Registration number: 00540403

TDG (UK) Limited

Annual Reports and Financial Statements

for the Year Ended 31 December 2016

TDG (UK) Limited

Contents

TDG (UK) Limited

Company Information

Directors	Mr M Wilson Mr L Angel Gomez Mr D Myers Mr J Hardig Mr T Cooper Mr P Shaw Ms L Navid Lane
Company secretary	Ms G Garratt
Registered office	XPO House Lodge Way New Duston Northampton NN5 7SL
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

TDG (UK) Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their Strategic Report for the year ended 31 December 2016.

Fair review of the business
On 1 November 2016, the company and the trustees of the TDG Pension Scheme (TDGPS) and Christian Salvesen Pension Scheme (CSPS) (a fellow Group pension scheme, with principal employer, Salvesen Logistics Limited, a fellow Group company), agreed to merge the two individual schemes into a single scheme, the XPO Pension Scheme (XPOPS). XPOPS is a new scheme whose principal sponsoring employer is XPO Holdings UK and Ireland Limited, a fellow Group company. On the same day, it was agreed that TDGPS would be put into wind-up.

As part of the terms of the merger, the following occurred, which required a revised valuation of the TDGPS:

On 21 October 2016, the company performed a capital reduction of the existing share capital to 4,000 Ordinary shares of £0.25, of the share premium account by £19,900k and £4,153k of the capital redemption reserve.

On 1 November 2016, the company paid a dividend in specie of £132,600k, via the distribution of the receivables from XPO Supply Chain UK Limited of £81,600k and £51,000k from XPO Transport Solutions UK Limited, to its parent company, TDG Limited. TDG Limited subsequently paid a interim dividend in specie of the same receivables to XPO Holdings UK and Ireland Limited.

As a result of the merger, the bulk of the liabilities were transferred to XPOPS, and the pension scheme liability of TDGPS was derecognised from the company and recognised in XPO Holdings UK and Ireland Limited.

On 30 November 2016, as a result of TDGPS being put into wind-up, a certain group of members were identified as being eligible for winding-up lump sum payments. The result of this settlement is that £9,746k of defined benefit obligation was fully extinguished for a payment of £8,461k, thus recognising within the company a gain on settlement of £1,285k.

Further details of the additional security provided to the trustees of XPOPS, is given in the financial statements of XPO Holdings UK and Ireland Limited.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Profit after tax	£000	1,342	1,561
Shareholders' funds	£000	10,706	132,320
Pension obligation	£000	-	(14,400)
Average employee numbers		1	3

Shareholders' funds have fallen by £121,614k primarily due to the payment of a dividend in specie of £132,600k less actuarial gains, net of deferred tax, of £9,644k.

Principal risks and uncertainties
The management of the business and the execution of the company strategy are subject to the following risks:

Pension commitments
In 2016 the company was exposed to market volatility in respect of the defined benefit pension scheme. However, at the year end, this company is no longer exposed to this risk.

Interest rate risk
The company has inter-company receivables which are based on floating interest rates and therefore expose the company to interest rate movements. The Board has assessed the risk and does not regard the exposure as significant.

Liquidity risk
Credit risk on bank balances and short-term deposits is limited as they are held with authorised banks with credit ratings approved by XPO Logistics, Inc.

Approved by the Board on 5 June 2017 and signed on its behalf by:

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Mr D Myers
Director

TDG (UK) Limited

Directors' Report for the Year Ended 31 December 2016

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

Directors' of the company
The directors, who held office during the year, were as follows:

Mr M Wilson

Mr A Tatlow (resigned 30 November 2016)

Mr M Morris (resigned 3 June 2016)

Mr L Angel Gomez

Mr D Myers

Mr J Hardig (appointed 3 June 2016)

Mr G Devens (appointed 30 November 2016 and resigned 20 January 2017)

Mr P Shaw

Ms L Navid Lane

The following director was appointed after the year end:

Mr T Cooper (appointed 20 January 2017)

Principal activity
The principal activity of the company is acting as a non-trading agent on behalf of XPO Supply Chain UK Limited, XPO Transport Solutions UK Limited, XPO Maintenance UK Limited, XPO Holdings UK and Ireland Limited, XPO Bulk UK Limited and XPO Global Forwarding UK Limited and being the sponsoring employer of the TDG Pension Scheme until the winding-up of the scheme is complete.

Dividend
The directors have not recommended a final dividend (2015: £nil).

On 1 November 2016, the company paid an interim dividend in specie of £132,600k (2015: £nil) to its immediate parent company, TDG Limited.

Financial instruments

Objectives and policies

The XPO Logistics Europe Group, headed by the company's intermediate parent, and the company, through its activities, is exposed to a range of financial risks. These risks can be categorised as credit risk, liquidity risk and market risk. The financial risks of the company are managed through the XPO Logistics Europe Group's centralised treasury function which acts within clearly defined policies approved by the intermediate parent Board. These policies are designed to reduce the financial risks relating to the funding, interest rate and currency exchange rate exposure and credit risk. Transactions of a speculative nature are not permitted and the treasury function does not operate as a profit centre.

Credit risk, liquidity risk, market risk and cash flow risk

The XPO Logistics Europe Group manages the exposures to these risks as follows:

Credit Risk
The main credit risk lies with trade debtors. It is the intermediate parent's policy that all significant customers are subject to credit verification procedures prior to commencement of trading. Trade debtors balances are monitored by senior management on an on-going basis with the result that the exposure to bad debts is limited. Management have estimated the provision for doubtful debts based on prior experience and their assessment of the current economic environment. Concentration of credit risk with respect to trade debtors is limited due to the customer base being large and unrelated. Credit risk on bank balances and short-term deposits is limited as they are held with authorised banks with credit rating approved by the European board.

Liquidity Risk
Liquidity risk is the risk that the XPO Logistics Europe Group will not be able to meet its financial obligations as they fall due. The intermediate parent's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the XPO Logistics Europe Group's reputation. The intermediate parent board has agreed an appropriate liquidity risk management framework for the management of the XPO Logistics Europe Group's short, medium and long-term funding and liquidity management requirements. The intermediate parent manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market Risk and Cash Flow Risk
The company's main exposure to risk is through foreign currency exchange rates and interest rates, with the principal risk from market interest rate movements arising from the company's internal and external borrowings. The majority of the borrowings are at variable interest rates. The company will, by the decisions made by intermediate parent, enter into arrangements that hedge interest rate and exchange rate risk at a XPO Logistics Europe Group level. The company has not applied hedge accounting and therefore exchange differences and fair value movements on the derivative asset are recognised in the profit and loss account as comprehensive income.

Employment of disabled persons
The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement
The intermediate parent has developed arrangements to keep employees informed on matters that concern them and on the progress of the business, and in many units formal team briefing is used. The views of employees are taken into account in making decisions that are likely to affect their interests. Communication with employees continues through regular group and company newsletters.

The company's policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied. In addition, the company does not discriminate against employees or potential employees on the basis of race, colour, nationality, ethnic or national origin, religion, political beliefs, sex or marital status.

Future developments
The company will continue to trade as an agent to other XPO Logistics UK Group companies and being the sponsoring employer of the TDG Pension Scheme, until the winding-up of the scheme is completed.

On 23 June 2016, the United Kingdom made the decision to leave the European Union. Details of the future trade relationship between the United Kingdom and the European Union is currently not known. As a result, the directors do not know what the future impact of the decision to leave will be on the company; however they will continue to monitor the situation and will act accordingly in the best interest of the company.

Going concern
These financial statements have been prepared on a going concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and principal risks and uncertainties are described above and in the Strategic Report as they have strategic significance.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the XPO Logistics Europe Group's centralised treasury arrangements and so shares banking arrangements with its intermediate parent and fellow subsidiaries. Where the company has receivables from related parties of the XPO Logistics Europe Group, the directors are confident of the recoverability of the outstanding receivable balances.

To the extent that funds are not otherwise available, the intermediate parent of the company, XPO Logistics Europe S.A., has confirmed that it shall assist the company in meeting its liabilities as and when they fall due to meet these liabilities. The intermediate parent company has agreed to provide the financial support outlined above for a period at least 12 months from the date of signing of the accounts for the year ended 31 December 2016.

The intermediate parent has sufficient financial resources together with a good number of customers and suppliers across different geographic areas and industries. The directors, having assessed the responses of the directors of the company's intermediate parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the XPO Logistics Europe Group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the intermediate parent company, 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 annual financial statements.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor
KPMG LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Approved by the Board on 5 June 2017 and signed on its behalf by:

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Mr D Myers
Director

TDG (UK) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including *FRS 101 Reduced Disclosure Framework ('FRS 101')*.

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 apply them consistently;
- make judgements and accounting 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 ans detect fraud and other irregularities.

Independent Auditor's Report to the Members of TDG (UK) Limited

We have audited the financial statements of TDG (UK) Limited for the year ended 31 December 2016, set out on pages 10 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including *FRS 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 on 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of TDG (UK) Limited (continued)

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.

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Colin Brearley (Senior Statutory Auditor)

For and on behalf of KPMG LLP
Chartered Accountants, Statutory Auditor
St Nicholas House
Park Row
Nottingham
NG1 6FQ

12 June 2017

TDG (UK) Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Revenue		-	-
Consumables used		(591)	(550)
Staff costs	6	1,285	-
Operating profit/(loss)		694	(550)
Finance income	4	2,575	3,076
Finance costs	5	(412)	-
Profit before tax		2,857	2,526
Income tax charge	9	(1,515)	(965)
Profit for the year		1,342	1,561

The above results were derived from continuing operations.

TDG (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Profit for the year		1,342	1,561
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations		11,861	(18,258)
Deferred tax on actuarial movement		(2,217)	2,813
Other comprehensive income for the year, net of income tax	12	9,644	(15,445)
Total comprehensive income for the year		10,986	(13,884)

The notes on pages 14 to 29 form an integral part of these financial statements.

TDG (UK) Limited

Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Deferred tax assets	9	-	3,217
Current assets			
Debtors (including £7,000k (2015: £139,600k) due after more than one year)	10	11,176	144,064
Cash at bank and in hand		44	44
		11,220	144,108
Creditors: Amounts falling due within one year			
Trade and other payables	14	-	(5)
Income tax liability		(514)	(600)
Creditors: Amounts falling due within one year		(514)	(605)
Net current assets		10,706	143,503
Net assets excluding pension asset/(liability)		10,706	146,720
Defined benefit pension scheme liability	13	-	(14,400)
Net assets		10,706	132,320
Capital and reserves			
Called up share capital	11	1	101,100
Share premium reserve		-	19,900
Capital redemption reserve		-	4,153
Profit and loss account		10,705	7,167
Shareholders' funds		10,706	132,320

Company Registration Number: 00540403

Approved by the Board on 5 June 2017 and signed on its behalf by:

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Mr D Myers

Director

The notes on pages 14 to 29 form an integral part of these financial statements.

TDG (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Note	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016		101,100	19,900	4,153	7,167	132,320
Profit for the year		-	-	-	1,342	1,342
Other comprehensive income	12	-	-	-	9,644	9,644
Total comprehensive income		-	-	-	10,986	10,986
Dividends		-	-	-	(132,600)	(132,600)
Other ordinary share capital movements		(101,099)	-	-	-	(101,099)
Other share premium reserve movements		-	(19,900)	-	-	(19,900)
Other capital redemption reserve movements		-	-	(4,153)	-	(4,153)
Retained earnings from capital reduction		-	-	-	125,152	125,152
At 31 December 2016		1	-	-	10,705	10,706

On 21 October 2016; the company performed a capital reduction of the existing share capital to 4,000 Ordinary shares of £0.25, of the share premium account by £19,900k and £4,153k of the capital redemption reserve. On 1 November 2016, the company paid an interim dividend in specie of £132,600k, via distribution of the receivables from XPO Supply Chain UK Limited £81,600k and £51,000k from XPO Transport Solutions UK Limited, to its parent company, TDG Limited.

	Note	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015		101,100	19,900	4,153	21,051	146,204
Profit for the year		-	-	-	1,561	1,561
Other comprehensive expense	12	-	-	-	(15,445)	(15,445)
Total comprehensive expense		-	-	-	(13,884)	(13,884)
At 31 December 2015		101,100	19,900	4,153	7,167	132,320

1 General information

The company is a private company limited by share capital incorporated and domiciled in England & Wales.

The address of its registered office is:
XPO House
Lodge Way
New Duston
Northampton
NN5 7SL

These financial statements were authorised for issue by the Board on 5 June 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material judgement in the next year, are discussed in note 3.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The company has not elected to apply the balance sheet format requirements of paragraphs 54 to 76 of IAS 1 'Presentation of Financial Statements'.

The financial statements are prepared on the historical cost basis except financial instruments which are classified as fair value through the profit or loss.

The preparation of financial statements in conformity with *FRS 101* requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The company proposed to continue to adopt the reduced disclosure of *FRS 101* in the future.

2 Accounting policies (continued)

Summary of disclosure exemptions
In these financial statements, the company is considered to be a qualifying entity to apply *FRS 101* and is consolidated within the accounts of its parent undertaking as described in note 16. The company has applied the exemptions available under *FRS 101* in respect of the following disclosures:

- Preparation of a cash flow statement;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the XPO Logistics, Inc. Group as they are wholly owned by the ultimate parent;
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets;
- Disclosure of key management personnel compensation;
- Capital management disclosures; and
- Disclosures in respect of standards in issue not yet effective.

The following disclosure exemptions have also been adopted, as equivalent disclosures are provided in the intermediate and ultimate parent consolidated financial statements.

- Reduced financial instruments disclosures relating to IFRS 7;
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Going concern
These financial statements have been prepared on a going concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and principal risks and uncertainties are described above and in the Strategic Report as they have strategic significance.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the XPO Logistics Europe Group's centralised treasury arrangements and so shares banking arrangements with its intermediate parent and fellow subsidiaries. Where the company has receivables from related parties of the XPO Logistics Europe Group, the directors are confident of the recoverability of the outstanding receivable balances.

To the extent that funds are not otherwise available, the intermediate parent of the company, XPO Logistics Europe S.A., has confirmed that it shall assist the company in meeting its liabilities as and when they fall due to meet these liabilities. The intermediate parent company has agreed to provide the financial support outlined above for a period at least 12 months from the date of signing of the accounts for the year ended Current Period.

The intermediate parent has sufficient financial resources together with a good number of customers and suppliers across different geographic areas and industries. The directors, having assessed the responses of the directors of the company's intermediate parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the XPO Logistics Europe Group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the intermediate parent company, 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 annual financial statements.

Changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

Finance income and costs policy
Interest income and expenses are reported on an accrual basis using the effective interest method.

2 Accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax balances are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2 Accounting policies (continued)

Defined benefit pension obligation
A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs and credits and settlement gains and losses are recognised immediately in the profit and loss account.

Financial assets and liabilities
Classification
The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit and loss (FVTPL)

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as non-current investments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise, receivables and cash in the balance sheet.

2 Accounting policies (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the company commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from the changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.

Financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are measured initially at fair value adjusted by transaction costs and subsequently measured at amortised cost using the effective interest method, except for financial liabilities held for trading that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Impairment

The company assesses at the end of each reporting period whether there is objective evidence that the financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Accounting policies (continued)

Derivatives and hedging
Derivative financial instruments are accounted for at FVTPL. The company has not elected to adopt hedge accounting hence the fair value movements are recognised within comprehensive income.

Current versus non-current classification
Financial assets and liabilities are classified as non-current where settlement of the asset or liability is due after more than one year of the balance sheet date.

3 Critical accounting judgements and key sources of estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

4 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest from related parties	2,575	2,965
Other finance income	-	111
	2,575	3,076

Other finance income of £nil (2015: £111k) relates to the net interest cost on pensions. See note 13 for further details.

5 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Other finance costs	412	-

Other finance costs of £412k (2015: £nil) relate to the net interest cost on pensions. See note 13 for further details.

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Settlement gain	(1,285)	-

On 30 November 2016, as a result of TDGPS being put into wind-up, a certain group of members were identified as being eligible for winding-up lump sum payments. The result of this settlement is that £9,746k of defined benefit obligation was fully extinguished for a payment of £8,461k, thus recognising within the company a gain on settlement of £1,285k.

6 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Administration and support	1	3

The directors of the company, other than Ms L Navid Lane, received no direct remuneration for their services to the company as the service they provide to this company are incidental to the XPO Logistics Europe Group management roles they fulfil. The company has 1 (2015: 3) employees, including one director, with a joint employment contract with the company, XPO Holdings UK and Ireland Limited and Salvesen Logistics Limited. The company's share of these employee costs are paid on behalf of the company by XPO Holdings UK and Ireland Limited.

7 Directors' remuneration

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	57	62

The directors' remuneration in 2016 and 2015 relates to the remuneration of one director only and therefore equates to the remuneration of the highest paid director. There are no pension benefits accruing to any of the other directors.

8 Auditor's remuneration

In 2016, audit fees of £12k (2015: £9k) have been borne by XPO Holdings UK and Ireland Limited.

9 Income tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	515	600
Deferred taxation		
Arising from origination and reversal of temporary differences	582	300
Arising from changes in tax rates and laws	418	65
Total deferred taxation	1,000	365
Income tax expense	1,515	965

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	2,857	2,526
Corporation tax at standard rate	571	511
Increase from effect of expenses not deductible in determining taxable profit / (tax loss)	-	112
Deferred tax expense relating to changes in tax rates or laws	418	65
Increase from changes in pension fund prepayment	526	277
Total tax charge	1,515	965

Factors that may affect future tax charge:

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

2015	**Asset £ 000**
Pension benefit obligations	2,664
Other post-employment benefits	553
	3,217

Deferred tax movement during the year:

	At 1 January 2016 £ 000	**Recognised in income £ 000**	**Recognised in other comprehensive income £ 000**	**At 31 December 2016 £ 000**
Pension benefit obligations	2,664	(447)	(2,217)	-
Other post-employment benefits	553	(553)	-	-
Net tax assets/(liabilities)	3,217	(1,000)	(2,217)	-

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	**Recognised in income £ 000**	**Recognised in other comprehensive income £ 000**	**At 31 December 2015 £ 000**
Pension benefit obligations	(442)	(21)	3,127	2,664
Other post-employment benefits	897	(344)	-	553
Net tax assets/(liabilities)	455	(365)	3,127	3,217

Other post-employment benefits relate to the spreading of the tax relief of £897k on pension contributions made in 2014 of £6,850k over the next three years. In 2015, a deferred tax charge of £344k in relation to these pension contributions was released to the profit and loss account. As a result of the pension merger during the period, the deferred tax asset of £553k recognised at 31 December 2015, has been de-recognised within the company and re-recognised within XPO Holdings UK and Ireland Limited, a fellow group company, as all future pension contributions will be made by this entity.

Pension benefit obligations relate to the deferred tax arising on the deferred benefit pension scheme asset / liability. The deferred tax asset arising on the pension deficit at 31 December 2015 of £2,664k was fully de-recognised on 1 November 2016 following the pension merger. Further details of the pension merger are given in note 13.

10 Debtors

	2016 £ 000	2015 £ 000
Receivables from related parties	11,176	144,064
	11,176	144,064
Less non-current portion	(7,000)	(139,600)
Total current trade and other debtors	4,176	4,464

Details of non-current trade and other debtors
£7,000k (2015: £139,600k) of amounts receivable from related parties is classified as non current.

Further details of receivables from related parties are given below:

A loan of £nil (2015: £81,600k) with XPO Supply Chain UK Limited, bearing interest at 12 month LIBOR plus 1.1%. On 1 November 2016, the receivable from XPO Supply Chain UK Limited was distributed as part of a dividend in specie, initially to its parent company, TDG Limited and then to XPO Holdings UK and Ireland Limited.

A loan of £nil (2015: £51,000k) with XPO Transport Solutions UK Limited, bearing interest at 12 month LIBOR plus 1.1% .On 1 November 2016, the receivable from XPO Transport Solutions UK Limited was distributed as part of a dividend in specie, initially to its parent company, TDG Limited and then to XPO Holdings UK and Ireland Limited.

A loan of £7,000k (2015: £7,000k) with XPO Holdings UK and Ireland Limited, bearing interest at 12 month LIBOR plus 1.0%.

All loans are strictly payable within one year but will only become payable in the event of the company's liquidation and therefore the directors have confirmed to the borrowing entities that the respective loans will not be called within the next 12 months.

The company has a current account balance with XPO Holdings UK and Ireland Limited of £4,176k (2015: £3,769k), bearing interest at LIBOR plus 1.05%.

11 Share capital

Allotted, called up and fully paid shares

	2016 No. 000	2016 £ 000	2015 No. 000	2015 £ 000
Ordinary Shares of £0.25 each	4	1	404,400	101,100

On 21 October 2016, the company performed a capital reduction of the existing share capital to 4,000 ordinary shares of £0.25 each

12 Reserves

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Retained earnings £ 000	Total £ 000
Remeasurements of post employment benefit obligations, net of deferred tax	11,861	11,861
Deferred tax on actuarial movement	(2,217)	(2,217)
	9,644	9,644

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Retained earnings £ 000	Total £ 000
Remeasurements of post employment benefit obligations, net of deferred tax	(18,258)	(18,258)
Deferred tax on actuarial movement	2,813	2,813
	(15,445)	(15,445)

13 Pension and other schemes

Defined benefit pension schemes
TDG Pension Scheme

For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The majority of the scheme members were employed by the company up to 30 September 2011, and therefore the company recognises 100% of the deficit of the defined benefit scheme. On 30 September 2011, all employees transferred to other companies as part of the transfer of the business under TUPE. This led to the closure of the scheme to future accrual from that date, leaving the scheme with no active members.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom.

Responsibility for the governance of the plan, including investment decisions and contribution schedules, lies jointly with the company and the board of directors of the fund.

Contributions payable to the pension scheme at the end of the year are £nil (2015: £nil).

The expected contributions to the plan for the next reporting period are £nil.

The scheme was most recently valued on 1 November 2016. As a result of the pension merger detailed below, the accounting valuation has been produced at 1 November 2016 based on data as at 31 December 2012 adjusted for known changes, in accordance with the requirements of IAS19.

13 Pension and other schemes (continued)

On adoption of FRS101, and under the principals of IFRIC 14, the company can recognise a surplus to the extent that the company can derive economic benefit from the surplus, if the company has an unconditional right to a refund either; during the life of the pension plan; or on the winding-up of the pension plan; or assuming the gradual settlement of the liabilities over time until all members have left the pension plan. In the case of the TDG Pension Scheme the company has a right to refund of surplus on winding-up, thus allowing for any surplus to be recognised.

On 1 November 2016, the company and the trustees of the TDG Pension Scheme (TDGPS) and Christian Salvesen Pension Scheme (CSPS) (a fellow Group pension scheme, with principal employer, Salvesen Logistics Limited, a fellow Group company), agreed to merge the two individual schemes into a single scheme, the XPO Pension Scheme (XPOPS). XPOPS is a new scheme whose principal sponsoring employer is XPO Holdings UK and Ireland Limited, a fellow Group company. On the same day, it was agreed that TDGPS would be put into wind-up.

As part of the terms of the merger, the following occurred, which required a revised valuation of the TDGPS:

On 21 October 2016; the company performed a capital reduction of the existing share capital to 4,000 Ordinary shares of £0.25, of the share premium account by £19,900k and £4,153k of the capital redemption reserve.

On 1 November 2016, the company paid a dividend in specie of £132,600k, via the distribution of the receivables from XPO Supply Chain UK Limited of £81,600k and £51,000k from XPO Transport Solutions UK Limited, to its parent company, TDG Limited. TDG Limited subsequently paid a interim dividend in specie of the same receivables to XPO Holdings UK and Ireland Limited.

As a result of the merger, the bulk of the liabilities were transferred to XPOPS, and the pension scheme liability of TDGPS was derecognised from the company and recognised in XPO Holdings UK and Ireland Limited.

On 30 November 2016, as a result of TDGPS being put into wind-up, a certain group of members were identified as being eligible for winding-up lump sum payments. The result of this settlement is that £9,746k of defined benefit obligation was fully extinguished for a payment of £8,461k, thus recognising within the Company a gain on settlement of £1,285k.

Further details of the additional security provided to the trustees of XPOPS, *is given in the financial statements of* XPO Holdings UK and Ireland Limited.

Risks

Investment risk
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets under-perform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to out-perform corporate bonds in the long-term while providing volatility and risk in the short-term. In order to hedge against gilt and inflation movements, the plan holds a significant proportion of Liability Driven Investments.

Interest risk
A decrease in corporate bond yields will increase plan liabilities. To potentially hedge the effects of corporate bond yield movements, the plan has invested in Liability Driven Investments.

Inflation risk
The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. To potentially hedge the effect of inflation the plan has invested in Liability Driven Investments.

Life expectancy risk
The majority of the plans obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

13 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2016 £ 000	2015 £ 000
Fair value of scheme assets	-	422,200
Present value of scheme liabilities	-	(436,600)
Defined benefit pension scheme deficit	-	(14,400)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Fair value at start of year	422,200	452,600
Interest income	12,956	15,787
Return on assets excluding interest income	91,022	(30,369)
Employer contributions	2,258	2,084
Benefits paid	(16,875)	(17,902)
Assets distributed on settlements	(8,461)	-
Assets transferred to XPOPS on 1 November 2016	(503,100)	-
Fair value at end of year	-	422,200

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Dynamic asset allocation	-	140,100
Credit	-	73,000
Liability driven instruments	-	107,600
Risk parity	-	99,200
Other assets	-	2,300
	-	422,200

Actual return on scheme's assets

	2016 £ 000	2015 £ 000
Actual return on scheme assets	103,979	(14,582)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

13 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2016 £ 000	2015 £ 000
Present value at start of year	436,600	450,390
Actuarial (gains) / losses arising from changes in financial assumptions	92,462	(12,111)
Interest cost	13,368	15,676
Benefits paid	(16,875)	(17,902)
Liabilities extinguished on settlements	(9,746)	-
Administration expenses	591	547
Liabilities transferred to XPOPS on 1 November 2016	(516,400)	-
Present value at end of year	-	436,600

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation as at 1 November 2016 (2016: at the statement of financial position date) are as follows:

	2016 %	2015 %
Discount rate	2.75	3.75
Future pension increases in deferred pensions - LPI 5	3.20	2.90

Post retirement mortality assumptions

	2016 Years	2015 Years
Current UK pensioners at retirement age - male	22.20	22.10
Current UK pensioners at retirement age - female	24.70	24.60
Future UK pensioners at retirement age - male	23.60	23.50
Future UK pensioners at retirement age - female	26.30	26.20

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Gain on settlements	(1,285)	-
Administrative expenses paid	591	547
Recognised in arriving at operating profit	(694)	547
Amounts recognised in finance costs / (income)		
Net interest	412	(111)
Total recognised in the income statement	(282)	436

13 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial (losses) / gains arising from changes in financial assumptions	(94,344)	9,780
Actuarial gains arising from experience adjustments	1,882	2,331
Return on plan assets, excluding amounts included in interest income/(expense)	91,023	(30,369)
De-recognition of actuarial losses on transfer of pension scheme liability to XPO Holdings UK and Ireland Limited	13,300	-
Amounts recognised in the Statement of Comprehensive Income	11,861	(18,258)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2016		2015	
	+ 0%	**- 0%**	**+ 0.25**	**- 0.25**
Adjustment to discount rate	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	-	-	(15,400)	15,400

	2016		2015	
	+ 0%	**- 0%**	**+ 0.25**	**- 0.25**
Adjustment to rate of inflation	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	-	-	9,800	(9,800)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The plan holds a significant amount of liability driven investments to manage the risk of interest and inflation movements.

14 Creditors

	2016 £ 000	2015 £ 000
Trade creditors	-	4
Other creditors	-	1
	-	5

15 Contingent liabilities

There are unlimited cross-guarantees between the company and certain other UK based group undertakings, for bank borrowings. Bank borrowings with HSBC may not exceed £25,000k across the UK based group undertakings. The directors believe it remote that the company will be called upon in respect of these cross-guarantees. Indemnities are also in place between the UK based group undertakings and HSBC in respect of finance lease arrangements.

The company is included in a UK group registration for VAT purposes and is therefore jointly and severally liable for all other UK based group companies' unpaid tax liabilities in that respect.

16 Parent and ultimate parent undertaking

The company is controlled by its immediate parent company, TDG Limited a company incorporated in England and Wales, which is a wholly owned member of the XPO Logistics, Inc. Group.

The company's intermediate parent is XPO Logistics Europe S.A.

The company's ultimate parent is XPO Logistics, Inc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is XPO Logistics, Inc., incorporated in the USA.

The address of XPO Logistics, Inc. is:
5 American Lane, Greenwich, Connecticut, 06831 - USA.

A copy of these accounts can be obtained from the XPO Logistics website: www.xpo.com.

The parent of the smallest group in which these financial statements are consolidated is XPO Logistics Europe S.A., incorporated in France.

The address of XPO Logistics Europe S.A. is:
192, Avenue Thiers, 69457, Lyon cedex 6 - France.