

COMPANY REGISTRATION NUMBER: 03242391

**P&O FERRIES (SHORT SEA) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# **P&O FERRIES (SHORT SEA) LIMITED**

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## **P&O FERRIES (SHORT SEA) LIMITED**

### **DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements of P&O Ferries (Short Sea) Limited ('the Company') for the year ended 31 December 2018. The Company is exempt, by virtue of its size, from the requirement to prepare a Strategic Report.

#### **PRINCIPAL ACTIVITIES**

The Company did not trade in the year. The Company has defined benefit pension obligations for which further details are provided in note 6 to the financial statements.

The Directors of the Company's intermediate parent undertaking have not agreed to provide financial support as is necessary to enable the Company to continue to trade for at least 12 months from the date of approval of these financial statements, and as such the accounts have not been prepared on a going concern basis. See note 1 to the accounts for further information.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £0.2m (2017: loss £0.1m). The directors have not recommended a final dividend (2017: £nil). No interim dividends were paid in the year (2017: £nil).

#### **DIRECTORS**

The directors who held office during the year were as follows:

J S Bell (appointed 1 January 2018)

K Howarth

J P Garner (resigned 14 January 2019)

No director had any interest in the share capital of the Company during the year or at the year end. No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

#### **DIRECTORS INDEMNIFICATION**

Relevant personnel at P&O Ferries (Short Sea) Limited are covered by the Directors and Officers liability Insurance arranged by Port and Free Zone World with Chubb Insurance and others. The main limit is US\$100,000,000 which applies to either a single claim or to cap the total claims submitted within an insured period.

#### **POLITICAL DONATIONS**

The Company made no political donations and incurred no political expenditure during the year (2017: £nil).

#### **GOING CONCERN**

The financial statements for the year ended 31 December 2018 have been prepared on a basis other than that of a going concern, as the Directors of the Company's intermediate parent undertaking have not agreed to provide such financial support as is necessary to enable the Company to continue to trade for at least 12 months from the date of approval of these financial statements.

## **P&O FERRIES (SHORT SEA) LIMITED**

### **DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **UNITED KINGDOM LEAVING THE EUROPEAN UNION**

The UK enacted Article 50 in March 2017 with the deadline for departure set at 29th March 2019. The Withdrawal Agreement negotiated between the British Government and the EU, which made provision for a transition period until the end of 2020, was not ratified by parliament and Britain's departure was postponed until 31st October. At present there is extreme uncertainty in British politics, with the default position being to leave under WTO rules on 31st October notwithstanding a law passed by parliament which mandates the prime minister to seek a further extension should no deal be ratified before then. Given this backdrop, the Group has devoted significant resources to mitigating the impacts of a 'no deal Brexit'. The Group's position continues to be that, as long as there are goods and people travelling between Britain and Europe, we will continue to provide a comprehensive ferry and logistics service to and from the continent.

#### **FINANCIAL INSTRUMENTS**

Details of the Company's financial instruments are included in note 5 to the financial statements.

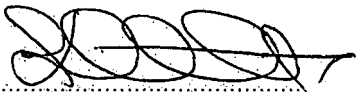
#### **DISCLOSURE OF INFORMATION TO THE AUDITORS**

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 AUDITORS**

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30 September 2019 and signed on its behalf by:



K Howarth  
Director

Registered office:  
Channel House  
Channel View Road  
Dover  
CT17 9TJ

## **P&O FERRIES (SHORT SEA) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 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'.

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 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
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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

## **P&O FERRIES (SHORT SEA) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF P&O FERRIES (SHORT SEA) LIMITED**

#### **Opinion**

We have audited the financial statements of P&O Ferries (Short Sea) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reason set out in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards including FRS 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 on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Other matter: The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by directors, such as the carrying value of pension obligations. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty (except for areas outside the scope of our audit) when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all future implications for a company and this is particularly the case in relation to Brexit.

#### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that reports and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

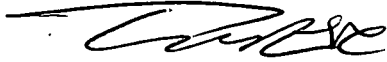
#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Tom Eve (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*15 Canada Square*  
*London*  
*E14 5GL*

30 September 2019



**P&O FERRIES (SHORT SEA) LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £ 000	2017 £ 000
Administrative expenses		<u>(111)</u>	<u>(34)</u>
Operating loss		(111)	(34)
Interest payable and similar charges	3	<u>(50)</u>	<u>(59)</u>
Loss before tax		(161)	(93)
Tax on loss		<u>-</u>	<u>-</u>
Loss for the year		<u>(161)</u>	<u>(93)</u>

The above results were derived from continuing operations.

**P&O FERRIES (SHORT SEA) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER  
2018**

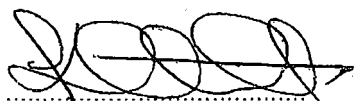
	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss for the year	(161)	(93)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of post employment benefit obligations	1,991	(1,570)
Income tax on remeasurement of post employment benefit obligations	-	-
Total comprehensive income/(loss) for the year	<u>1,830</u>	<u>(1,663)</u>

**P&O FERRIES (SHORT SEA) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2018**  
**(REGISTRATION NUMBER: 03242391)**

	Note	2018 £ 000	2017 £ 000
Creditors: Amounts falling due within one year	5	<u>(2,856)</u>	<u>(2,801)</u>
Net current liabilities		(2,856)	(2,801)
Defined benefit pension obligations	6	<u>(117)</u>	<u>(2,002)</u>
Net liabilities		<u><u>(2,973)</u></u>	<u><u>(4,803)</u></u>
<b>Capital and reserves</b>			
Called up share capital	7	15,000	15,000
Profit and loss account		<u>(17,973)</u>	<u>(19,803)</u>
Shareholders' deficit		<u><u>(2,973)</u></u>	<u><u>(4,803)</u></u>

Approved by the Board on 30 September 2019 and signed on its behalf by:



K Howarth  
 Director

The notes on pages 11 to 22 form an integral part of these financial statements.

# P&O FERRIES (SHORT SEA) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	15,000	(19,803)	(4,803)
Loss for the year	-	(161)	(161)
Other comprehensive income	-	1,991	1,991
Total comprehensive income	-	1,830	1,830
At 31 December 2018	<u>15,000</u>	<u>(17,973)</u>	<u>(2,973)</u>

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	15,000	(18,140)	(3,140)
Loss for the year	-	(93)	(93)
Other comprehensive loss	-	(1,570)	(1,570)
Total comprehensive loss	-	(1,663)	(1,663)
At 31 December 2017	<u>15,000</u>	<u>(19,803)</u>	<u>(4,803)</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

# **P&O FERRIES (SHORT SEA) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **1 ACCOUNTING POLICIES**

#### **BASIS OF PREPARATION**

P&O Ferries (Short Sea) Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard FRS 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006. FRS 101 disclosure exemptions adopted include transactions with related parties which form part of the Company's group and certain disclosures required by IFRS 13 Fair Value Measurement, IFRS 16 Leases, IAS 7 the disclosure of a statement of cash flows, IFRS 15 Revenue from Contracts with Customers and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **GOING CONCERN**

Until 2014, the financial statements had been prepared on a going concern basis. As at 31 December 2018, the Company has net liabilities of £3.0m (2017 - £4.8m), and has reported a loss for the year of £0.2m (2017 - £0.1m). As a result of the Company's history of losses and negative reserves the Company is reliant on the support of its intermediate parent Company, P&O Ferries Division Holdings Limited. The Directors of the Company's intermediate parent undertaking, have not agreed to provide such financial support as is necessary to enable the Company to continue to trade for at least 12 months from the date of approval of these financial statements. As a result this has led to significant doubt over the Company's ability to continue as a going concern.

The financial statements for the year ended 31 December 2018 have been prepared on a basis other than that of a going concern, which includes, where appropriate, writing down the Company's assets to net realisable value. The financial statements do not include any provision for the potential future costs of terminating the business of the Company.

## **P&O FERRIES (SHORT SEA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **DEFINED BENEFIT PENSION OBLIGATION**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The principal schemes include the Merchant Navy Officers Pension Fund ('MNOFF'), and Merchant Navy Ratings Pension Fund ('MNRPF'), industry wide schemes in which the Company's employees participate.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company participates in a group wide defined benefit pension plans. The net defined benefit cost of the plan is charged to participating entities in proportion to their share of the overall deficit and in proportion to their participating members earnings as appropriate. The contributions payable by the participating entities are determined on a similar basis.

#### **TAX**

The Company is considered dormant for the purposes of UK corporation tax as a result of not trading. Consequently, no charge or credit to corporation taxes has arisen in the current or prior year and no deferred taxation is recognised.

#### **FINANCIAL ASSETS AND LIABILITIES**

Non-derivative financial instruments comprise trade and other creditors.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's financial statements prepared in accordance with IFRS require management to make judgements and estimates that affect amounts reported in the financial statements and related notes. The judgements and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors consider that significant estimation arises in respect of assumptions applied to measure the Company's defined benefit pension liabilities (note 6).

### 2 OPERATING PROFIT

No salaries or wages have been paid to employees during the year.

The directors received no remuneration in the current and prior year for qualifying services provided to the Company.

Other pension costs, included in administrative costs, are amounts charged to operating profit and do not include amounts credited to finance income and charged to finance costs (see note 3), and amounts recognised in the statement of comprehensive income.

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £ 000	2017 £ 000
Other net financing charges in respect of pension plans	<u>50</u>	<u>59</u>

### 4 AUDITORS' REMUNERATION

	2018 £ 000	2017 £ 000
Audit of the financial statements	<u>5</u>	<u>4</u>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's intermediate parent, P&O Ferries Division Holdings Limited.

### 5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £ 000	31 December 2017 £ 000
Amounts owed to group undertakings	<u>2,856</u>	<u>2,801</u>

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 6 PENSION AND OTHER SCHEMES

#### DEFINED BENEFIT PENSION SCHEMES

The Company participates in the Merchant Navy Officers' Pension Fund (the "MNOFF Scheme") and the Merchant Navy Ratings' Pension Fund (the "MNRPF Scheme") industry wide schemes. Both of these Schemes are Career Average Related Earnings (CARE) schemes, and are closed to new members. The MNRPF Scheme closed to future accrual in 2001 and the MNOFF Scheme closed to defined benefit accrual on 31 March 2016. All participating employers, including the Company, are jointly and severally liable for the outstanding scheme deficits.

The Trustees of the MNOFF and MNRPF Schemes have provided sufficient information regarding the share of the obligations to be borne by the Company and other employers, for the directors to estimate the Company's share of the Schemes' deficit. In recognising its share of these deficits, the directors have considered the sensitivity of the assumptions which may alter the share of the deficit recognised in the future, including in respect of the ability of other employers to satisfy their obligations to the Scheme. The materiality of the Company's participation in the Schemes is also relevant.

Agreements were reached in 2013 and 2016 with the Trustees of the MNOFF and the MNRPF respectively regarding deficit contributions. The amount disclosed as a minimum funding liability for the MNRPF and MNOFF Schemes is based on Deficit Share Notices issued by the Trustees and payments set out in the respective contribution agreements. No refunds or reductions in future contributions have been assumed in the calculation of these amounts.

	2018 £ 000	2017 £ 000
<b>All schemes</b>		
Fair value of scheme assets	6,729	4,868
Present value of scheme liabilities	<u>(5,815)</u>	<u>(6,147)</u>
	914	(1,279)
Effect of asset ceiling	<u>(1,031)</u>	<u>(723)</u>
Defined benefit pension scheme deficit	<u>(117)</u>	<u>(2,002)</u>



**P&O FERRIES (SHORT SEA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2018**

**Movement in fair value of plan assets**

	<b>MNRPF Scheme £ 000</b>	<b>MNOPF Scheme £ 000</b>	<b>Total £ 000</b>
At 1 January 2017	3,362	1,229	4,591
Interest income	82	29	111
Return on plan assets, excluding amounts included in interest income/(expense)	(1,540)	(52)	(1,592)
Employer contributions	2,005	52	2,057
Benefits paid	(207)	(62)	(269)
Administrative expenses paid	(28)	(2)	(30)
At 31 December 2017	<u>3,674</u>	<u>1,194</u>	<u>4,868</u>
At 1 January 2018	3,674	1,194	4,868
Interest income	89	29	118
Return on plan assets, excluding amounts included in interest income/(expense)	2,106	(61)	2,045
Employer contributions	-	50	50
Benefits paid	(245)	(69)	(314)
Administrative expenses paid	(35)	(3)	(38)
At 31 December 2018	<u>5,589</u>	<u>1,140</u>	<u>6,729</u>

**P&O FERRIES (SHORT SEA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2018**

**Movement in present value of defined benefit obligation**

	<b>MNRPF Scheme £ 000</b>	<b>MNOFF Scheme £ 000</b>	<b>Total £ 000</b>
At 1 January 2017	5,012	1,338	6,350
Actuarial gains and losses arising from changes in financial assumptions	(14)	(27)	(41)
Actuarial gains and losses arising from experience adjustments	(17)	(31)	(48)
Interest cost	123	32	155
Benefits paid	(207)	(62)	(269)
At 31 December 2017	<u>4,897</u>	<u>1,250</u>	<u>6,147</u>
At 1 January 2018	4,897	1,250	6,147
Past service cost	68	-	68
Actuarial gains and losses arising from changes in demographic assumptions	(237)	-	(237)
Actuarial gains and losses arising from changes in financial assumptions	40	(46)	(6)
Actuarial gains and losses arising from experience adjustments	(3)	10	7
Interest cost	120	30	150
Benefits paid	(245)	(69)	(314)
At 31 December 2018	<u>4,640</u>	<u>1,175</u>	<u>5,815</u>

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### MNRPF Scheme

#### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the balance sheet are as follows:

	2018 £ 000	2017 £ 000
Fair value of scheme assets	5,589	3,674
Present value of scheme liabilities	<u>(4,640)</u>	<u>(4,897)</u>
	949	(1,223)
Effect of asset ceiling	<u>(964)</u>	<u>(628)</u>
Defined benefit pension scheme deficit	<u>(15)</u>	<u>(1,851)</u>

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2018 £ 000	2017 £ 000
Equity instruments	713	459
Bonds	<u>4,876</u>	<u>3,215</u>
	<u>5,589</u>	<u>3,674</u>

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.

#### *Effect of asset ceiling*

A reconciliation of the effect of the asset ceiling is as follows:

	2018 £ 000	2017 £ 000
Opening balance	(628)	(550)
Interest cost	(16)	(13)
Changes in asset ceiling, excluding amounts included in interest	<u>(320)</u>	<u>(65)</u>
Closing balance	<u>(964)</u>	<u>(628)</u>

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2018 %	2017 %
Discount rate	2.85	2.50
Revaluation of benefits in service	4.55	4.45
Future pension increases - deferment	2.55	2.45
Future pension increases - payment	3.45	3.35
Inflation	3.55	3.45

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on 99% of SAPS tables with adjustments to reflect historical scheme experience. The future improvements are in line with CMI 2017 projections with a long term improvement rate of 1.50% p.a.

### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above.

Sensitivity is only considered for the P&O Ferries Division Holdings Limited group (the "Group"), the Company's intermediate parent undertaking, due to the complexity of accurately allocating a proportion sensitivities to the respective Group companies. The Group's sensitivity is considered relevant as this provides a reasonable proxy for the Company's position, and the sensitivities demonstrate how the Group obligation would be impacted. The following table summarises how the impact on the Group's defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions:

	2018 - 0.1%	2017 - 0.1%
<b>Adjustment to discount rate</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	6,300	7,700
	2018 + 0.1%	2017 + 0.1%
<b>Adjustment to rate of inflation</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	2,100	2,600
	2018 + 0.25%	2017 + 0.25%
<b>Adjustment to mortality age rating assumption</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	3,600	8,700

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 April 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Contributions payable to the pension scheme at the end of the year are £Nil (2017 - £Nil).

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

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2017 - 16 years).

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### MNOPF Scheme

#### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the balance sheet are as follows:

	2018 £ 000	2017 £ 000
Fair value of scheme assets	1,140	1,194
Present value of scheme liabilities	(1,175)	(1,250)
	(35)	(56)
Effect of asset ceiling	(67)	(95)
Defined benefit pension scheme deficit	(102)	(151)

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2018 £ 000	2017 £ 000
Equity instruments	403	361
Bonds	569	833
Other	168	-
	1,140	1,194

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.

#### *Effect of asset ceiling*

A reconciliation of the effect of the asset ceiling is as follows:

	2018 £ 000	2017 £ 000
Opening balance	(95)	(91)
Interest cost	(2)	(2)
Changes in asset ceiling, excluding amounts included in interest	30	(2)
Closing balance	(67)	(95)

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2018 %	2017 %
Discount rate	2.85	2.50
Revaluation of benefits in service	4.05	3.95
Future pension increases - deferment	2.55	2.45
Future pension increases - payment	3.45	3.35
Inflation	<u>3.55</u>	<u>3.45</u>

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on 85% of SAPS tables with adjustments to reflect historical scheme experience. The future improvements are in line with CMI 2014 projections with a long term improvement rate of 1.80% p.a.

### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above.

Sensitivity is only considered for the P&O Ferries Division Holdings Limited group (the "Group"), the Company's intermediate parent undertaking, due to the complexity of accurately allocating a proportion sensitivities to the respective Group companies. The Group's sensitivity is considered relevant as this provides a reasonable proxy for the Company's position, and the sensitivities demonstrate how the Group obligation would be impacted. The following table summarises how the impact on the Group's defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions:

	2018 - 0.1%	2017 - 0.1%
<b>Adjustment to discount rate</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>5,700</u>	<u>7,400</u>
	2018 + 0.1%	2017 + 0.1%
<b>Adjustment to rate of inflation</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>2,300</u>	<u>2,800</u>
	2018 + 0.25%	2017 + 0.25%
<b>Adjustment to mortality age rating assumption</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>2,500</u>	<u>3,700</u>

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Contributions payable to the pension scheme at the end of the year are £Nil (2017 - £Nil).

The expected contributions to the plan for the next reporting period are £0.1m.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2017 - 16 years).

# P&O FERRIES (SHORT SEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 SHARE CAPITAL

#### ALLOTTED, CALLED UP AND FULLY PAID SHARES

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

### 8 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	<u>1,991</u>	<u>1,991</u>

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	<u>(1,570)</u>	<u>(1,570)</u>

### 9 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with companies which are also wholly controlled by the group headed by P&O Ferries Division Holdings Limited. There are no other related party transactions in the year which require disclosure.

### 10 PARENT AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is P&O Short Sea Ferries Limited, a company incorporated in Great Britain and registered in England and Wales.

The smallest group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is P&O Short Sea Ferries Limited.

The ultimate parent undertaking is Dubai World Corporation, a company incorporated in Dubai. This is the largest group of companies for which consolidated financial statements are prepared in which P&O Ferries (Short Sea) Limited is consolidated. These financial statements are not publicly filed.

As at 31 December 2018 the ultimate controlling party is Port and Free Zone World FZE, a company incorporated in Dubai.

## **P&O FERRIES (SHORT SEA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **11 NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD**

On 20 February 2019, DP World PLC, a company incorporated in Dubai, announced the acquisition of the Company's intermediate parent company; P&O Ferries Division Holdings Limited, for a purchase consideration of £322m.

Following the completion of this transaction, the ultimate parent will remain Dubai World Corporation, and the ultimate controlling party will be DP World.