

DFDS SEAWAYS PLC

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**



DFDS SEAWAYS PLC

DIRECTORS:

N Smedegaard
A G Byrne - appointed 8 January 2018
P G Pedersen
R S Potter - resigned 8 January 2018

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

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 £2,309,489 (2016: profit of £2,013,190), which was as expected.

The business has two revenue streams, Terminal and Agency. This includes activities such as stevedoring and warehousing and handling of paper, steel, timber and RDF.

Stevedoring volumes increased by 3.7% to 975,200 TEU's. For the warehouse division, volumes handled for paper were 13% below 2016 and for steel 2% below, but timber volumes were above by 50%. Volumes handled for RDF (Refuse-Derived Fuel) were 2% above 2016.

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 2018.

STRATEGY

The DFDS Group will continue the digital upgrade of its websites and electronic interfaces with customers and suppliers in 2018 across all areas of the business, which is a core activity to improve customer experience and modernise the operational processes.

A more granular level of operational efficiency and business transparency is being introduced to the daily activities to drive more dynamic balancing of resources against volumes. Planning for future growth continues and is a key focus for the management team.

The potential business requirements of differing Brexit outcomes are being mapped to place the business in the best possible position, to not only maintain the current business flow, but to harvest any opportunities which may arise,

KEY PERFORMANCE INDICATORS

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

	<u>2017</u>	<u>2016</u>
	£	£
Turnover	66,053,179	64,048,505
Turnover growth (percent)	3	2
Operating profit	2,309,489	2,013,190
Operating profit margin (percent)	3	3
Profit before tax	1,169,841	404,625

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.

The directors have commenced a visual performance operation centre, which will use visual boards populated with robust KPI's to drive relevant actions to optimise the business performance on a weekly basis. This process will ensure that each function within the business such as Terminal, Sales, Agency and Shipping Logistics, are not only driving performance in their areas, but each is complimenting the performance of the others, resulting in optimum overall business performance. It is envisaged this process will be replicated into lower levels of the business driving a performance and action orientated culture throughout.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (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 the digital upgrade of its websites and electronic interfaces with customers and suppliers, and to explore cost savings measures. 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

21 May 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

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 (2016: £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 net current liabilities of £4,882,617, net liabilities of £4,270,441 and the profit for the financial year of £1,169,841, 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 2017 (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
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N E Lincolnshire
DN40 2LZ

21 May 2018

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

OPINION

We have audited the financial statements of DFDS Seaways PLC for the year ended 31 December 2017 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 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 (reduced disclosure framework); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards of Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

USE OF OUR REPORT

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.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISA's (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DFDS SEAWAYS PLC (CONTINUED)

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the company, 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.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

AUDITORS RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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

Date: 23 May 2018

DFDS SEAWAYS PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> £	<u>2016</u> £
Turnover	1(b) & 2	66,053,179	64,048,505
Cost of sales		(52,595,878)	(51,526,778)
Gross profit		13,457,301	12,521,727
Administrative expenses		(11,147,812)	(10,508,537)
Operating profit		2,309,489	2,013,190
Interest payable and similar charges	3	(226,418)	(631,389)
Other finance charges	15	(982,000)	(1,026,000)
Profit on ordinary activities before taxation	4	1,101,071	355,801
Taxation on profit on ordinary activities	6(a)	68,770	48,824
Profit for the financial year		1,169,841	404,625
		=====	=====

All of the above results are derived from continuing activities.

Notes 1 - 16 form an integral part of these financial statements.

DFDS SEAWAYS PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 31 DECEMBER 2017

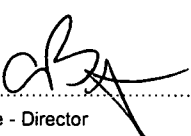
	<u>Notes</u>	<u>2017</u> £	<u>2016</u> £
Profit for the financial year		1,169,841	404,625
Movement on pension deficit	15	5,030,000	(10,565,000)
Deferred tax arising on gains and losses in the pension scheme		(207,100)	(1,042,000)
Total comprehensive income recognised since last annual report and financial statements		=====	=====

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> £	<u>2016</u> £
FIXED ASSETS			
Tangible assets	7	16,922,436	16,892,978
Investments	8	15,077,204	15,077,204
		<u>31,999,640</u>	<u>31,970,182</u>
CURRENT ASSETS			
Stock		174,855	194,375
Debtors	9	20,626,434	18,832,685
Cash at bank and in hand		2,234,090	-
CREDITORS: Amounts falling due within one year	10	<u>(27,917,996)</u>	<u>(43,741,579)</u>
NET CURRENT LIABILITIES		<u>(4,882,617)</u>	<u>(24,714,519)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,117,023</u>	<u>7,255,663</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(160,464)</u>	<u>(227,317)</u>
PENSION LIABILITY	15	<u>(31,227,000)</u>	<u>(37,475,000)</u>
NET LIABILITIES		<u>(4,270,441)</u>	<u>(30,446,654)</u>
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	12	22,250,000	22,250,000
Capital contribution		23,250,000	3,250,000
Profit and loss account		(49,770,441)	(55,946,654)
SHAREHOLDERS' DEFICIT		<u>(4,270,441)</u>	<u>(30,446,654)</u>
		=====	=====

Notes 1 - 16 form an integral part of these financial statements.

These financial statements were approved at a directors' meeting held on 21 May 2018


A G Byrne - Director

Company Registered Number 1554521

DFDS SEAWAYS PLC

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

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 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)
Opening at 1 January 2017	22,250,000	3,250,000	(55,946,654)	(30,446,654)
Profit for the financial year	-	-	1,169,841	1,169,841
Other comprehensive income	-	-	4,822,900	4,822,900
Loan waiver	-	20,000,000	-	20,000,000
Share based payment reserve	-	-	183,472	183,472
Closing at 31 December 2017	22,250,000	23,250,000	(49,770,441)	(4,270,441)
	=====	=====	=====	=====

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.

On 8 February 2017, the immediate parent undertaking, DFDS A/S, waived 20,000,000 off the loan between the two entities. It is a non-distributable reserve in the form of a capital contribution.

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 2017 were authorised for issue by the board of directors on 21 May 2018 and the balance sheet was signed on the board's behalf by A G Byrne. 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 £4,270,441 and the profit for the financial year of £1,169,841, 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 16.

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. 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, profit 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>2017</u> £	<u>2016</u> £
Warehouse and terminal activities	47,658,216	45,515,060
Port agency activities	18,394,963	18,533,445
	-----	-----
Total turnover per activity	66,053,179	64,048,505
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2017</u>	<u>2016</u>
	£	£
On amounts payable to group undertakings		
- immediate parent undertaking	226,418	631,389
	=====	=====

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2017</u>	<u>2016</u>
	£	£
Arrived at after charging/(crediting)		
Auditor's remuneration		
-Audit of these financial statements	13,566	13,500
Depreciation (note 7)		
-Owned assets	2,525,054	2,213,611
Amortisation of government grant	(89,641)	(86,924)
Profit on sale of tangible fixed assets	(56,447)	(11,466)
Operating lease charges		
-land and buildings	1,224,300	1,063,607
-plant and equipment	182,323	196,028
	=====	=====

5 PARTICULARS OF STAFF

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

	<u>2017</u>	<u>2016</u>
	Number	Number
Terminal operations	466	459
Administration	116	109
	-----	-----
	582	568
	=====	=====

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

	<u>2017</u>	<u>2016</u>
	£	£
Wages and salaries	18,062,511	17,226,272
Social security costs	1,858,032	1,686,411
Other pension costs	488,110	482,768
	-----	-----
	20,408,653	19,395,451
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5 PARTICULARS OF STAFF (continued)****(b) Directors' emoluments**

	<u>2017</u>	<u>2016</u>
	£	£
Emoluments	144,271	149,601
Pension contributions	5,051	4,851
	-----	-----
	149,322	154,452
	=====	=====

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

	<u>2017</u>	<u>2016</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>2017</u>	<u>2016</u>
	£	£
Corporation tax at 19.25% (2016: 20%)	-	(57,508)
Prior year corporation tax group relief	(68,770)	8,684
	-----	-----
Current tax	(68,770)	(48,824)
Deferred tax		
Charge to the Comprehensive Income Statement	207,100	1,042,000
	-----	-----
Total tax charge / (credit)	138,330	993,176
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 TAXATION (continued)

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

	<u>2017</u>	<u>2016</u>
	£	£
Depreciation and capital allowances	-	424,000
	=====	=====

The elements of deferred taxation assets are as follows:

	<u>2017</u>	<u>2016</u>
	£	£
Deferred tax on defined benefit pension scheme (note 15)	4,367,600	4,575,000
Losses carried forward	-	424,000
	-----	-----
	4,367,600	4,999,000
	=====	=====

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

	<u>2017</u>	<u>2016</u>
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	157,792	-
Other timing differences	130,019	106,134
Losses carried forward	899,642	1,295,000
Pension liability via other comprehensive income	940,950	1,796,050
	-----	-----
Deferred tax asset	2,128,403	3,197,184
	=====	=====

The deferred tax asset has not been recognised due to the tax 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 2017.

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 (2016: higher) than the standard rate of corporation tax in the UK, 19.25%, (2016: 20%). The differences are explained below.

	<u>2017</u> £	<u>2016</u> £
Profit on ordinary activities before tax	1,101,071	355,801
Current tax at 19.25% (2016: 20%)	211,956	71,160
Effect of:		
Expenses not deductible for tax purposes (mainly depreciation on assets not eligible for writing down allowances and other finance charges)	210,087	255,158
Utilisation of tax losses	(214,943)	-
Adjustment in respect of prior years deferred tax not recognised	-	(326,252)
Change in tax rate	-	(57,574)
Prior year corporation tax group relief	(68,770)	8,684
Deferred tax defined benefit pension scheme via Comprehensive Income Statement (note 15)	-	1,042,000
Total current tax charge	138,330	993,176

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 2017	-	30,236,546	10,087,484	3,260,072	43,584,102
Additions	48,264	130,592	2,435,353	-	2,614,209
Disposals	-	-	(400,712)	-	(400,712)
At 31 December 2017	48,264	30,367,138	12,122,125	3,260,072	45,797,599
<u>Depreciation</u>					
At 1 January 2017	-	18,864,107	5,065,818	2,761,199	26,691,124
Charge for the year	-	1,109,017	1,239,899	176,138	2,525,054
Disposals	-	-	(341,015)	-	(341,015)
At 31 December 2017	-	19,973,124	5,964,702	2,937,337	28,875,163
<u>Net book value</u>					
At 31 December 2017	48,264	10,394,014	6,157,423	322,735	16,922,436
At 31 December 2016	-	11,372,439	5,021,666	498,873	16,892,978

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 INVESTMENTS

Fixed asset investments comprise:

	<u>2017</u>	<u>2016</u>
	£	£
Shares in subsidiary undertakings	15,077,204	15,077,204
	=====	=====

At 31 December 2017, 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

The subsidiary undertakings DFDS Transport (Air) Limited, Smyth Shipping Limited, DFDS Nordic Terminal Limited, DFDS Transport (Sea) Limited and DFDS AutoLogistics Limited were dissolved 6 February 2018.

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2017</u>	<u>2016</u>
	£	£
Trade debtors	9,759,580	8,924,263
Amounts due from group undertakings	5,146,586	3,307,852
Amounts due from associated undertakings	229,495	92,235
Other debtors	69,988	99,185
Corporation tax receivable	-	57,508
Deferred tax	4,367,600	4,999,000
Prepayments and accrued income	1,053,185	1,352,642
	-----	-----
	20,626,434	18,832,685
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2017</u>	<u>2016</u>
	£	£
Bank overdraft and bank loan	3,929,413	18,998,982
Trade creditors	2,777,441	3,730,025
Amounts due to group undertakings	16,246,000	15,077,204
VAT	561,734	434,950
Other creditors	2,230,242	1,829,363
Corporation tax	699	-
Deferred tax	-	424,000
Accruals and deferred income	2,172,467	3,247,055
	<u>27,917,996</u>	<u>43,741,579</u>
	=====	=====

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2017</u>	<u>2016</u>
	£	£
Government grant	160,464	227,317
	<u>160,464</u>	<u>227,317</u>
	=====	=====

12 CALLED-UP SHARE CAPITAL

	<u>2017</u>	<u>2016</u>
	£	£
Authorised, allotted, called-up and fully paid 22,250,000 (2016 - 22,250,000) ordinary shares of £1 each.	22,250,000	22,250,000
	<u>22,250,000</u>	<u>22,250,000</u>
	=====	=====

13 CAPITAL COMMITMENTS

At 31 December 2017 the group had capital commitments, comprising amounts contracted but not provided for, of £1,130,000 (2016 - £1,913,833).

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	£	£	£	£
Operating lease which expire:-				
- within one year	1,134,248	1,053,539	134,716	161,186
- between two and five years	3,518,780	4,148,537	97,902	202,535
- after five years	4,489,899	5,023,193	-	-
	<u>9,142,927</u>	<u>10,225,269</u>	<u>232,618</u>	<u>363,721</u>
	=====	=====	=====	=====

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 2017 VAT of £1,839,635 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 £488,110 (2016: £482,768).

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 from January 2014 to 31 May 2027. 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 £488,110 (2016: £482,768). At 31 December 2017 there were no outstanding contributions (2016: £nil).

The major assumptions used in this valuation were:

	2017	2016	2015	2014
Rate of increase in salaries	N/A	N/A	N/A	N/A
Rate of increase in pension payments and deferred pensions	3.40%	3.40%	3.30%	3.30%
Discount rate applied to scheme liabilities	2.50%	2.70%	3.80%	3.60%
Inflation assumptions	2.60%	2.60%	2.40%	2.30%

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.

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>2017</u> £	Value at 31 December <u>2016</u> £	Value at 31 December <u>2015</u> £	Value at 31 December <u>2014</u> £
Equities	35,934,000	30,664,000	35,062,000	34,019,000
Bonds	-	-	7,432,000	14,386,000
Gilts	4,015,000	3,460,000	7,332,000	-
Standard life investments GARS (Global Absolute Return Strategy)	8,121,000	8,223,000	-	-
Liability Driven Investments	6,899,000	6,376,000	-	-
Capital Emerging Markets	6,669,000	6,420,000	-	-
Other	8,191,000	8,108,000	50,000	650,000
	<u>69,829,000</u>	<u>63,251,000</u>	<u>49,876,000</u>	<u>49,055,000</u>
Present value of scheme liabilities	(101,056,000)	(100,726,000)	(77,960,000)	(75,030,000)
Deficit in the scheme pension liability	<u>(31,227,000)</u>	<u>(37,475,000)</u>	<u>(28,084,000)</u>	<u>(25,975,000)</u>
Related deferred tax asset	4,368,000	4,575,000	5,617,000	5,195,000
Net pension liability	<u>(26,859,000)</u>	<u>(32,900,000)</u>	<u>(22,467,000)</u>	<u>(20,780,000)</u>

Movement in deficit during the year

	<u>2017</u> £	<u>2016</u> £	<u>2015</u> £	<u>2014</u> £
Deficit in scheme at beginning of the year	(37,475,000)	(28,084,000)	(25,975,000)	(23,873,000)
Current service costs	-	-	-	-
Contributions paid	2,200,000	2,200,000	2,200,000	2,200,000
Gains on settlements or curtailments	-	-	-	-
Other finance expense	(982,000)	(1,026,000)	(897,000)	(654,000)
Actuarial gain / (loss)	5,030,000	(10,565,000)	(3,412,000)	(3,648,000)
Deficit in scheme at end of year	<u>(31,227,000)</u>	<u>(37,475,000)</u>	<u>(28,084,000)</u>	<u>(25,975,000)</u>

Analysis of other pension costs charged in arriving at operating profit

	<u>2017</u> £	<u>2016</u> £	<u>2015</u> £	<u>2014</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	£	£	£	£
Expected return on pension scheme assets	1,691,000	1,881,000	1,762,000	2,412,000
Interest on pension scheme liabilities	(2,673,000)	(2,907,000)	(2,659,000)	(3,066,000)
	<u>(982,000)</u>	<u>(1,026,000)</u>	<u>(897,000)</u>	<u>(654,000)</u>
	=====	=====	=====	=====

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	£	£	£	£
Actual return less expected return on pension scheme assets	835,000	12,242,000	(757,000)	2,456,000
Experience losses arising on the scheme liabilities	-	-	-	-
Changes in assumptions underlying the present value of the scheme liabilities	4,195,000	(22,807,000)	(2,655,000)	(6,104,000)
	<u>5,030,000</u>	<u>(10,565,000)</u>	<u>(3,412,000)</u>	<u>(3,648,000)</u>
	=====	=====	=====	=====

16 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.