

DFDS SEAWAYS PLC

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016**



The company's registered number is 1554521

DFDS SEAWAYS PLC

DIRECTORS:	N Smedegaard - Chairman R S Potter - Managing Director P G Pedersen
SECRETARY:	P L Jensen
AUDITORS:	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
BANKERS:	National Westminster Bank Plc 10 Station Road Clacton on Sea Essex CO15 1TA
SOLICITORS	Schofield Sweeney Springfield House 76 Wellington Street Leeds LS1 2AY
REGISTERED OFFICE:	Nordic House Western Access Road Immingham Dock Immingham N E Lincolnshire DN40 2LZ
REGISTRATION NO:	1554521

DFDS SEAWAYS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

RESULTS AND PERFORMANCE

The company made an operating profit for the year of £2,013,190 (2015: profit of £2,130,963), which was as expected.

Stevedoring volumes increased by 3.7% to 940,000 TEU's. For the warehouse division, volumes handled for paper were 5% below 2015, but steel and timber volumes were above with 4% and 39% respectively. Volumes handled for RDF (Refuse-Derived Fuel) were 14% below 2015.

Marginal pricing increases were impacted by increases in operational costs, which continue to be monitored closely. Several efficiency and cost reduction projects have been introduced to improve return on invested capital (ROIC) and operating profit. Reducing cash funds tied up in working capital by improving cash flow will continue to be part of the strategy in 2017.

STRATEGY

The Customer Focus Initiative (CFI) established in 2012 continues to be developed and is now fully integrated as part of the normal daily activities.

In 2015, the DFDS Group started a digital upgrade of its websites and electronic interfaces with customers and suppliers, which together with a rebranding of the DFDS Group as "DFDS" will support the Customer Focus Initiative and reduce administration costs.

The management is following the Brexit negotiations closely preparing the organisation for any challenges or opportunities which may arise.

KEY PERFORMANCE INDICATORS

The development in key performance indicators during the financial years were as follows

	<u>2016</u>	<u>2015</u>
	£	£
Turnover	64,048,505	63,074,031
Turnover growth (percent)	2	2
Operating profit	2,013,190	2,130,963
Operating profit margin (percent)	(1)	1
Profit / (loss) before tax	404,625	832,579

The directors continue to monitor key performance indicators, including utilisation of the resources available. For the terminal division, this includes cargo volumes measured against terminal areas available for stevedoring activities, utilisation of warehouse capacity, cargo handling efficiency, fuel costs and utilisation of terminal handling equipment. For the agency division, the main key performance indicators includes utilisation of vessel capacity, rate per lane meter and exchange rate fluctuations. The efficiency by which vessels are loaded and unloaded is also closely monitored.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties continue to be the dependency on the freight volumes on the DFDS operated routes within Europe and to maintain a high level of efficiency at the freight terminal in Immingham. The recovery of the economy in UK and mainland Europe will together with movements in exchange rate have an effect on volumes and revenue. The results of the Brexit negotiations for Britain to leave the EU may have an effect on the trade volumes with mainland Europe and are therefore closely monitored by the management.

Future environmental regulations regarding emissions for vessels are closely monitored by the directors as these may have an adverse effect on the competitiveness of the DFDS Group and external customers. As a service provider an inherent risk originates from the wider environment in terms of market conditions and demand for services.

The directors manage these risks by evaluating the impact the development of the economy in the UK and abroad may have on the volumes handled and the utilisation of the resources available.

FUTURE DEVELOPMENTS

The directors will continue to explore cost savings measures and develop the Customer Focus Initiative further. The directors remain confident the cost savings measures introduced will support the trading to ensure a long term and sustainable business. The company will continue to develop and facilitate project cargo, i.e. wind turbines and deep sea car carriers, and enhance value added services in the form of warehousing and cargo handling to supplement stevedoring activities.

By order of the Board



Secretary

P L Jensen

Nordic House
Western Access Road
Immingham Dock
Immingham
N E Lincolnshire
DN40 2LZ

17 May 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

FUTURE DEVELOPMENTS

Likely future developments in the business of the company are discussed in the strategic report.

DIVIDENDS

The directors are unable to recommend the payment of a dividend (2015: £nil).

DIRECTORS

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

N Smedegaard
R S Potter
P G Pedersen

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company also provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

GOING CONCERN

Notwithstanding the current liabilities of £43,741,579, net liabilities of £30,446,654 and the profit for the financial year of £404,625, the directors consider the going concern basis appropriate. The shareholders expect to develop the business further to ensure long term profitability and intend to continue to undertake key changes to the business to achieve these objectives. The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

Furthermore, the parent company has provided the company with an undertaking that, for at least a period of 12 month from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to continue in operational existence. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reasons to believe that it will not do so.

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors report confirmed that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

AUDITOR

In accordance with section 485(1) of the Companies Act 2006, a resolution for the re-appointment of Ernst and Young LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Secretary

P L Jensen

Nordic House
Western Access Road
Immingham Dock
Immingham
N E Lincolnshire
DN40 2LZ

17 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 (reduced disclosure framework).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DFDS SEAWAYS PLC

We have audited the financial statements of DFDS Seaways PLC for the year ended 31 December 2016 which comprise the Income Statement, The Statement of Comprehensive Income, The Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise), including Financial Reporting Standard 101 (reduced disclosure framework).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 THE DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards in Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practise, including Financial Reporting standard 101 (reduced disclosure framework); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

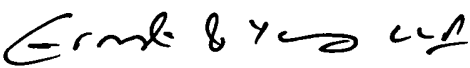
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Eddie Diamond (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

Date: 18 May 2017

DFDS SEAWAYS PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Turnover	1(b) & 2	64,048,505	63,074,031
Cost of sales		(51,526,778)	(51,939,414)
Gross profit		----- 12,521,727	----- 11,134,617
Administrative expenses		(10,508,537)	(9,003,654)
Operating profit		----- 2,013,190	----- 2,130,963
Interest payable and similar charges	3	(631,389)	(676,424)
Other finance charges	15	(1,026,000)	(897,000)
Profit on ordinary activities before taxation	4	----- 355,801	----- 557,539
Taxation on profit on ordinary activities	6(a)	48,824	275,040
Profit for the financial year		----- 404,625 =====	----- 832,579 =====

All of the above results are derived from continuing activities.

Notes 1 - 17 form an integral part of these financial statements.

DFDS SEAWAYS PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Profit for the financial year		404,625	832,579
Movement on pension deficit	15	(10,565,000)	(3,412,678)
Deferred tax arising on gains and losses in the pension scheme		(1,042,000)	422,000
Total comprehensive income recognised since last annual report and financial statements		<u>(11,202,375)</u> =====	<u>(2,158,099)</u> =====

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Company Registered Number 1554521

DFDS SEAWAYS PLC

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>Share capital</u> £	<u>Capital contribution</u> £	<u>Income statement</u> £	<u>Total</u> £
Opening at 1 January 2015	22,250,000	3,250,000	(42,586,180)	(17,086,180)
Profit for the financial year	-	-	832,579	832,579
Other comprehensive income	-	-	(2,990,678)	(2,990,678)
Opening at 1 January 2016	22,250,000	3,250,000	(44,744,279)	(19,244,279)
Profit for the financial year	-	-	404,625	404,625
Other comprehensive income	-	-	(11,607,000)	(11,607,000)
Closing at 31 December 2016	22,250,000	3,250,000	(55,946,654)	(30,446,654)
	=====	=====	=====	=====

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

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 company's financial statements.

(a) Basis of preparation

The financial statements of DFDS Seaways PLC for the year ended 31 December 2015 were authorised for issue by the board of directors on 17 May 2017 and the balance sheet was signed on the board's behalf by S R Potter. The company is incorporated and domiciled in England and Wales.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 (reduced disclosure framework).

Notwithstanding the net liabilities of £30,446,654 and the profit for the financial year of £404,625, the directors consider the going concern basis appropriate. The shareholders expect to develop the business further to ensure long term profitability and intend to continue to undertake key changes to the business to achieve these objectives. The company's business activities, together with the factors likely to affect its future development and position, are set out in the Report of the Directors.

Furthermore, the parent company has provided the company with an undertaking that, for at least a period of 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to continue in operational existence. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reasons to believe that it will not do so.

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 101 (reduced disclosure framework) the company is exempt from the requirement under International Accounting Standard 7 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 101 (reduced disclosure framework) 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) as required under International Accounting Standard 24. The consolidated financial statements of DFDS A/S, within which this company is included, can be obtained from the address given in note 17.

The company has taken advantage of the exemption contained in Financial Reporting Standard 101 (reduced disclosure framework) and has therefore not disclosed items as required by International Accounting Standard 8 Accounting policies, changes in accounting estimates and errors. The company has also considered the impact of potential capital management considerations, liquidity risks and credit risks and do not expect these to have a material impact on the accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**1 ACCOUNTING POLICIES (continued)****JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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. The most significant areas of estimation, uncertainty and critical judgement in applying accounting policies relates to:

- The most significant area of estimation, uncertainty and critical judgement is applying accounting policies is the defined benefit pension scheme valuation (note 15).
- The company recognise deferred tax assets if the directors deems that there will be sufficient future taxable income against which the temporary differences can be utilised.
- The directors make judgements based on experience regarding the level of provision required to account for potentially uncollectible receivables using information available at the balance sheet date.
- The directors tests tangible fixed assets annually for impairment, or more frequently if there are indications that an impairment may be required.

SIGNIFICANT ACCOUNTING POLICIES**(b) Turnover**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. In the case of long term contracts, turnover reflects the value of contract activity during the year in proportion to the costs incurred to date. Turnover on short term projects is recognised once the service has been fully delivered to the client.

(c) Revenue recognition

Revenue is recognised when goods are delivered or services provided.

(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
Trailers, terminal tractors	8 years, residual value 10%*
Motor vehicles	6 years, residual value 10%*
Plant and equipment	7 years, residual value 10%*
Fixtures and fittings	6 years, residual value 10%*
EDP equipment	4 years*

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

(e) Investments

In the company balance sheet, fixed asset investments 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(f) Impairment of tangible fixed assets and investments

Tangible fixed assets and investments are tested annually for impairment, or more frequently if there are indications that an impairment may be required.

Where an impairment has been identified, that value of the asset is written down to the impairment value.

(g) Stocks

Stock includes goods held for resale and repair and maintenance of plant and equipment.

Stocks are stated at the lower of cost and net realisable value.

(h) Leasing transactions

The company enters into operating leases as described in note 14(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.

(i) 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 International Accounting standard 12.

(j) The financial statements have been prepared for DFDS Seaways PLC as an individual undertaking only and not for the group of which it is a parent. The company is exempt from producing consolidated accounts under section 400 of the Companies Act 2006 as it is itself a wholly owned subsidiary undertaking and consolidated accounts for the larger group are drawn up to the same date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(k) Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Further information on pension costs is provided in note 15.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Further information on pension costs is provided in note 5(a).

(l) 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.

(m) Foreign currency

The accounts are presented in Sterling as this is the functional 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 day. 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.

2 ANALYSIS OF TURNOVER, PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION AND NET LIABILITIES

All of the turnover, loss on ordinary activities before taxation and net liabilities originate in the United Kingdom and are attributable to principle activities of terminal and port agent operations.

	<u>2016</u>	<u>2015</u>
	£	£
Warehouse and terminal activities	45,515,060	45,566,124
Port agency activities	18,533,445	17,507,907
	-----	-----
Total turnover per activity	64,048,505	63,074,031
	=====	=====

DFDS SEAWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2016</u>	<u>2015</u>
	£	£
On amounts payable to group undertakings		
- immediate parent undertaking	631,389	676,415
Bank loans and overdrafts	-	9
	-----	-----
	631,389	676,424
	=====	=====

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2016</u>	<u>2015</u>
	£	£
Arrived at after charging/(crediting)		
Auditor's remuneration		
-Audit of these financial statements	13,500	13,500
Depreciation (note 7)		
-Owned assets	2,213,611	2,225,225
Amortisation of government grant	(86,924)	(84,852)
Profit / (loss) on sale of tangible fixed assets	(11,466)	(53,272)
Operating lease charges		
-land and buildings	1,063,607	1,067,034
-plant and equipment	196,028	242,407
	-----	-----

5 PARTICULARS OF STAFF

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

	<u>2016</u>	<u>2015</u>
	<u>Number</u>	<u>Number</u>
Terminal operations	459	450
Administration	109	100
	-----	-----
	568	550
	=====	=====

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

	<u>2016</u>	<u>2015</u>
	£	£
Wages and salaries	17,226,272	16,165,884
Social security costs	1,686,411	1,556,668
Other pension costs	482,768	441,098
	-----	-----
	19,395,451	18,163,650
	=====	=====

DFDS SEAWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 PARTICULARS OF STAFF (continued)

(b) Directors' emoluments

	<u>2016</u>	<u>2015</u>
	£	£
Emoluments	149,601	133,230
Pension contributions	4,851	4,740
	-----	-----
	154,452	137,970
	=====	=====

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

	<u>2016</u>	<u>2015</u>
	Number	Number
Defined benefit scheme	1	1
Defined contribution scheme	1	1
	=====	=====

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

N Smedegaard is a director of this entity as well as DFDS A/S, an entity incorporated in Denmark. His remuneration is borne by DFDS A/S and disclosed in the accounts of that entity.

P G Pedersen is a director of this entity as well as being an employee of DFDS A/S. His remuneration is borne by DFDS A/S.

The directors are the only key management of the business and no other individuals form the key management.

6 TAXATION

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

	<u>2016</u>	<u>2015</u>
	£	£
Corporation tax at 20% (2015: 20.25%)	(57,508)	-
Prior year corporation tax group relief	8,684	(275,040)
	-----	-----
Current tax	(48,824)	(275,040)
Deferred tax		
Charge to the Comprehensive Income Statement	1,042,000	(422,000)
	-----	-----
Total tax charge / (credit)	993,176	(697,040)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 TAXATION (continued)

(b) The elements of deferred taxation liability recognised are as follows:

	<u>2016</u>	<u>2015</u>
	£	£
Depreciation and capital allowances	424,000	-
	=====	=====

The elements of deferred taxation assets are as follows:

	<u>2016</u>	<u>2015</u>
	£	£
Deferred tax on defined benefit pension scheme (note 15)	4,575,000	5,617,000
Losses carried forward	424,000	-
	-----	-----
	4,999,000	5,617,000
	=====	=====

(c) The elements of deferred taxation not recognised are as follows:

	<u>2016</u>	<u>2015</u>
	£	£
Difference between accumulated depreciation and capital allowances	-	89,222
Other timing differences	106,134	119,767
Losses carried forward	1,295,000	2,507,437
Pension liability via other comprehensive income	1,796,050	-
	-----	-----
Deferred tax asset	3,197,184	2,716,426
	=====	=====

The deferred tax asset has not been recognised due to the loss making position of the company and the uncertainty over the timing of future profits against which the deferred tax assets can be utilised.

(d) Factors that may affect future tax

A reduction in the UK corporation tax rate from 21% to 20% took effect from 1 April 2015. The 2015 Summer Finance Act enacted UK corporation tax reductions to 19% from 1 April 2017 and to 18% from 1 April 2020. The 2016 Finance Act then superseded this, introducing a reduction in the UK corporation tax rate to 17% from 1 April 2020.

Accordingly these rates have been applied in the measurements of the deferred tax assets and liabilities at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 TAXATION (continued)

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

The current tax charge for the period is higher (2015: higher) than the standard rate of corporation tax in the UK, 20%, (2015: 20.25%). The differences are explained below.

	<u>2016</u>	<u>2015</u>
	£	£
Profit on ordinary activities before tax	355,801	557,539
Current tax at 20% (2015: 20.25%)	71,160	112,902
Effect of:		
Expenses not deductible for tax purposes (mainly depreciation on assets not eligible for writing down allowances and other finance charges)	255,158	22,960
Utilisation of tax losses	-	(94,332)
Adjustment in respect of prior years deferred tax not recognised	(326,252)	(35,360)
Change in tax rate	(57,574)	(6,170)
Prior year corporation tax group relief	8,684	(275,040)
Deferred tax defined benefit pension scheme via Comprehensive Income Statement (note 15)	1,042,000	(422,000)
Total current tax charge	993,176	(697,040)

7 TANGIBLE FIXED ASSETS

	<u>Assets under construction</u>	<u>Leasehold property</u>	<u>Motor vehicles</u>	<u>Furniture fittings & equipment</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
At 1 January 2016	220,000	29,739,054	11,310,639	6,070,317	47,340,010
Additions	-	333,769	1,396,050	82,456	1,812,275
Disposals		(56,277)	(2,619,205)	(2,892,701)	(5,568,183)
Transfer	(220,000)	220,000	-	-	-
At 31 December 2016	-	30,236,546	10,087,484	3,260,072	43,584,102
<u>Depreciation</u>					
At 1 January 2016	-	17,760,385	6,666,254	5,504,899	29,931,538
Charge for the year	-	1,137,273	927,835	148,503	2,213,611
Disposals	-	(33,551)	(2,528,271)	(2,892,203)	(5,454,025)
At 31 December 2016	-	18,864,107	5,065,818	2,761,199	26,691,124
<u>Net book value</u>					
At 31 December 2016	-	11,372,439	5,021,666	498,873	16,892,978
At 31 December 2015	-	12,198,669	4,644,385	565,418	17,408,472

DFDS SEAWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 INVESTMENTS

Fixed asset investments comprise:

	<u>2016</u>	<u>2015</u>
	£	£
Shares in subsidiary undertakings	15,077,204	15,077,204
	=====	=====

At 31 December 2016, the group has investments in the following subsidiary undertakings:

	<u>Country of registration</u>	<u>Principal Activity</u>	<u>Proportion of ordinary shares held</u>	<u>Registered Office</u>
DFDS Transport (Air) Limited	England	Dormant	100%	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
Smyth Shipping Limited	England	Dormant	100% *	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
DFDS Limited	England	Dormant	100%	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
DFDS Nordic Terminal Limited	England	Dormant	100% *	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
DFDS Transport (Sea) Limited	England	Dormant	100% *	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
DFDS AutoLogistics Limited	England	Dormant	100% *	Nordic House, Western Access Road, Immingham Dock, Immingham, N E Linc, DN40 2LZ
DFDS Tor Line (Guernsey) Limited	Guernsey	Dormant	100% *	Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 3EL

* Held indirectly

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2016</u>	<u>2015</u>
	£	£
Trade debtors	8,924,263	12,005,769
Amounts due from group undertakings	3,307,852	3,059,479
Amounts due from associated undertakings	92,235	11,144
Other debtors	99,185	38,880
Corporation tax receivable	57,508	-
Deferred tax	4,999,000	5,617,000
Prepayments and accrued income	1,352,642	1,251,325
	=====	=====
	18,832,685	21,983,597
	=====	=====

DFDS SEAWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2016</u>	<u>2015</u>
	£	£
Bank overdraft and bank loan	18,998,982	19,818,874
Trade creditors	3,730,025	4,764,767
Amounts due to group undertakings	15,077,204	15,487,284
VAT	434,950	230,329
Other creditors	1,829,363	1,407,674
Deferred tax	424,000	-
Accruals and deferred income	3,247,055	3,852,331
	-----	-----
	43,741,579	45,561,259
	=====	=====

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2016</u>	<u>2015</u>
	£	£
Government grant	227,317	289,870
	=====	=====

12 CALLED-UP SHARE CAPITAL

	<u>2016</u>	<u>2015</u>
	£	£
Authorised, allotted, called-up and fully paid 22,250,000 (2015 - 22,250,000) ordinary shares of £1 each.	22,250,000	22,250,000
	=====	=====

13 CAPITAL COMMITMENTS

At 31 December 2016 the group had capital commitments, comprising amounts contracted but not provided for, of £1,913,833 (2015 - £27,932).

14 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

(a) Lease commitments

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

	Land and buildings		Plant and equipment	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£	£	£	£
Operating lease which expire:-				
- within one year	1,004,733	789,484	128,135	141,760
- between two and five years	2,145,971	1,574,722	124,413	95,064
- after five years	5,556,487	3,214,549	-	-
	-----	-----	-----	-----
	8,707,191	5,578,755	252,548	236,824
	=====	=====	=====	=====

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

- (b)** 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 2016 VAT of £495,809 was payable to HM Revenue and Customs in respect of the VAT group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**15 PENSION SCHEME**

The pension charge for the stakeholders pension scheme for the year was £482,768 (2015: £441,098).

The company operates a pension scheme providing benefits based on final pensionable pay, with 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 2013. The assumptions which have the most significant effect on the results of the valuation are (a) pension payments which are assumed to increase by 2.3% p.a. (for all pensions accrued post 1 August 1988) and (b) the return on scheme investments which is assumed to be 6.2% p.a.

At the date of the latest actuarial valuation, the market value of the assets of the DFDS UK Group pension scheme was £37,200,000 and the actuarial value of the assets was sufficient to cover 71% of the benefits that had accrued to members. The company agreed to make deficit payments of £2,200,000 over a period of 9 years from January 2014. These rates are to be reviewed at the next actuarial valuation of the scheme.

The defined benefit scheme was closed to new members from 1 September 2003 and the company has been operating a stakeholder pension scheme from this date. Company contributions to defined contributions pension scheme amounted to £482,768 (2015: £441,098). At 31 December 2016 there were no outstanding contributions (2015: £nil).

The major assumptions used in this valuation were:

	2016	2015	2014	2013
Rate of increase in salaries	N/A	N/A	N/A	N/A
Rate of increase in pension payments and deferred pensions	3.40%	3.30%	3.30%	3.50%
Discount rate applied to scheme liabilities	2.70%	3.80%	3.60%	4.60%
Inflation assumptions	2.60%	2.40%	2.30%	2.90%

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.

DFDS SEAWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PENSION SCHEME (continued)

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:

	Value at 31 December <u>2016</u> £	Value at 31 December <u>2015</u> £	Value at 31 December <u>2014</u> £	Value at 31 December <u>2013</u> £
Equities	30,664,000	35,062,000	34,019,000	30,416,000
Bonds	-	7,432,000	14,386,000	12,931,000
Gilts	3,460,000	7,332,000	-	-
Standard life investments GARS (Global Absolute Return Strategy)	8,223,000	-	-	-
Liability Driven Investments	6,376,000	-	-	-
Capital Emerging Markets	6,420,000	-	-	-
Other	8,108,000	50,000	650,000	200,000
	<u>63,251,000</u>	<u>49,876,000</u>	<u>49,055,000</u>	<u>43,547,000</u>
Present value of scheme liabilities	(100,726,000)	(77,960,000)	(75,030,000)	(67,420,000)
Deficit in the scheme pension liability	<u>(37,475,000)</u>	<u>(28,084,000)</u>	<u>(25,975,000)</u>	<u>(23,873,000)</u>
Related deferred tax asset	4,575,000	5,617,000	5,195,000	5,013,000
Net pension liability	<u>(32,900,000)</u>	<u>(22,467,000)</u>	<u>(20,780,000)</u>	<u>(18,860,000)</u>

Movement in deficit during the year

	<u>2016</u> £	<u>2015</u> £	<u>2014</u> £	<u>2013</u> £
Deficit in scheme at beginning of the year	(28,084,000)	(25,975,000)	(23,873,000)	(22,923,000)
Current service costs	-	-	-	-
Contributions paid	2,200,000	2,200,000	2,200,000	1,935,000
Gains on settlements or curtailments	-	-	-	-
Other finance expense	(1,026,000)	(897,000)	(654,000)	(674,000)
Actuarial loss	(10,565,000)	(3,412,000)	(3,648,000)	(2,211,000)
Deficit in scheme at end of year	<u>(37,475,000)</u>	<u>(28,084,000)</u>	<u>(25,975,000)</u>	<u>(23,873,000)</u>

Analysis of other pension costs charged in arriving at operating profit

	<u>2016</u> £	<u>2015</u> £	<u>2014</u> £	<u>2013</u> £
Current service costs	-	-	-	-
Gains on any settlements or curtailments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PENSION SCHEME (continued)

Analysis of amounts included in other finance expense

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Expected return on pension scheme assets	1,881,000	1,762,000	2,412,000	2,062,000
Interest on pension scheme liabilities	(2,907,000)	(2,659,000)	(3,066,000)	(2,736,000)
	-----	-----	-----	-----
	(1,026,000)	(897,000)	(654,000)	(674,000)
	=====	=====	=====	=====

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Actual return less expected return on pension scheme assets	12,242,000	(757,000)	2,456,000	3,973,000
Experience losses arising on the scheme liabilities	-	-	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(22,807,000)	(2,655,000)	(6,104,000)	(6,184,000)
	-----	-----	-----	-----
Actuarial loss recognised in statement of total recognised gains and losses	(10,565,000)	(3,412,000)	(3,648,000)	(2,211,000)
	=====	=====	=====	=====

16 POST BALANCE SHEET EVENTS

On 8 February 2017, the immediate parent undertaking, DFDS A/S, waived 20,000,000 off the loan between the two entities.

17 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 controlling party is J L Lauritzen fondet, which has a 36% share of DFDS A/S and through a shareholders agreement controls more than 50% of the votes in DFDS A/S. The consolidated financial statements for J L Lauritzen fondet may be obtained from the registered office at Tranegaardsvej 20, 2900 Hellerup, Denmark.