COMPANY REGISTRATION NUMBER: 03242391

P&O FERRIES (SHORT SEA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

P&O FERRIES (SHORT SEA) LIMITED

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P&O FERRIES (SHORT SEA) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements of P&O Ferries (Short Sea) Limited ('the Company') for the year ended 31 December 2021. 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 7 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 £0.1m (2020: loss £0.1m). The directors have not recommended a final dividend (2020: £nil). No interim dividends were paid in the year (2020: £nil).

DIRECTORS

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

D Stretch (resigned 23 November 2021)

K Howarth (resigned 31 March 2022)

The following directors were appointed after the year end:

P Hebblethwaite (appointed 1 April 2022)

Mr P Narayan (appointed 3 August 2022)

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 nil political expenditure during the year (2020: £nil).

GOING CONCERN

The financial statements for the year ended 31 December 2021 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.

GEOPOLITICAL

Risks and issues: the Group operates across multiple jurisdictions including UK, continental Europe and Republic of Ireland. This operating area is exposed to a spectrum of economies, political and social frameworks. Political instability, changes to the regulatory regime or taxation, international sanctions, civil unrest and conflict can disrupt the Group's operations, increase costs or otherwise negatively impact services, revenues and volumes.

The Brexit settlement agreed between the UK and the EU includes a controversial new protocol for the land border between Northern Ireland and the Republic (which is a part of the EU Customs Union and Single Market). To avoid a hard border on the island of Ireland, Northern Ireland remains in the EU for Customs and Single Market purposes resulting in increased policing between GB and Northern Ireland - however these checks have not yet been fully implemented and remain a work in progress. This has led to a transfer of freight traffic from Ireland to the UK via Northern Ireland as associated regulatory constraints are currently easier to navigate using this route.

Despite the increasing risk due to the ongoing war between Russia and Ukraine, as well as political issues between UK and EU regulatory and administrative regimes, the impact on the Company is limited.

COVID 19

At the time of drafting these accounts the Covid 19 global pandemic appears to be in remission with countries reducing restrictions allowing people and businesses to return to pre pandemic practices. Travel in subsequent periods shows strong signs of bouncing back with tourism restarting as Covid risks and testing requirements continue to ease and reduce. Covid shall continue to be a principal risk as new strains may develop and create a new wave of disruption.

FINANCIAL INSTRUMENTS

Details of the Company's financial instruments are included in note 6 to the 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.

IMPORTANT NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

The controlling shareholder, DP World Ltd, has continued to provide significant funding to support the Intermediate Parent Company Group during 2022, to support operations and fund turnaround efforts. The controlling shareholders loan facility of £160m that existed at the balance sheet date was extended by a further £115m in September 2022 and then a further £30m in November 2022.

The court hearing to consider the approval of the settlement in the Merchant Navy Ratings Pension Fund (MNRPF) ill-health early retirement benefits case occurred on 24 February 2022 with the court approving the settlement, which is subject to appeal, a current service cost of £104.7k was recognised in 2022.

The Company forms part of the P&O Ferries Division Holding Group ("Intermediate Parent Company Group"). In March 2022, the Intermediate Parent Company Group enacted a strategic change related to its fleet crewing resources. The financial impacts of the Covid 19 pandemic on the Group resulted in a need to ensure operating efficiency and flexibility if it was to return to profitability and have a viable long-term future. The ability of the Group to operate with this required flexibility (to vary staffing levels and sailing schedule frequency in the light of changing demand) was constrained by legacy restrictive collective bargaining agreements.

The Intermediate Parent Company Board resolved on 17 March 2022 that the solution to gaining this essential operational flexibility was to deploy an international agency based crewing model common in the international maritime industry. The Group did not consult with 786 employees who were made redundant as required under UK Employment law in the implementation of this decision. However, all impacted employees were compensated in full for "failure to consult", as is required within the law, without the need for Employment Tribunal hearings, with settlement packages exceeding minimum statutory requirements and have signed final settlement agreements. The cost of the enhanced redundancy packages was £36.5m, which will be recognised in the financial statements in 2022. There was a further impacts arising from the subsequent disruption from ships being delayed returning to service due to seafarer familiarisation and extensive safety checks. A criminal investigation into the circumstances of the crewing model change by the Insolvency Service has been closed with no prosecution. A civil investigation by the Insolvency Service is ongoing but remains at the information gathering stage and the Insolvency Service have not confirmed the exact scope of their investigation. The Insolvency Service would need to show that any action it proposed to take was in the public interest and just and equitable. The directors consider that it will not be able to demonstrate this and consequentially there is a less than remote possibility of a related economic outflow in relation to any such action.

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REAPPOINTMENT OF AUDITOR

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Approved by the Board on 2 June 2023 and signed on its behalf by:

P Hebblethwaite
Director

Amelia Mitchell
Secretary

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (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;
- 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.

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

We have audited the financial statements of P&O Ferries (Short Sea) Limited ("the Company") for the year ended 31 December 2021 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 2021 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.

EMPHASIS OF MATTER - NON-GOING CONCERN BASIS OF PREPARATION

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note.

Our opinion is not modified in respect of this matter.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions . On this audit we do not believe there is a fraud risk related to revenue recognition because the Company has ceased operations and no revenue has been recognised.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and those posted with rounded numbers.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company as a holding Company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

DIRECTORS' REPORT

The directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report 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 that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

P&O FERRIES (SHORT SEA) LIMITED

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

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 5, 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.

P&O FERRIES (SHORT SEA) LIMITED

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

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

Date: 2 June 2023

P&O FERRIES (SHORT SEA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £ 000	2020 £ 000
Administrative expenses		(72)	(52)
Operating loss		(72)	(52)
Interest payable and similar charges	3	(1)	(18)
Loss before tax		(73)	(70)
Tax on loss		-	-
Loss for the year		(73)	(70)

The above results were derived from continuing operations.

P&O FERRIES (SHORT SEA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £ 000	2020 £ 000
Loss for the year	(73)	(70)
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	(514)	867
Income tax on remeasurement of post employment benefit obligations	-	-
Total comprehensive (loss) / income for the year	(587)	797

The notes on pages 15 to 30 form an integral part of these financial statements.

P&O FERRIES (SHORT SEA) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2021
(REGISTRATION NUMBER: 03242391)

	Note	2021 £ 000	2020 £ 000
Creditors: Amounts falling due within one year	6	(3,592)	(3,005)
Net liabilities		(3,592)	(3,005)
Capital and reserves			
Called up share capital	8	15,000	15,000
Profit and loss account		(18,592)	(18,005)
Shareholders' deficit		(3,592)	(3,005)

Approved by the Board on 2 June 2023 and signed on its behalf by:

....
P Hebblethwaite
Director

Amelia Mitchell
Secretary

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

The notes on pages 15 to 30 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 2021

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	15,000	(18,005)	(3,005)
Loss for the year	-	(73)	(73)
Other comprehensive loss	-	(514)	(514)
Total comprehensive loss	-	(587)	(587)
At 31 December 2021	15,000	(18,592)	(3,592)

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	15,000	(18,802)	(3,802)
Loss for the year	-	(70)	(70)
Other comprehensive income	-	867	867
Total comprehensive income	-	797	797
At 31 December 2020	15,000	(18,005)	(3,005)

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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 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 2021, the Company has net liabilities of £3.6m (2020 - £3.0m), and has reported a loss for the year of £0.1m (2020 - £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 2021 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.

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 ('MNOPF'), 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

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Company's operations are not within the tonnage taxation regime. Any profits earned will be subject to corporation tax, taking into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's financial statements prepared in accordance with FRS 101 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 7).

2 OPERATING LOSS

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

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

	2021 £ 000	2020 £ 000
Other net financing charges in respect of pension plans	1	18

4 DIRECTORS' REMUNERATION

No director received any emoluments during the period for services to the Company. The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from their respective Group company.

5 AUDITORS' REMUNERATION

	2021 £ 000	2020 £ 000
Audit of the financial statements	7	5

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.

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2021 £ 000	31 December 2020 £ 000
Amounts owed to group undertakings	3,034	2,921
Defined benefit obligations	558	84
	3,592	3,005

7 PENSION AND OTHER SCHEMES

DEFINED BENEFIT PENSION SCHEMES

The Company participates in the Merchant Navy Officers' Pension Fund (the "MNOPF 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 MNOPF 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.

These defined benefit schemes expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. In addition, by participating in certain multi-employer industry schemes, the Company can be exposed to a pro-rata share of the credit risk of other participating employers.

The Trustees of the MNOPF 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. However, as the directors are not able to predict the future allocation actions of the Trustees no sensitivities can reasonably be provided in respect of allocation shares. The materiality of the Company's participation in the Schemes is also relevant. In the period the share of deficit did not change for either MNRPF or MNOPF (2020: no changes).

Agreements were reached in 2015 and 2019 with the Trustees of the MNOPF and the MNRPF respectively regarding deficit contributions. The amount disclosed as a minimum funding liability for the MNRPF and MNOPF 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. Under IFRIC14 the Company is required to recognise an additional liability if the contributions agreed as part of the schemes' funding plans are expected to lead to an IAS19 surplus. This would not apply if the Company has an "unconditional right" to any surplus arising in the pension schemes. We have assessed that no such unconditional right exists in relation to the MNOPF and MNRPF schemes, and have therefore applied a balance sheet restriction in respect of these schemes in line with the requirements of IFRIC14.

All schemes	2021 £ 000	2020 £ 000
Fair value of scheme assets	2,540	7,991
Present value of scheme liabilities	(2,685)	(6,434)
	(145)	1,557
Effect of asset ceiling	(413)	(1,641)
Defined benefit pension scheme deficit	(558)	(84)

Movement in fair value of plan assets

	MNRPF Scheme £ 000	MNOPF Scheme £ 000	Total £ 000
At 1 January 2020	5,087	1,029	6,116
Interest income	96	20	116
Return on plan assets, excluding amounts included in interest income/(expense)	2,044	33	2,077
Benefits paid	(220)	(56)	(276)
Administrative expenses paid	(40)	(2)	(42)
At 31 December 2020	6,967	1,024	7,991
At 1 January 2021	6,967	1,024	7,991
Interest income	85	13	98
Return on plan assets, excluding amounts included in interest income/(expense)	(452)	(61)	(513)
Employer contributions	52	54	106
Benefits paid	(230)	(51)	(281)
Change in share	(4,792)	(2)	(4,794)
Administrative expenses paid	(65)	(2)	(67)
At 31 December 2021	1,565	975	2,540

Movement in present value of defined benefit obligation

	MNRPF Scheme £ 000	MNOPF Scheme £ 000	Total £ 000
At 1 January 2020	5,079	999	6,078
Past service cost	5	-	5
Actuarial gains and losses arising from changes in demographic assumptions	60	4	64
Actuarial gains and losses arising from changes in financial assumptions	377	39	416
Actuarial gains and losses arising from experience adjustments	39	(9)	30
Interest cost	97	20	117
Benefits paid	(220)	(56)	(276)
At 31 December 2020	5,437	997	6,434
At 1 January 2021	5,437	997	6,434
Actuarial gains and losses arising from changes in demographic assumptions	60	-	60
Actuarial gains and losses arising from changes in financial assumptions	(336)	(54)	(390)
Actuarial gains and losses arising from experience adjustments	(76)	(5)	(81)
Interest cost	66	12	78
Change in share	(3,135)	-	(3,135)
Benefits paid	(230)	(51)	(281)
At 31 December 2021	1,786	899	2,685

MNRPF Scheme

The Trustee of the MNRPF became aware in 2018 of legal uncertainties relating to ill-health early retirement benefits payable from the MNRPF since the early 1990s, which was likely to result in significant additional benefit liabilities.

The Court hearing to consider the approval of the settlement in the ill-health early retirement benefits case took place on 24 February 2022 and the Court has approved the settlement, which is subject to appeal. The current service charge of £27m in relation to ill health has been posted to the income statement in 2022. The trustees and administrators are investigating a number of other matters.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	1,565	6,967
Present value of scheme liabilities	(1,786)	(5,437)
	(221)	1,530
Effect of asset ceiling	(337)	(1,562)
Defined benefit pension scheme deficit	(558)	(32)

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Equity instruments	224	957
Bonds	1,341	6,010
	1,565	6,967

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:

	2021 £ 000	2020 £ 000
Opening balance	(1,562)	(842)
Interest cost	(20)	(16)
Changes in asset ceiling, excluding amounts included in interest	1,245	(704)
Closing balance	(337)	(1,562)

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:

	2021 %	2020 %
Discount rate	1.90	1.25
Future pension increases - deferment	2.60	2.00
Future pension increases - payment	3.20	2.75
Inflation	3.30	2.80

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.

Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	31 December 2021 Years	31 December 2020 Years
Longevity at age 65 for current pensioners		
Males	20.20	19.30
Females	23.50	22.50
Longevity at age 65 for current members aged 45		
Males	22.10	21.30
Females	25.50	24.60

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:

	2021	2020
	- 0.1%	- 0.1%
Adjustment to discount rate	£ 000	£ 000
Present value of total obligation	7,200	6,900

	2021	2020
	+ 0.1%	+ 0.1%
Adjustment to rate of inflation	£ 000	£ 000
Present value of total obligation	2,500	2,100

	2021	2020
	+ 0.25%	+ 0.25%
Adjustment to mortality age rating assumption	£ 000	£ 000
Present value of total obligation	3,400	6,900

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 (2020 - £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 13 years (2020 - 14 years).

MNOPF Scheme

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	975	1,024
Present value of scheme liabilities	(899)	(997)
	76	27
Effect of asset ceiling	(76)	(79)
Defined benefit pension scheme deficit	-	(52)

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Equity instruments	208	267
Bonds	767	757
	975	1,024

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:

	31 December 2021 £ 000	31 December 2020 £ 000
Opening balance	(79)	(82)
Interest cost	(1)	(1)
Changes in asset ceiling, excluding amounts included in interest	4	4
Closing balance	(76)	(79)

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:

	2021 %	2020 %
Discount rate	1.90	1.25
Future pension increases - deferment	2.60	2.00
Future pension increases - payment	3.20	2.75
Inflation	3.30	2.80

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on 112.5% 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 1.80% p.a.

Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	31 December 2021 Years	31 December 2020 Years
Longevity at age 65 for current pensioners		
Males	21.90	21.90
Females	24.00	24.00
Longevity at age 65 for current members aged 45		
Males	24.10	24.00
Females	26.20	26.20

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:

	2021	2020
	- 0.1%	- 0.1%
Adjustment to discount rate	£ 000	£ 000
Present value of total obligation	2,000	2,900

	2021	2020
	+ 0.1%	+ 0.1%
Adjustment to rate of inflation	£ 000	£ 000
Present value of total obligation	800	900

	2021	2020
	+ 0.25%	+ 0.25%
Adjustment to mortality age rating assumption	£ 000	£ 000
Present value of total obligation	1,500	1,700

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2018 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 (2020 - £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 13 years (2020 - 14 years).

8 SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID SHARES

	2021 No. 000	2021 £ 000	2020 No. 000	2020 £ 000
Ordinary of £1 each	15,000	15,000	15,000	15,000

9 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	(514)	(514)

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	867	867

10 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.

11 NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

The controlling shareholder, DP World Ltd, has continued to provide significant funding to support the Intermediate Parent Company Group during 2022, to support operations and fund turnaround efforts. The controlling shareholders loan facility of £160m that existed at the balance sheet date was extended by a further £115m in September 2022 and then a further £30m in November 2022.

The court hearing to consider the approval of the settlement in the Merchant Navy Ratings Pension Fund (MNRPF) ill-health early retirement benefits case occurred on 24 February 2022 with the court approving the settlement, which is subject to appeal, a current service cost of £104.7k was recognised in 2022.

The Company forms part of the P&O Ferries Division Holding Group ("Intermediate Parent Company Group"). In March 2022, the Intermediate Parent Company Group enacted a strategic change related to its fleet crewing resources. The financial impacts of the Covid 19 pandemic on the Group resulted in a need to ensure operating efficiency and flexibility if it was to return to profitability and have a viable long-term future. The ability of the Group to operate with this required flexibility (to vary staffing levels and sailing schedule frequency in the light of changing demand) was constrained by legacy restrictive collective bargaining agreements.

The Intermediate Parent Company Board resolved on 17 March 2022 that the solution to gaining this essential operational flexibility was to deploy an international agency based crewing model common in the international maritime industry. The Group did not consult with 786 employees who were made redundant as required under UK Employment law in the implementation of this decision. However, all impacted employees were compensated in full for "failure to consult", as is required within the law, without the need for Employment Tribunal hearings, with settlement packages exceeding minimum statutory requirements and have signed final settlement agreements. The cost of the enhanced redundancy packages was £36.5m, which will be recognised in the financial statements in 2022. There was a further impacts arising from the subsequent disruption from ships being delayed returning to service due to seafarer familiarisation and extensive safety checks. A criminal investigation into the circumstances of the crewing model change by the Insolvency Service has been closed with no prosecution. A civil investigation by the Insolvency Service is ongoing but remains at the information gathering stage and the Insolvency Service have not confirmed the exact scope of their investigation. The Insolvency Service would need to show that any action it proposed to take was in the public interest and just and equitable. The directors consider that it will not be able to demonstrate this and consequentially there is a less than remote possibility of a related economic outflow in relation to any such action.

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12 PARENT AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is P&O Short Sea Ferries Limited, a company incorporated in United Kingdom 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 2021 the ultimate controlling party is DP World Ltd, a company incorporated in Dubai.