Stena North Sea Limited

Annual Report and Financial Statements

Registered number 4571379

For the year ended 31 December 2020

CONTENTS

Strategic Report

The Directors present their Strategic Report of Stena North Sea Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The principal activities of the Company are to own, operate and charter out freight and passenger vessels.

Strategy

The strategy of the Company is to create value by owning and chartering out vessels, and by buying and selling vessels at the right time in the business cycle.
There are no employees in the Company.

Directors' statutory duties in accordance with s172(1) Companies Act 2006

The Directors must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 which is summarized as follows:
"A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the shareholders as a whole and in doing so have regard, among other matters to:
- the likely consequences of any decisions in the long-term
- the interest of the company's employees
- the need to foster the company's relationships with suppliers, customer and others
- the impact of the company's operations on the community and environment
- the desirability of the company to maintain a reputation for high standards of business conduct, and
- the need to act fairly as between shareholders of the company"

In carrying out their duties the Directors apply the principles and guidelines established and adopted by the immediate or the ultimate parent company and which are described in the following documents:
- Principles, convictions and basic values for Stena AB (publ.) (issued by the ultimate parent company)
- Code of Conduct (issued by the ultimate parent company)
- Slavery and Human Trafficking Statement (issued by the immediate parent company)
- Anti-Bribery and Corruption Policy (issued by the immediate parent company)

The documents can be found on the immediate parent company's webpage www.stena.co.uk

Risk Management: The Company carefully considers the risks and uncertainties, described in the section "Principal risks and uncertainties" below, in any decisions.
People/Employees: The Company is committed to be a responsible employer and apply the principles and guidelines established by the immediate and the ultimate parent company
Business Relationships: The Company always strives to develop and maintain strong client relationship by delivering high quality and cost efficient services
Community and Environment: The Company always strive to improve efficiency and performance to reduce the environmental impact of the business and to contribute to a sustainable development of the community.
The entity as such is a low energy user - limited to office consumption of electricity
For further information reference is made to the Sustainability Report incorporated in the Annual Report of the ultimate parent company which can be found on the immediate parent company's webpage www.stena.co.uk

Strategic Report *(continued)*

Business review

The Company is acting mainly in the European market. It currently operates eight ships which are either owned or leased (2019: nine).

The business is cyclical in its characteristics. Factors that drive the cyclicality are the general economic environment in the regions where the Company is active, tonnage supply and demand balance and competition from other forms of transport. This presents the Company with both opportunities and challenges throughout a business cycle.

Management measures business performance through their review of the charter rates, the costs profile and the fleet utilization rate. The charter rates achieved and the costs profile during the year were satisfactory. The utilization rate of the fleet was 100%.

A turnover of €91m was generated during the year (2019: €98m).

Operating costs of €57m (2019: €60m) primarily consist of ship depreciation charges and crew and other ship operating costs.

Results and dividends

The Company made a profit for the financial year of €38.9m (2019: €28.3m).

A dividend of €35.0m was paid to the parent company, Stena (UK) Limited, during the year (2019; €70.0m).

The financial position of the company as at 31 December 2020 is shown on page 12.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company include the residual value of owned and finance leased ships at the time of disposal. The Company undertakes an annual impairment review of the carrying value and useful economic lives of all ship assets, using third party valuations and value in use assessments where appropriate.

The Company's trading and financing transactions are principally Euro denominated. Consequently, the financial statements are presented in that currency.

Hedging, using derivative financial instruments is undertaken for planned currency exposures arising from material transactions which are not denominated in Euros.

Ships are financed by way of third party bank loans, inter-group loans and by way of finance leases. Borrowings are undertaken at variable rates. To the extent not covered by derivative instruments the Company is therefore exposed to fluctuations in interest rates.

An analysis of the tax charge for the year is set out in note 8 to the financial statements.

<u>UK/EU</u>
The UK left the European Union on January 31, 2020. A transition period started at that time and ran to December 31, 2020. During that time the UK, even though not a member, was subject to EU rules and remained a member of the Customs Union. During the transition period the UK and EU negotiated the rules to be applied to future trading and other relationships from January 1, 2021 and onwards. A trade agreement (The EU-UK Trade and Cooperation Agreement – TCA) was reached on December 30, 2020.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

The TCA includes free trade in goods and limited mutual market access in services. Certain key areas are not incorporated in the TCA, such as free movement of people, law enforcement and security cooperation. The TCA has been ratified both by the UK and the EU.

The consequences and effects on the Company's business, as a result of that the UK is now outside EU, is limited. For the Company's major customer, a fellow group company providing ferry services to and from the UK, the short term negative effects have been substantial on certain services with reduced volumes and changed sea route trading patterns.

Covid-19
The consequences of the Covid-19 breakout have been dramatic for the Company's fellow group customers, including a substantial decline in the number of passengers and operational challenges due to quarantine restrictions.

The Company's fleet however continues to be chartered out to the various fellow group companies.

Key Performance Indicators

In addition to monitoring the charter opportunities for the vessel, the Directors also monitor the following metrics as indicators of the performance of the business:

€000	2020	2019
Turnover	90 527	98 486
Profit before interest and taxation	65 784	51 952
Total Shareholder's funds	109 901	105 953
Total Assets	663 252	596 969
Solvency %[1)]	16.6	17.7

[1)] Equity/total assets

Approved by the Board of Directors and signed on behalf of the Board

Hans E Noren
Director
19 May 2021

45 Albemarle Street
London W1S 4JL

Directors' Report

The Directors present their Directors' Report and audited financial statements of Stena North Sea Limited (the "Company") for the year ended 31 December 2020.

Dividends and Financial Risk Management

Reference is made to the relevant sections in the Strategic Report.

Future development

The market is expected to recover from the negative effects of the Covid-19 outbreak as well as the initial negative effects of Brexit.

The situations are evaluated on an ongoing basis and management and the Directors have at this stage, no significant doubts about the continued operations as the overall business is expected to develop in the same direction and to about the same extent as in 2020.

Directors

The Directors who held office during the year and at the date of signing this report were:

Michael H Percy
Staffan W Hultgren (resigned January 5, 2021)
Hans E Noren
Mikael F Stenvaller
Ian J Hampton
Mauro Mattiuzzo
Annika Hult (appointed January 5, 2021)

The Directors benefited from qualifying indemnity provisions in place during the financial year and at the date of this report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report *(continued)*

Going concern

Based upon the cash position and having reviewed the Company's future forecast cash flows, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Statement of disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another term and arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Hans E Noren
Director

19 May 2021

45 Albemarle Street
London W1S 4JL

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Independent auditors' report to the members of Stena North Sea Limited

Report on the audit of the financial statements

Opinion

In our opinion, Stena North Sea Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2020; profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to corporation taxes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to accounting estimates and risk of management override of controls. Audit procedures performed by the engagement team included:

- challenging the assumptions and judgements made by management in significant accounting estimates, in particular, in relation to the carrying value of tangible assets.
- identifying and testing journal entries, in particular any journal entries posted by unusual staff members including Senior Management and unusual account combinations.
- review of the minutes of meetings of the Board of Directors and inquiry of management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 May 2021

Profit and Loss Account
for the year ended 31 December 2020

	Note	2020 €000	2019 €000
Turnover	4	**90 527**	98 486
Gain on sale of assets		**32 003**	13 165
Operating costs		**(56 744)**	(59 699)
Profit before interest and taxation		**65 786**	51 952
Interest receivable and similar income	5	**5 442**	4 994
Interest payable and similar expenses	6	**(17 783)**	(14 744)
Profit before taxation	7	**53 445**	42 202
Tax on profit	8	**(14 497)**	(13 939)
Profit for the financial year		**38 948**	28 263

The notes on pages 14 to 27 form an integral part of these financial statements.

There was no other comprehensive income during the year (2019: €nil).

Balance Sheet
at 31 December 2020

	Note	2020 €000	2020 €000	2019 €000	2019 €000
Fixed assets					
Tangible assets	11		370 578		436 998
Current assets					
Debtors	12	133 514		129 871	
Cash at bank and in hand		159 160		30 100	
		292 674		159 971	
Creditors:					
Amounts falling due within one year	13	(90 568)		(81 728)	
Net current assets			202 106		78 243
Total assets less current liabilities			572 684		515 241
Creditors:					
Amounts falling due after more than one year	14		(444 600)		(406 026)
Provisions for liabilities	15		(18 183)		(3 262)
Net assets			109 901		105 953
Capital and reserves					
Called up share capital	16		101 000		101 000
Retained earnings			8 901		4 953
Total shareholder's funds			109 901		105 953

The notes on pages 14 to 27 form an integral part of these financial statements.

These financial statements on pages 11 to 27 were approved by the Board of Directors on 19 May 2021 and signed on its behalf by:

Hans E Noren
Director

Registered Company No: 4571379

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital	Retained earnings	Total Share-holders' funds
	€000	€000	€000
Balance as at 1 January 2019	101 000	46 690	147 690
Profit for the financial year	-	28 263	28 263
Total comprehensive income for the year	-	28 263	28 263
Dividend		(70 000)	(70 000)
Balance as at 31 December 2019	101 000	4 953	105 953
Profit for the financial year	-	38 948	38 948
Total comprehensive income for the year	**-**	**38 948**	**38 948**
Dividend paid		(35 000)	(35 000)
Balance as at 31 December 2020	**101 000**	**8 901**	**109 901**

The notes on pages 14 to 27 form an integral part of these financial statements.

Notes to the Financial Statements
(forming part of the financial statements)

1) General information

Stena North Sea Limited (the "Company") is a private company limited by shares and is incorporated in United Kingdom. The address of its registered office is 45 Albemarle Street, London, England,W1S 4JL.

The principal activities of the Company are to own, operate and charter out freight and passenger vessels.

2) Statement of compliance

The individual financial statements of Stena North Sea Limited have been prepared in compliance with the United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3) Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) Basis of preparation

These financial statements are prepared under the historical cost convention, and in accordance with the UK accounting standard FRS 102.

The preparation of financial statements in conformity with FRS 102 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of this note.

b) Going concern

The Company (together with two other group companies) has a multicurrency revolving credit facility provided by a fellow group company, AB Stena Finans. As at 31 December 2020 the limit of the facility was $260 (2019: $290) million, reducing by $30 million per annum.
At year-end $153 (2019: $16) million was drawn on the facility by another group company leaving a further $107 (2019: $223) million undrawn. The facility expires in December 2025.

Based upon the availability of its drawn and undrawn loan facilities and having reviewed the Company's future forecast cash flows, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Stena North Sea Limited is a qualifying entity as its results are consolidated into the financial statements of Stena AB (publ.) which are publicly available.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

d) Foreign currencies

(i) Functional and presentation currency
The Company's trading and financing transactions are principally Euro denominated. Since this is the functional currency, the financial statements have been prepared in Euros.

(ii) Transactions and balances
Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income.

e) Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company charters out freight and passenger vessels services. Revenue is recognised in the accounting period in which the services are rendered when the outcome of contract can be estimated reliably.

f) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

f) Taxation (continued)

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date, except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

g) Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Ships	20-30 years
Machinery and equipment	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating income on sale of ships'.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

i) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

j) Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets held under finance leases are included as tangible assets and depreciated as stated above. The rentals payable are apportioned between interest, which is charged to the Profit and loss, and capital, which reduces the outstanding obligation, on a basis which will produce a constant period rate of charge on the remaining balance of the obligation for each accounting period.

(ii) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Assets subject to operating leases are held on the balance sheet according to the nature of the asset. Lease income from operating leases is recognised in the Profit and loss on a straight-line basis over the lease term.

(iii) Sale and leaseback transactions
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

If a sale and leaseback transaction results in a finance lease, the Company do not recognize, as income, any excess of sales proceeds over the carrying amount and the Company recognizes a financial liability equal to the sales proceeds.

The asset continues to depreciate based on the carrying amount at the time of the transaction. The rentals payable are apportioned between interest, which is charged to the Profit and loss account, and capital, which reduces the outstanding obligation.

Notes to the Financial Statements *(Continued)*

k) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Profit and loss, unless the asset has been revalued when the amount is recognised in the Profit and loss to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Profit and loss.

3) Summary of significant accounting policies (continued)

l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with fellow group company AB Stena Finans or with banks and, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

m) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 exemption of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Profit and loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in Profit and loss.

Notes to the Financial Statements *(Continued)*

3) Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans, third party loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

n) Derivatives
The Company does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies or for transactions entered into to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes to the fair values of derivatives designed as cash flow hedges, and which are effective, are recognized directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognized in the Income Statement. Where formal hedge documentation has not been put in place, the movement in the fair value is recognised in the Profit and loss.

The gain or loss recognized in other comprehensive income is reclassified to the Profit and loss when the hedging relationship ends. Hedge accounting is discontinued when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Notes to the Financial Statements *(Continued)*

o) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

3) Summary of significant accounting policies (continued)

o) Critical accounting judgements and key source of estimation uncertainty (continued)
Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Vessels used in business operations are recognised at cost less accumulated depreciation and any impairment losses. Acquisition expenditure is capitalised on acquisition, Dry-docking cost for vessels are capitalised and amortised over a period of two to five years. For vessels, the Company uses appraisals carried out by independent vessel brokers for impairment assessment. If a review indicates that the net carrying amount of an asset exceeds its recoverable amount, discounted cash flows based on estimated capital expenses and estimated future returns are used. If impairment exists on the balance sheet date, the recoverable amount to the asset is estimated and the asset is written down to this value. Impairment is reversed if any change is made to the calculations used to determine the recoverable amount.

The residual values and useful lives of the assets are tested on every balance sheet date and adjusted when needed.

Generally, provisions are recognised when there is an obligation as a result of a historical event, where it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are recognized at the amount that represent the best estimate of the amount required to settle the existing obligation on the balance sheet date. When there is doubt in the estimates referring to forthcoming events outside the Company´s control, the actual outcome may differ significantly.

When a commitment does not meet the criteria for reporting in the balance sheet, the amount can be considered a contingent liability and be disclosed. These commitments arise from events that have taken place and their existence will be confirmed only when one or several uncertain future events, which do not lie entirely within the Company´s control, take place or fail to take place. Contingent liabilities also include present commitments where an outflow of resources is not likely or a sufficiently reliable estimate of the amount cannot be made.

p) Future amendments to FRS 102

There are no further disclosures in connection with amendments to FRS 102 or FRC abstracts that have an effect on the current period, prior period or future period as required by paragraph 10.13 of FRS 102.

Notes to the Financial Statements *(Continued)*

4) Turnover

Turnover comprises of charter hire receivable on vessels owned, leased and managed during the year. Turnover is recognized when; a) the significant risks and rewards of ownerships has been transferred to the buyer; b) the Company retains no continuing involvement or control over the goods/service; c) the amount of revenue can be measured reliably; d) it is probable that future economic benefits will flow to the entity. The revenue on charter income is recognised in the period the services are rendered when the outcome of the contract can be measured reliably. Charter hire arises in the following geographical markets:

	2020 €000	2019 €000
Europe	90 527	98 486
	90 527	98 486

5) Interest receivable and similar income

	2020 €000	2019 €000
Bank deposit interest	813	398
Deposit interest from fellow group undertakings	341	610
Bank guarantee income from fellow group undertakings	89	440
Other external interest	198	239
Exchange gain	4 001	3 307
	5 442	4 994

6) Interest payable and similar expenses

	2020 €000	2019 €000
Bank interest and other charges	15 517	12 440
Interest payable to group undertakings	166	131
Bank guarantee costs	2 100	2 173
	17 783	14 744

The ultimate parent company, Stena AB (publ.), guarantees all external loans and leases. The total guarantee fees payable during the year was €2.1m (2019: €2.1m).

Notes to the Financial Statements *(Continued)*

7) Profit before taxation

	2020 €000	2019 €000
Profit before taxation is stated after charging:		
Depreciation		
- tangible fixed assets	**46 809**	21 554
Exchange loss	**216**	190
Operating lease rentals (ship vessels)	**4 330**	4 572

	2020 €000	2019 €000
Fee payable to the Company's auditors for the audit of the Company's financial statements	**25**	25
Total fees payable to the Company's auditors	**25**	25

8) Tax on profit

	2020 €000	2019 €000
(i) Analysis of tax charge		
Current taxation:		
- Group relief payable at 19.00% (2019: 19.00%)	**(9 748)**	(19 657)
- Adjustments in respect of prior years	**10 174**	(2 694)
Current taxation	**426**	(22 351)
Deferred taxation		
- Current year	**(2 480)**	8 654
- Adjustments in respect of prior years	**(12 443)**	(242)
Deferred taxation	**(14 923)**	8 412
Total tax charge for the year	**(14 497)**	(13 939)

The prior year adjustments relate to the change in the Group relief position in the filed tax returns.

Notes to the Financial Statements *(Continued)*

(ii) Factors affecting the tax charge for the year

The total tax charge for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.00% (2019:19.00%). The differences are explained below.

	2020	2019
	€000	€000
Profit before taxation	**53 443**	42 202
Tax on profit at the standard rate of UK corporation tax of 19.00% (2019: 19.00%)	**(10 154)**	(8 018)
Effect of:		
Timing differences:		
- Permanent differences	**(228)**	(2 168)
- Deferred tax rate changes	**(1 847)**	(1 234)
- Movement in non-provided deferred tax	**-**	(1 827)
- Adjustments in respect of prior years	**(2 268)**	(692)
Total taxation relating to the year	**(14 497)**	(13 939)

(iii) Factors affecting the future total tax charge

Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main tax rate to reduce the rate to 19% from 1 April 2017. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements. The Company has due to the foreshadowed possible future changes in the corporation tax rate used 19% for the deferred tax calculation.

9) Staff numbers and cost

Excluding Directors, the Company employed no staff during the year (2019: nil).

10) Remuneration of Directors

The total amount of fees paid to Directors during the year was nil (2019:nil). The fees paid to Directors are borne by a fellow group company and are not recharged to this entity.

At year end the Company had six directors (2019: six).

Notes to the Financial Statements *(Continued)*

11) Tangible assets

	Ships €000	Machinery, dry-dock & equipment €000	Total €000
Cost			
At 1 January 2020	788 226	20 978	809 204
Disposals	(46 123)	-	(46 123)
At 31 December 2020	**742 103**	**20 978**	**763 081**
Accumulated Depreciation			
At 1 January 2020	353 153	19 053	372 206
Charges for year	45 263	1 546	46 809
Disposals	(26 512)	-	(26 512)
At 31 December 2020	**371 904**	**20 599**	**392 503**
Net book value			
At 31 December 2020	**370 199**	**379**	**370 578**
At 31 December 2019	435 073	1 925	436 998

Included in Ships are vessels, with net book value of EUR368.718, which have been pledged as collateral to securitize the loans received from the bank and other third party lender (notes 14 and 18).

12) Debtors: Amounts falling due within one year

	2020 €000	2019 €000
Trade debtors	**73**	22
Amount owed by group undertakings	**126 999**	125 306
Prepayments and accrued income	**6 442**	4 543
	133 514	129 871

Prepayments and accrued income include €3.7m (2019: €3.7m) relating to periods after more than one year.

	2020 €000	2019 €000
Amounts owed by group undertakings consists of:		
- Unsecured interest-bearing deposit, repayment March 31, 2021	**115 322**	115 322
- Intra-group receivables	**11 677**	9 984
	126 999	125 306

Intra-group receivables are interest free and repayable on demand.

Notes to the Financial Statements *(Continued)*

13) Creditors: Amounts falling due within one year

	2020 €000	2019 €000
Bank overdrafts	**5**	340
Bank and third party borrowings	**58 544**	46 828
Amounts owed to group undertakings:		
- Intra-group payables	**-**	901
- Group relief payable	**31 910**	33 163
Accruals and deferred income	**109**	496
	90 568	81 728

Amounts owed to group undertakings are repayable on demand and are noninterest bearing.

14) Creditors: Amounts falling due after more than one year

	2020 €000	2019 €000
Bank loans and overdrafts	**-**	79 987
Bank and third party borrowings	**444 600**	326 039
	444 600	406 026

The Company (together with two other group companies) has a multicurrency revolving credit facility provided by a fellow group company, AB Stena Finans As at 31 December 2020 the limit of the facility was $260 (2019: $290) million, reducing by $30 million per annum.
At year-end $153 (2019: $16) million was drawn on the facility by another group company leaving a further $107 (2019: $274) million undrawn.

The facility is repayable in full on December 31, 2025. The interest charged is on a variable rate basis, and interest is charged at LIBOR plus 3.25% (2019: 3.25%).

Bank and third party borrowings are repayable as follows:

	2020 €000	2019 €000
Within one year	**58 544**	46 828
Between two and five years	**349 458**	231 747
After more than five years	**95 142**	174 279
	503 144	452 854

Bank and third party borrowings at 31 December 2020 of EUR503.14 million consist of secured facilities to finance the ownership of ships (note 11). Interest is payable on a fixed and variable interest rate basis.

Notes to the Financial Statements *(Continued)*

15) Provision for liabilities and charges

	2020 €000	2019 €000
Deferred taxation		
- At beginning of year	**3 262**	11 675
- Provided during year	**14 923**	(8 413)
At end of year	**18 183**	3 262

The amounts provided for deferred taxation in respect of timing differences are analysed below:

	2020 €000	2019 €000
Difference between accumulated depreciation and capital allowances on vessels	**18 183**	3 262
	18 183	3 262

16) Called up share capital

	2020 €000	2019 €000
101,000,000 (2019: 101,000,000) ordinary shares of €1 each: Authorised, issued and fully paid	101 000	101 000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17) Dividends

A dividend of €35 million was paid to the parent company, Stena (UK) Limited, during the year (2019: €70 million).

18) Loans and borrowings

The Company entered into a multicurrency credit facility provided by a bank and another third party lender. The loan amounts were €70.7 million (2019: 68.6 million) and $33.03 million ($33.4 million) at a fixed interest rate of 3.2%. These loans were obtained to refinance the ownership of two vessels which have also been used as collateral to secure the loans (note 11). The loans are repayable over a 7-year period. At year end, the carrying amount of the borrowings were as follows:

	2020 €000	2019 €000
Amounts falling due within one year (note 13)	**58 544**	46 828
Amounts falling due after more than one year (note 14)	**444 600**	406 026
	503 144	452 854

Notes to the Financial Statements *(Continued)*

19) Commitments

At 31 December 2020 there were future commitments for capital expenditure of €nil (2019: €13) million relating to rebuilding and conversion projects for owned vessels.

Lease commitments

At 31 December 2020 the Company had no future minimum lease payments, as a lessee, under non-cancellable operating leases expiring as follows:

	2020	2019
	€000	€000
Not later than one year	-	4 051
Later than one year and not later than five years	-	-
	-	4 051

At 31 December 2020 the Company had future minimum lease receipts, as a lessor, under non-cancellable operating leases expiring as follows:

	2020	2019
	€000	€000
Not later than one year	62 237	78 798
Later than one year and not later than five years	134 979	84 018
	197 216	162 816

20) Related party transactions

Under paragraph 33.1A of FRS 102, the Company is exempt from the requirement to disclose related party transactions with other group undertakings as it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements. There are no further related party transactions, which in the opinion of the Directors require disclosure in the financial statements.

21) Parent company and ultimate parent company

The Company is a wholly owned subsidiary of Stena (UK) Limited, which is incorporated in London, Great Britain and registered in England and Wales. The ultimate parent and controlling company is Stena AB (publ.), a company incorporated in Sweden.

The largest group in which the results of the Company are consolidated is that headed by Stena AB (publ.). The consolidated financial statements of Stena AB (publ.) are available at Masthuggskajen, 405 19, Gothenburg, Sweden.

The smallest group in which the results of the Company are consolidated is Stena International SA (formerly Stena International SaRL). The consolidated financial statements of Stena International SA are available at 26B Boulevard Royal - L2449 Luxembourg - Luxembourg.

The immediate parent undertaking is Stena (UK) Limited.