J S Nielsen (appointed 2 January 2004)
J A Phillips (appointed 2 January 2004)

The directors who held office at 31 December 2003 had no beneficial interest in the shares of the company during the year (2002 - nil) or any other interests required to be disclosed by the Companies Act 1985.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The group places considerable value on the involvment of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. The immediate parent company, DFDS A/S, produces a quarterly newsletter of the group activities for all employees.

SUPPLIER PAYMENT POLICY

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the group at 31 December 2003 were equivalent to 23.0 (2002 - 22.0) days' purchases.

AUDITORS

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Secretary
P L Jensen

Scandinavia House
Parkeston Quay
Harwich
Essex
CO12 4QG

2 March 2004

DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT FOR THE MEMBERS OF

DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)

We have audited the financial statements on pages 6 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

10 March 2004

6 Lower Brook Street
Ipswich
IP4 1AP

DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	1(c)	36,075,508	34,055,011
Cost of sales		-28,230,876	-25,381,856
Exceptional item	6	-634,300	-2,147,737
Gross profit		7,210,332	6,525,418
Administrative expenses		-6,078,212	-6,218,089
Operating profit		1,132,120	307,329
Other interest receivable and similar income	4	416,226	539,417
Interest payable and similar charges	5	-322,136	-598,204
Profit on ordinary activities before taxation	6	1,226,210	248,542
Taxation on profit on ordinary activities	8(a)	-215,437	357,417
Profit on ordinary activities after taxation	15	1,010,773	605,959
Profit and loss account deficit brought forward		-1,565,193	-2,241,152
Revaluation reserve transfer		-	*70,000*
Profit and loss account deficit carried forward		-554,420	-1,565,193

All of the above results are derived from continuing activities.

Of the group profit and loss on ordinary activities after taxation, a profit of £128,644 (2002 - profit of £9,022) is attributable to the company.

Notes 1 - 20 form an integral part of these financial statements.

DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

		2003 £	2002 £
Profit for the financial year		1,010,773	605,959
Impairment losses not charged to profit for the financial year	16	-	-1,235,664
Total recognised gains/(loss) for the year		1,010,773	-629,705

CONSOLIDATED NOTE OF HISTORICAL COST PROFIT AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £	2002 £
Reported profit on ordinary activities before taxation	1,226,210	248,542
Difference between the historical cost depreciation charge and the *actual depreciation charge of the year calculated on the revalued amount*	-	*70,000*
Historical cost profit on ordinary activities before taxation	1,226,210	318,542
Historical cost profit for the year retained after taxation	1,010,773	675,959

Notes 1 - 20 form an integral part of these financial statements.

DFDS TOR LINE PLC
(PREVIOUSLY DFDS PLC)
AND SUBSIDIARY UNDERTAKINGS

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
FIXED ASSETS					
Tangible assets	9	17,419,411	22,218,953	-	-
Investments	10	-	-	20,857,169	19,975,040
		17,419,411	22,218,953	20,857,169	19,975,040
CURRENT ASSETS					
Debtors	11	21,047,570	20,593,488	8,132,996	8,006,945
Cash at bank and in hand		-	69,498	-	-
		21,047,570	20,662,986	8,132,996	8,006,945
CREDITORS: Amounts falling due within one year	12	-8,415,672	-7,215,724	-44,585	-47,178
NET CURRENT ASSETS		12,631,898	13,447,262	8,088,411	7,959,767
TOTAL ASSETS LESS CURRENT LIABILITIES		30,051,309	35,666,215	28,945,580	27,934,807
CREDITORS: Amounts falling due after more than one year	13	-5,105,729	-11,162,308	-4,000,000	-4,000,000
PROVISIONS FOR LIABILITIES AND CHARGES	8(b)	-	-569,100	-	-
NET ASSETS		24,945,580	23,934,807	24,945,580	23,934,807
CAPITAL AND RESERVES					
Called-up share capital	14	22,250,000	22,250,000	22,250,000	22,250,000
Capital contribution	15(c)	3,250,000	3,250,000	3,250,000	3,250,000
Revaluation reserve	15(b)	-	-	7,636,730	6,754,601
Profit and loss account	15(a)	-554,420	-1,565,193	-8,191,150	-8,319,794
EQUITY SHAREHOLDERS' FUNDS	16	24,945,580	23,934,807	24,945,580	23,934,807

Included within debtors for the group is an amount of £11,570,186 due after one year (2002: £11,189,176).

Notes 1 - 20 form an integral part of these financial statements.

These financial statements were approved at a directors' meeting held on 2 March 2004

E S K Pedersen - Director

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules, modified to include the revaluation of certain assets.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of DFDS A/S, an entity incorporated in Denmark, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of DFDS A/S, within which this company is included, can be obtained from the address given in note 20.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of DFDS Tor Line PLC and all its subsidiaries drawn up to 31 December each year. All material intercompany transactions are eliminated in the group financial statements. The result of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Investments in subsidiary undertakings are dealt with on the basis of either acquisition accounting or merger accounting depending on which is appropriate. Goodwill, which represents the excess of fair value of the consideration over the fair value of the separable net assets acquired, is capitalised as an intangible asset and amortised on a straight-line basis over its useful economic life, which is between five and ten years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

(c) Turnover

Turnover represents the group's share of invoiced sales together with its share of amounts invoiced by other members of the DFDS A/S Group on forwarding jointly carried out, net of discounts and VAT.

Revenue is recognised when goods are delivered or services provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(d) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Depreciation is provided on a straight-line basis at annual rates based on estimated useful lives of the assets as follows:

Leasehold Terminals	The length of the lease or 40 years if lower
Freight ships	6 1/2 years
Trailers	6 2/3 years
Motor Vehicles	5 years *
Plant and Equipment	5 years*
Fixtures and Fittings	5 years*
EDP Equipment	4 years*

* Assets in this category costing less than £9,000 are fully depreciated in the year of acquisition.

(e) Investments

In the company balance sheet, fixed asset investment in subsidiary undertakings are valued using the equity method of valuation. Under this policy, the parent undertaking records the investment as its share of net assets of the subsidiary undertaking. Movements in the net assets of subsidiary undertakings are taken to a revaluation reserve. Permanent diminutions are written off to the profit and loss account.

Other fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value but not for temporary fluctuations in value.

(f) Revaluation reserve

The gain or loss arising on the revaluation of subsidiary undertakings under the equity method of valuation (see note 1(e)) is transferred to revaluation reserve in the parent company balance sheet. On the disposal of a subsidiary undertaking, the related revaluation reserve surplus or deficit in the parent company is transferred to the profit and loss account.

In addition, any revaluation of fixed assets is reflected within the group revaluation reserve.

(g) Leasing transactions

The company enters into operating leases as described in note 18(a). Rentals under operating leases are charged on a straight line basis over the term of the lease, even if payments are not made on such a basis.

Assets held under hire purchase agreements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liability may be reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient undertakings.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(i) Pension costs

The company maintains, on behalf of the group, a defined benefit pension scheme.

It is the policy of the company to fund pension liabilities on the advice of external actuaries. Independent actuarial valuations on a going concern basis are carried out every three years. Pension costs charged to the profit and loss account comprise the estimated regular cost of providing the benefits in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. The scheme is funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

Further information on pension costs is provided in note 18(b) & 18(c).

(j) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

(k) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Both the results of overseas operations and their balance sheets are translated at the closing rates of exchange. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent they hedge the group's investment in such operations, are dealt with through reserves.

(l) Dry dock costs

Dry dock costs represent ongoing repair and maintenance of freight ships and are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 COMPANY PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption in S230 of the Companies Act 1985 not to present its own profit and loss account. The company's result for the year is shown on page 6 of these financial statements.

3 ANALYSIS OF TURNOVER, PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND NET ASSETS

Analysis of turnover, profit on ordinary activities before taxation and net assets was as follows:

	Turnover		Profit/(loss) on ordinary activities before taxation	
	2003	2002	2003	2002
	£	£	£	£
By activity				
Passenger shipping	-	-	-	-
Terminal operations	36,075,508	34,055,011	661,782	-375,502
Investment income	-	-	564,428	624,044
	36,075,508	34,055,011	1,226,210	248,542
By origin				
United Kingdom	36,075,508	34,055,011		

	Net assets	
	2003	2002
	£	£
By activity		
Terminal operations	7,779,965	7,203,286
Investment income	17,165,615	16,731,521
	24,945,580	23,934,807
By geographic area		
United Kingdom	24,945,580	23,934,807

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £	2002 £
Bank interest receivable	10,640	20,628
On amounts receivable from group undertakings		
- immediate parent undertaking	403,073	416,432
- fellow subsidiary undertakings	-	57,383
Other interest receivable	2,513	44,974
	416,226	539,417

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Interest payable on loans	164,177	179,530
On amounts payable to group undertakings		
- immediate parent undertaking	142,822	376,641
Other interest payable		
- on overdrafts	15,137	22,886
- other	-	19,147
	322,136	598,204

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £	2002 £
Arrived at after charging/(crediting)		
Auditor's remuneration		
-audit (parent undertaking £nil (2002 £nil)).	24,000	23,000
-Fees paid to the auditor and its associates in respect of other services (parent undertaking £36,078 (2002 £47,868)).	68,953	54,018
Depreciation (note 9)		
-Owned assets	3,134,069	3,119,402
Impairment of freight ship	-	836,632
Impairment of trailers	634,300	275,000
Dry dock costs	-	1,036,105
Amortisation of government grant	-180,973	-191,643
Profit on sale of tangible fixed assets	-316,311	-19,986
Operating lease charges		
-land and buildings	27,000	27,000
-plant and equipment	58,311	31,039
Foreign exchange rate gains/losses	94	-8,676

The impairment has reduced deferred tax with £190,290 (2002: £333,490)

7 PARTICULARS OF STAFF

(a) The average monthly number of persons employed by the group during the year (including directors) was as follows:-

	2003 Number	2002 Number
Terminal operations	365	358
Administration	83	83
	448	441

The following costs were incurred in respect of the above:-

	2003 £	2002 £
Wages and salaries	9,824,865	9,021,414
Social security costs	776,271	653,660
Other pension costs	425,203	230,365
	11,026,339	9,905,439

(b) Directors' emoluments

The directors are the only employees of the company. The directors received no remuneration during the year (2002 - £nil).

Retirement benefits are accruing to the following number of directors under:

	2003 Number	2002 Number
Defined benefit scheme	3	2

Neither the company nor the group have a share option scheme in place, therefore no share options were exercised during the year or the prior year.

No directors received shares under a long-term incentive scheme, which was also the case in the prior year.

The remuneration of the DFDS UK Directors have been paid by, and disclosed in the financial statements of, DFDS Limited, a subsidiary undertaking of DFDS Tor Line PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 TAXATION

(a) The taxation charge for the year comprises:-

	2003 £	2002 £
Corporation tax at 30%	797,292	101,323
Adjustment in respect of prior years corporation tax	-12,755	59,413
Total current tax	784,537	160,736
Deferred tax	-569,100	-518,153
Tax on profit on ordinary activities	215,437	-357,417

(b) Movements in deferred tax:-

	2003 £	2002 £
Beginning of year	569,100	1,087,253
Movement during the year	-569,100	-518,153
End of year	-	*569,100*

The element of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and capital allowances	-	593,400
Other timing differences	-	-24,300
	-	569,100

At 31 December 2003, the group had a net, unprovided deferred tax asset for an amount of £172,000 (which comprised £155,000 assets in respect of accelerated capital allowances, £35,000 liability in respect of pensions and £52,000 asset in respect of other timing differences).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 TAXATION (continued)

(c) Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £	2002 £
Profit on ordinary activities before tax	1,226,210	248,542
Current tax at 30% (2002: 30%)	367,863	74,563
Effect of:		
(Receipts)/expenses not deductible for tax purposes	-63,655	-210,028
Depreciation for period in excess of capital allowances	493,084	236,788
Adjustments to tax charge in respect of previous periods	-12,755	59,413
Total current tax charge	784,537	160,736

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 TANGIBLE FIXED ASSETS - GROUP

	Freight Ship	Leasehold Property	Motor Vehicles	Furniture fittings & equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2003	3,827,704	14,472,098	13,802,742	4,453,470	36,556,014
Additions	-	1,797,898	614,518	116,725	2,529,141
Disposals	-3,827,704	-	-1,612,473	-570,000	-6,010,177
Revaluation	-	-	-	-	-
At 31 December 2003	-	16,269,996	12,804,787	4,000,195	33,074,978
Depreciation					
At 1 January 2003	746,703	4,291,421	7,394,110	1,904,827	14,337,061
Charge for the year	173,536	880,573	1,697,739	382,221	3,134,069
Disposals	-920,239	-	-1,289,306	-240,318	-2,449,863
Impairment	-	-	634,300	-	634,300
At 31 December 2003	-	5,171,994	8,436,843	2,046,730	15,655,567
Net book value					
At 31 December 2003	-	11,098,002	4,367,944	1,953,465	17,419,411
At 31 December 2002	3,081,001	10,180,677	6,408,632	2,548,643	22,218,953

The net book value of assets held under finance leases and hire purchase agreements was £nil (2002 - £nil).

Depreciation charged on assets held under finance leases and hire purchase agreements was £nil (2002 - £nil).

10 INVESTMENTS

Fixed asset investments comprise:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Shares in subsidiary undertakings	-	-	20,857,169	19,975,040

At 31 December 2003, the group has investments in the following subsidiary undertakings:

	Country of registration	Principal Activity	Proportion of ordinary shares held
Crownbarn Limited	England	Non-trading	100%
DFDS Transport (Air) Limited	England	Dormant	100% *
DFDS Transport (Sea) Limited	England	Dormant	100% *
Elbe Humber Roline Limited (previously Tradefarm Limited)	England	Non-trading	100% *
Finemanor Limited	England	Non-trading	100% *
DFDS Limited (previously DFDS Tor Line Limited)	England	Port Operator	100%
DFDS Nordic Terminal Limited	England	Dormant	100% *
Smyth Shipping Limited	England	Dormant	100% *
Fleetoak Limited	England	Non-trading	100% *
DFDS AutoLogistics Limited	England	Non-trading	100% *
DFDS Tor Line (Guernsey) Limited	Guernsey	Non-trading	100% *

All subsidiary undertakings operate principally in their country of registration.

* Held indirectly

The movement in the investments in subsidiary undertakings is shown below:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Beginning of year	-	-	19,975,040	28,663,768
Revaluation to equity method	-	-	882,129	-638,727
Disposal	-	-	-	-8,050,001
End of year	-	-	20,857,169	19,975,040

On 8 September 2003, the group disposed of its investments in the 100% owned subsidiary undertaking DFDS Transport (Scotland) Limited, which was voluntarily liquidated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	6,355,485	7,402,826	-	-
Amounts due from group undertakings				
- due from immediate parent undertaking	12,240,012	11,836,939	669,826	647,763
- due from UK group undertakings	206,631	96,371	7,463,170	7,359,182
- due from other group undertakings	867,796	477,455	-	-
Other debtors	196,595	157,846	-	-
Prepayments and accrued income	1,181,051	622,051	-	-
	21,047,570	20,593,488	8,132,996	8,006,945

Included within amounts due from Immediate parent undertakings for the group is an amount of £11,570,186 due after one year (2002: £11,189,176).

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Finance lease and hire purchase creditor	-	550	-	-
Bank overdraft and bank loan	526,104	-	-	-
Trade creditors	1,847,779	1,850,515	-	-
Amounts due to group undertakings				
- due to immediate parent undertaking	410,725	119,754	-	-
- due to other group undertakings	472,640	388,699	-	-
Corporation tax payable	577,075	169,685	19,585	22,178
Taxation and social security	280,027	294,900	-	-
VAT	152,009	231,764	-	-
Other creditors	226,735	276,427	-	-
Accruals and deferred income	1,705,188	1,847,487	25,000	25,000
Government grant	2,217,390	2,035,943	-	-
	8,415,672	7,215,724	44,585	47,178

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loan	4,000,000	4,000,000	4,000,000	4,000,000
Loan from immediate parent undertaking	1,105,729	7,162,308	-	-
	5,105,729	11,162,308	4,000,000	4,000,000

Loans payable by instalment consist of:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts due two to five years	5,105,729	11,162,308	4,000,000	4,000,000

The bank loan is repayable in December 2006. The rate for the period 1 December 2003 - 31 December 2003 was 4.1%.

14 CALLED-UP SHARE CAPITAL

	2003	2002
	£	£
Authorised, allotted, called-up and fully paid 22,250,000 (2002 - 22,250,000) ordinary shares of £1 each.	22,250,000	22,250,000

15 RESERVES

(a) Group

	Capital Contribution (non distributable)	Profit and loss account (distributable)	Total
		£	£
Beginning of year	3,250,000	-1,565,193	1,684,807
Retained profit for the year	-	1,010,773	1,010,773
End of year	3,250,000	-554,420	2,695,580

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 RESERVES (continued)

(b) Company

	Capital Contribution (non distributable) £	Profit and loss account (distributable) £	Revaluation reserve (non distributable) £	Total £
Beginning of year	3,250,000	-8,319,794	6,754,601	1,684,807
Retained profit for the year	-	128,644	-	128,644
Revaluation profit	-	-	882,129	882,129
End of year	3,250,000	-8,191,150	7,636,730	2,695,580

(c) Capital contribution

In December 1991, the intermediate parent company, DFDS A/S, provided a capital contribution of £3,250,000 to the group in order to improve its capital base and financial activities. It is a non-distributable reserve.

16 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Retained profit for the year	1,010,773	605,959	128,644	9,022
Revaluation profit/(deficit)	-	-	882,129	-638,727
Impairment losses not charged to profit for the financial year	-	-1,235,664	-	-
Net addition to/(reduction in) equity shareholders' funds	1,010,773	-629,705	1,010,773	-629,705
Opening equity shareholders' funds	23,934,807	24,564,512	23,934,807	24,564,512
Closing shareholders' funds	24,945,580	23,934,807	24,945,580	23,934,807

17 CAPITAL COMMITMENTS

At 31 December 2003 the group had capital commitments, comprising amounts contracted but not provided for, of £411,100 (2002 - £379,000).

18 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

(a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Plant and equipment	
	2003	2002	2003	2002
	£	£	£	£
Operating lease which expire:-				
Group				
- within one year	-	-	2,976	5,728
- between two and five years	-	-	108,190	9,155
- after five years	27,000	27,000	-	-
	27,000	27,000	111,166	14,883

The rents payable under land and building leases are subject to renegotiation at various intervals specified in the leases.

(b) Pension costs, SSAP24 disclosures

The pension charge for the year was £425,203 (2002: £230,365).

The company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to (a) salaries would increase by 4.5% p.a., (b) pensions in payment by 3% p.a. (for all pensions accrued post 1 August 1988 and (c) the return on scheme investments would be 6.25% p.a.

At the date of the latest actuarial valuation, the market value of the assets of the DFDS UK Group pension scheme was £29,997,228 and the actuarial value of the assets was sufficient to cover 107% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The defined benefit scheme was closed to new members from 1 September 2003 and the company has been operating a stateholder pension scheme from this date.

18 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (continued)

(c) Pension costs, FRS17 transitional disclosures

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practise 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2003 and 31 December 2002.

The major assumptions used in this valuation were:

	2003	2002
Rate of increase in salaries	N/A	3.25%
Rate of increase in pension in payments and deferred pensions	2.75%	2.25%
Discount rate applied to scheme liabilities	5.50%	5.75%
Inflation assumptions	2.75%	2.25%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets
The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2003	Value at 31 December 2003 £	Long term rate of return 2002	Value at 31 December 2002 £
Equities	6.60%	20,726,000	7.00%	16,425,000
Bonds	5.50%	2,342,000	5.75%	2,260,000
Other	3.50%	250,000	4.00%	731,000
		23,318,000		19,416,000
Present value of scheme liabilities		-35,777,000		-28,632,000
Deficit in the scheme - pension liability		-12,459,000		-9,216,000
Related deferred tax asset		3,738,000		2,765,000
Net pension liability		-8,721,000		-6,451,000

The amount of this net pension liability would have a consequential effect on reserves.

18 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (continued)

(c) Pension costs, FRS17 transitional disclosures (continued)

Movement in deficit during the year

	2003 £	2002 £
Deficit in scheme at beginning of the year	-9,216,000	-4,693,000
Current service costs	-222,000	-394,000
Contributions paid	622,000	339,000
Gains on settlements or curtailments	742,000	213,000
Other finance income	-251,000	4,000
Actuarial loss	-4,134,000	-4,685,000
Deficit in scheme at end of year	-12,459,000	-9,216,000

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

	2003 £	2002 £
Current service costs	222,000	394,000
Gains on any settlements or curtailments	-742,000	-213,000
	-520,000	181,000

Analysis of amounts included in other finance income

	2003 £	2002 £
Expected return on pension scheme assets	1,400,000	1,735,000
Interest on pension scheme liabilities	-1,651,000	-1,731,000
	-251,000	4,000

Analysis of amount recognised in statement of total recognised gains and losses

	2003 £	2002 £
Actual return less expected return on pension scheme assets	*1,931,000*	*-6,611,000*
Experience losses arising on the scheme liabilities	49,000	-263,000
Changes in assumptions underlying the present value of the scheme liabilities	-6,114,000	2,189,000
Actuarial loss recognised in statement of total recognised gains and losses	-4,134,000	-4,685,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (continued)

(d) The company, together with its UK trading undertakings, is a member of a VAT group. All companies concerned are jointly and severally liable for VAT liabilities of the other group members. At 31 December 2003 VAT was payable to HM Customs and Excise in respect of each of the companies.

(e) The company together with its subsidiary undertakings, has given an unlimited cross guarantee in respect of certain overdraft facilities. The amount outstanding under these facilities at the balance sheet date is £nil (2002: £nil).

(f) At 31 December 2003 the group had provided for financial commitments to Merchant Navy Officers Pension Fund of £100,000 (2002 - £nil). The outflows are expected to take place within two years from the balance sheet date.

19 SUBSEQUENT EVENT

On 12 November 2003, a joint decision was taken by the company's board and its subsidiary undertaking, DFDS Limited, to transfer the trade, assets and liabilities of DFDS Limited to the company as per 1 January 2004.

20 PARENT AND ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of DFDS A/S, a company listed on the Copenhagen Stock Exchange. The registered office of DFDS A/S is Sundkrogsgade 11, 2100 Copenhagen Ø, Denmark. Consolidated financial statements are available from the registered office.

The ultimate parent undertaking is Vesterhavet A/S, which has a 56% share of DFDS A/S. The consolidated financial statements for Vesterhavet A/S may be obtained from the registered office at Sankt Annae Plads 28, 1291 Copenhagen K, Denmark.