Registration number: NI004115

P&O Ferrymasters Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

P&O Ferrymasters Limited

Contents

Company Information

Directors	B Belder
	W Blomme
	HH Braam
	CN Cassidy
	H Deeble
	ME Mulder
	G A C Timmermans
Company secretary	B Belder
Registered office	2a Redlands Crescent Port of Larne Business Park Redlands Crescent Larne Co Antrim BT40 1FF
Auditors	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR

P&O Ferrymasters Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Results and Dividends
The loss for the year, after taxation amounted to £1.0m (2015 profit £0.5m). The directors have not recommended a final dividend (2015: £nil). No interim dividends were paid in the year (2015: £nil).

Key Performance Indicators and Performance Review
In 2016 the Company continued to build upon the foundations established in previous years. Revenue increased from 2015 levels but increasing operating costs resulted in a net year on year reduction in the operating result.

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

	Unit	2016	2015
Divisional Volume Analysis	Loads	502,197	521,575
Turnover (continuing operations)	£000	377,816	359,659
Operating profit	£000	(415)	1,709
(Loss)/Profit for the financial year	£000	(1,044)	470
Shareholder's equity	£000	(4,606)	1,924
Capital expenditure	£000	891	838
Net (Liabilities)/Assets	£000	(4,606)	1,924

The organisation also monitors other factors such as Human Resources, Service Quality and Health and Safety.

The loss after tax included £938k of non-recurring exceptional items in the year, incorporating a contract cessation and the strategic closure of two offices.

The Company remained price competitive in order to retain and grow existing business despite excess market supply and underlying sea freight and fuel cost increases. Total volumes decreased by 3.7% in comparison to 2015, while year on year turnover increased by 5.04%. With revenues predominantly in euros the weak pound in the second half of 2016 caused an increase in Euro denominated revenues, however this was offset by an increase in Euro denominated costs.

Trading proved challenging with the Freight Management Division and the Intermodal Division delivering operational results above 2015, while the Contract Logistics Division and the Trailer Division was significantly below.

Volumes were adversely impacted by the structural changes within the steel sector in the UK and Continental Europe, while the Freight Management volume growth did not materialise.

The volatility of the steel sector in the first half of 2016 negatively influenced the underlying performance. The 2nd half of 2016 delivered improved performance, a number of key contract extensions and the reinitiation of the previously deferred trailer replacement programme.

The impact of the Brexit on the P&L in 2016 was negligible and primarily related to currency fluctuations. The impact to the balance sheet was significant as the company now reports a net liability position with negative Shareholder equity. The revaluation of the pension schemes and the poor performance of the post Brexit bond rates generated significant Balance Sheet deficits.

Foundations for future success delivered in 2016 include:

• Opening of a new rail terminal in Oradea, Romania.
• New Go to Market Strategy.
• 3 year renewal of key customer contracts.
• Introduction of management fee contracts.
• Overall growth of the Intermodal Division.
• Reduced cost base through renegotiated supplier contracts.
• Recovery of part load and reefer activity.
• Intake of 75 new reefer units with full telematics.
• Order placed for 500 new owned containers.
• Order placed for 200 new trailers with full telematics.

IT Based Development
The Company continues to invest in technology that improves operational efficiencies, delivers enhanced customer information and ultimately contributes to increased profitability. Key systems include:

• Fr8Manager Transport Management System - Perpetual review, two major upgrades and significant investment in employee training during 2016.
• Supplier Web portal - 95% uptake of sub-contractors leading to more timely customer information and improved back office efficiency.
• Acquisition of video conferencing equipment delivering greater efficiency with reduced travelling and enabling a more environmentally friendly footprint.
• Fleet telematics were deployed in 2016 leading to real time updating, improved efficiency and enhanced customer information.

Dangerous Goods
Of the total orders placed with the company in 2016, 5% were classified as dangerous goods. The client base placing dangerous goods orders with the company, increased by 4.7% year on year, with bookings via EDI increasing by 5.7%. With a 5.6% increase in the utilisation of rail and/or ferry modes of transport when moving dangerous goods, the number of traction suppliers decreased by 22.7%. During 2016, there were nil personal injuries, environmental incidents or incidents requiring reporting to competent authorities as a result of our handling dangerous goods.

Environmental
Road activity remains the dominant mode of transport utilised by the company for the carriage of client's goods. The Company continues to develop and utilise rail and ferry modes of transport, which not only provide operational diversity to the clients, but a more environmentally friendly means of moving goods. In 2016, the Company succeeded in reducing 'empty' mileage on the asset operations, with the use of rail realising substantial savings in CO2eq emissions when comparing the same distances by road. The company is committed to building on this success with further expansion of the intermodal service, with the opening of the terminal in Oradea, Romania.

Future Developments
• Further expansion and development of the Freight Management concept within existing and new sectors.
• Expansion of the Intermodal activity encompassing the European rail network.
• Overall geographical expansion, particularly to Eastern Europe.
• Further fleet related capital investment.

Principal risks and uncertainties

Economic risk

• The risk of interest rates and/or inflation having an adverse impact on served markets.
• The risk of increased unrealistic increases in wages or infrastructural cost impacting adversely on competitiveness of the group and its principal customers.
• The risk of adverse exchange movements.
• The risk of bad debts as a result of the current adverse economic climate.
• The risk of political unrest leading to economic downturn.
• The risk of cashflow pressure due to extended customer payment terms.
• The risk of unrecoverable cost increases due to changing legislation.

These risks are managed by innovative product sourcing and strict control costs.

Competition risk

The directors of the company and subsidiaries manage competition risk through close attention to customer service levels and product innovation.

Financial risk

The company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

Approved by the Board on 13 June 2017 and signed on its behalf by:

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CN Cassidy
Director

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

Incorporation
The company was incorporated on 30 July 1958.

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

B Belder

W Blomme

HH Braam

CN Cassidy

H Deeble

ME Mulder

The following director was appointed after the year end:

G A C Timmermans (appointed 1 February 2017)

Principal activity
The Company's principal activity during the year continued to be international road and rail transport and freight management solutions within Europe.

P&O Ferrymasters Limited consists of four separate trading Divisions: Freight Management, Contract Logistics, Trailers and Intermodal.

Financial instruments

Objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk, Credit risk & Liquidity risk

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. All allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses short-term debt finance.

Further details regarding liquidity risk can be found in the statement of accounting policies in the Financial Statements.

Employment of disabled persons

Contacts are maintained with Disablement Resettlement Offices with a view to ensuring full and fair consideration of any disabled applicant for employment. The company endeavours to retain any existing employee who may become disabled, providing specialised training where appropriate. If modified or additional facilities are needed for a disabled employee, all reasonable steps are taken to provide them.

Employee involvement

The company recognises the need to keep employees informed and encourages identification with their employer. Employees are kept informed by regular updates on the company intranet.

Internal training courses have been developed and induction training allows new employees to become familiar with the structure of the company and its procedures shortly after taking up employment with the company.

Briefings and notices are issued on a regular basis to employees enabling them to understand their role in the organisation more clearly. The organisation encourages employees' personal development through a regular appraisal process. Where training needs are highlighted the organisation endeavours to address these needs and readily encourages promotional prospects.

Environmental matters

P&O Ferrymasters Limited is fully committed to working with our customers on a reliable, efficient, secure supply chain and achieving low-carbon economic sustainability by using innovative, sustainable and integrated supply solutions. This not only recognises the importance of the environment to our customers' long term development, but also further progresses and enhances our own commitment. This is in the best interests of our customers, our people and our stakeholders.

Branches outside the United Kingdom

P&O Ferrymasters Limited has branches in the Netherlands, the Republic of Ireland and France.

Going concern
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the financial statements.

The Board continues to carefully manage the Company's funding position, liquidity position and pension obligations. The main sources of debt funding are Group Loans, an asset backed credit facility and overdraft facilities.

On the basis of its forecasts, the Board has concluded that the going concern basis of preparation continues to be appropriate. The Board's considerations have included consideration of future forecasts, adjusted for worse economic conditions and mitigating actions. The Board has also considered the potential commitment and timing of the Company's on-going future defined benefit pension obligations.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the Financial Statements.

Directors' liabilities
Relevant personnel at P&O Ferrymasters Limited are covered by the Directors and Officers Liability Insurance arranged by Port and Free Zone World FZE with Orient Insurance. The main limit is US$25 million which applies to a single claim.

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

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

Approved by the Board on 13 June 2017 and signed on its behalf by:

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CN Cassidy
Director

Registered Office address: 2a Redlands Crescent, Port of Larne Business Park, Redlands Crescent, Larne, Co Antrim, BT40 1FF.

P&O Ferrymasters Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent Auditor's Report to the Members of P&O Ferrymasters Limited

We have audited the financial statements of P&O Ferrymasters Limited for the year ended 31 December 2016, set out on pages 11 to 52. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and as required by paragraph 7 of the Regulations. 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 such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications of our report.

Opinion on financial statements

In our opinion:

• the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;

• the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

• the financial statements have been prepared in accordance with Companies Act 2006 as it has effect under the Regulations.

Independent Auditor's Report to the Members of P&O Ferrymasters Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

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

- we have not identified material misstatements in those reports; and

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

S Beavis
....
Stephanie Beavis (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

14 June 2017

P&O Ferrymasters Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	3	377,816	359,659
Cost of sales		(350,093)	(333,460)
Gross profit		27,723	26,199
Administrative expenses		(28,138)	(24,490)
Operating (loss)/profit	5	(415)	1,709
Other interest receivable and similar income	6	3	14
Interest payable and similar charges	7	(415)	(1,032)
(Loss)/profit before tax		(827)	691
Tax on (loss)/profit on ordinary activities	10	(217)	(221)
(Loss)/profit for the year		(1,044)	470

The above results were derived from continuing operations.

The notes on pages 15 to 52 form an integral part of these financial statements.

P&O Ferrymasters Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
(Loss)/profit for the year		(1,044)	470
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post - employment benefit obligations	17	(6,533)	541
Deferred tax on remeasurement of post - employment benefit obligations		1,111	(97)
		(5,422)	444
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains in relation to post - employment benefit obligations	17	(64)	81
Total comprehensive income for the year		(6,530)	995

The notes on pages 15 to 52 form an integral part of these financial statements.

P&O Ferrymasters Limited

(Registration number: NI004115)
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Intangible assets	12	229	263
Property, plant and equipment	11	2,608	2,724
Investments	13	8	8
Deferred tax assets	10	1,832	938
		4,677	3,933
Current assets			
Debtors	14	74,952	62,549
Cash at bank and in hand		10,313	18,938
		85,265	81,487
Creditors: Amounts falling due within one year			
Trade and other payables	18	(84,770)	(79,371)
Net current assets		495	2,116
Net assets excluding pension liability		5,172	6,049
Net pension liability - P&O Irish Pension Scheme	17	(568)	(351)
Net pension liability - MNOPF	17	-	(273)
Net pension liability - P&O UK Defined Benefit Pension Scheme	17	(8,910)	(2,960)
Net pension liability - MNRPF	17	(300)	(541)
		(9,778)	(4,125)
Net (liabilities)/assets		(4,606)	1,924
Capital and reserves			
Called up share capital	15	46,830	46,830
Profit and loss account		(51,436)	(44,906)
Shareholders' (deficit)/funds		(4,606)	1,924

Approved by the Board on 13 June 2017 and signed on its behalf by:

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CN Cassidy
Director

The notes on pages 15 to 52 form an integral part of these financial statements.

P&O Ferrymasters Limited

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

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	46,830	(44,906)	1,924
Loss for the year	-	(1,044)	(1,044)
Other comprehensive income	-	(5,486)	(5,486)
Total comprehensive income	-	(6,530)	(6,530)
At 31 December 2016	46,830	(51,436)	(4,606)

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	46,830	(45,901)	929
Profit for the year	-	470	470
Other comprehensive income	-	525	525
Total comprehensive income	-	995	995
At 31 December 2015	46,830	(44,906)	1,924

The notes on pages 15 to 52 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

2a Redlands Crescent
Port of Larne Business Park
Redlands Crescent
Larne
Co Antrim
BT40 1FF
Northern Ireland

These financial statements were authorised for issue by the Board on 13 June 2017.

2 Accounting policies

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

Basis of preparation
The financial statements are prepared on the historical cost basis.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

These financial statements are presented in sterling because that is the currency of the primary economic environment in which the company operates.

2 Accounting policies (continued)

Summary of disclosure exemptions
In these financial statements, the company has applied the exemptions available under FRS101 in respect of the following disclosures:
- a Cash Flow Statement and related notes
- Comparative period reconciliations for tangible fixed assets and intangible assets.
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- Effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of P&O Ferries Division Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill;
- Certain disclosures required by IFRS13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS101 in its next financial statements.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The Company has access to funds provided by P&O Ferries Division Holdings Limited, a parent company. The directors, having assessed the responses of the directors of P&O Ferries Division Holdings Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of P&O Ferrymasters Limited to continue as a going concern despite the loss for the year and the shareholders' deficit.

On the basis of their assessment of the Company's financial position and the enquiries made of the directors of P&O Ferries Division Holdings Limited, the company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Accounting policies (continued)

Exemption from preparing group accounts

The Company's ultimate parent undertaking, P&O Ferries Division Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of P&O Ferries Division Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from :

The Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF14 3UZ

Changes in accounting policy

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

Revenue recognition

Revenue represents the amounts derived from the provision of goods and services to third party customers from the transport services between Great Britain, Ireland and Continental Europe.

Revenue excludes VAT and other sales taxes and is measured at the fair value of the consideration receivable, net of discounts.

Transport revenue is recognised at the point of delivery of the load.

Where management fees are earned from contracts - the company assesses whether it is acting as a principal or an agent. If it is a principal, then all income is shown as revenue and all costs are also reflected in the profit and loss account. If it is an agent, then just the management fee is shown as revenue.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account..

2 Accounting policies (continued)

Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The estimated useful lives are as follows:

Asset class	Depreciation method and rate
Owned and leased plant and machinery	2 to 12 years
Fixtures, fittings, tools and equipment	4 to 10 years
Leasehold improvements	over the term of the lease

2 Accounting policies (continued)

Intangible assets
Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Amortisation
Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line over 20 years

Investments
Investments are stated at amortised cost less impairment.

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

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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

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

2 Accounting policies (continued)

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

2 Accounting policies (continued)

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups or assets ("the cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated or aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account. Impairment losses are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Defined contribution pension obligation
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Company operates one defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Accounting policies (continued)

Defined benefit pension obligation

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 services 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 it limited to the present value of benefits available in the form of any future refunds from the plan or reduction in future contributions and takes into account the adverse effect of any minimum funding requirements.

The company participates in four funded defined benefit pension schemes. The principal scheme, the P&O Pension Scheme (the "P&O UK Scheme"), was closed to new routine members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by an independent fund manager. The company also participates in the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme"), an industry wide scheme, the Merchant Navy Ratings Pension Fund (the "MNRPF Scheme") and the P&O Irish Pension Scheme. The company also makes contributions to various industry schemes which have assets in separately administered funds.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer which is the Company. The Company then recognises a cost equal to its contribution payable for the period.

2 Accounting policies (continued)

Financial assets and liabilities

Classification

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Interest bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment and impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Rendering of services	377,816	359,659

Turnover can be analysed, by geographical market, as follows:

	2016 £ 000	2015 £ 000
United Kingdom	101,920	99,545
Continental Europe	275,896	260,114
Total Turnover	377,816	359,659

4 Restructuring costs

In 2016, the Company decided to close the Dunkirk office. Certain of the assets were retained by the company. To the extent that employees could not be redeployed, redundancy terms were agreed. The value of this restructuring was £310k.

Due to a loss of a contract in Ireland, the office in Dublin was closed and so assets here were redeployed elsewhere in the Company and certain employees were made redundant. The total relating to the Dublin office closure was £286k.

In Europoort, the office in the Netherlands branch of the Company, there were £200k restructuring efficiencies carried out in 2016.

There were other restructuring efficiencies in the Ipswich, Hull and Amsterdam offices equating to £131k for 2016.

5 Operating profit

Arrived at after charging / (crediting)

	2016 £ 000	2015 £ 000
Auditors remuneration	92	83
Depreciation expense	975	923
Amortisation expense	73	65
Foreign exchange gains	338	(1,240)
Operating lease expense - property	637	643
Operating lease expense - plant and machinery	6,897	5,344

6 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on bank deposits	3	14

7 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	550	456
Foreign exchange losses	(263)	436
Other finance costs	128	140
	415	1,032

8 Staff costs

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

	2016 £ 000	2015 £ 000
Wages and salaries	13,240	11,867
Social security costs	2,024	1,780
Pension costs	909	775
Redundancy costs	358	527
	16,531	14,949

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

	2016 No.	2015 No.
Administration and support	351	351

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	852	779

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016 No.	2015 No.
Accruing benefits under money purchase pension scheme	5	4

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	223	169
Company contributions to money purchase pension schemes	46	35

10 Income tax

Tax charged / (credited) in the profit and loss account

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	217	221
Tax expense in the profit and loss account	217	221

10 Income tax (continued)

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

The differences are reconciled below:

	2016 £ 000	2015 £ 000
(Loss)/profit before tax	(827)	691
Corporation tax at standard rate	(165)	140
Fixed asset differences	28	126
Expenses not deductible for tax purposes	11	3
Income not taxable for tax purposes	-	(193)
Amounts (charged)/credited directly to equity or otherwise transferred - pension schemes	(1,320)	323
Movement on pension scheme irrecoverable surplus	-	(116)
Other permanent differences	22	-
Deferred tax (charged)/credited directly to equity	1,111	(178)
Adjust closing deferred tax to average rate of 20.00%	491	208
Adjust opening deferred tax to average rate of 20.00%	(185)	(25)
Deferred tax not recognised	176	(67)
Adjustments to tax charge in respect of previous periods - deferred tax	48	-
Total tax charge	217	221

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

10 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	195	(26)	-	169
Pension benefit obligations	743	(191)	1,111	1,663
Other items	-	-	-	-
Net tax assets	938	(217)	1,111	1,832

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	290	(95)	-	195
Pension benefit obligations	921	(81)	(97)	743
Other items	45	(45)	-	-
Net tax assets	1,256	(221)	(97)	938

There are £5,532,225 of unused tax losses (2015 - £3,953,567) for which no deferred tax asset is recognised in the statement of financial position.

11 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2016	2,002	5,667	4,440	12,109
Additions	38	570	283	891
Disposals	(83)	(1,605)	(173)	(1,861)
At 31 December 2016	1,957	4,632	4,550	11,139
Depreciation				
At 1 January 2016	1,749	4,086	3,550	9,385
Charge for the year	74	581	320	975
Eliminated on disposal	(83)	(1,595)	(151)	(1,829)
At 31 December 2016	1,740	3,072	3,719	8,531
Carrying amount				
At 31 December 2016	217	1,560	831	2,608
At 31 December 2015	253	1,581	890	2,724

12 Intangible assets

	Goodwill £ 000
Cost or valuation	
At 1 January 2016	1,353
Foreign exchange movements	213
At 31 December 2016	1,566
Amortisation	
At 1 January 2016	1,090
Amortisation charge	73
Foreign exchange movements	174
At 31 December 2016	1,337
Carrying amount	
At 31 December 2016	229
At 31 December 2015	263

13 Investments

	£ 000
Cost or valuation	
At 1 January 2016	8
At 31 December 2016	8
Carrying amount	
At 31 December 2016	8
At 31 December 2015	8

P&O Ferrymasters Limited owns 5% in P&O Ferrymasters SRL (Romania) which is valued at a cost of £173. The other 95% is owned by P&O Ferrymasters Holdings Limited.

The investment of £8,000 relates to 8000 Ordinary "B" shares in Maritime Cargo Processing Plc.

14 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	64,645	54,179
Provision for impairment of trade receivables	(645)	(463)
Net trade receivables	64,000	53,716
Receivables from related parties	30	41
Corporation tax repayable	37	225
Accrued income	9,509	6,683
Prepayments	1,371	1,650
Other receivables	5	234
Total current trade and other receivables	74,952	62,549

Trade receivables above include amounts that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has not been a significant change in credit quality.

15 Share capital

Allotted, called up and fully paid shares

	No. 000	2016 £ 000	No. 000	2015 £ 000
Ordinary of £1 each	46,830	46,830	46,830	46,830

16 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Within one year	7,019	6,451
In two to five years	20,994	16,532
In over five years	1,757	3,729
	29,770	26,712

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £835,093 (2015 - £677,877).

Contributions totalling £72,603 (2015 - £92,645) were payable to the scheme at the end of the year and are included in creditors.

Defined benefit pension schemes

P&O Irish Pension Scheme

The P&O Irish Pension Scheme is a defined benefit final salary multi-employer scheme in which officers employed by Group companies have participated. The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members.

The Plan is governed by the Trustees and in accordance with the Trust Deed and Rules. The Trustees are appointed under the Trust Deed and Rules and there are currently two corporate trustees.

The parent company P&O Ferries Division Holdings Limited is responsible for the governance of the plan.

There are no amendments, curtailments or settlements.

There are no funding arrangements or funding policies that affect future contributions.

Contributions payable to the pension scheme at the end of the year are £Nil (2015 - £Nil). The expected contributions to the plan for the next reporting period are £142,595. No refund or reduction in future contributions have been assumed in the calculation of these amounts and therefore no asset is recognised.

The scheme was most recently valued on 1 January 2014.

17 Pension and other schemes (continued)

Risks

Investment risk
One of the main risks associated with the Scheme is that there will be insufficient funds in the Scheme to meet benefit payments as they fall due. The assessment of the Scheme is dependent on the financial and demographic assumptions made. Experience will determine the actual cost of providing the benefit and to the extent that experience differs from these assumptions, the cost to the Employer of providing benefits may be higher than expected.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016 £ 000	2015 £ 000
Fair value of scheme assets	6,558	5,553
Present value of scheme liabilities	(7,126)	(5,904)
Defined benefit pension scheme deficit	(568)	(351)

Scheme assets

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

	2016 £ 000	2015 £ 000
Fair value at start of year	5,553	5,917
Interest income	154	111
Return on plan assets, excluding amounts included in interest income	47	59
Foreign exchange differences	917	(328)
Employer contributions	143	132
Contributions by scheme participants	13	15
Benefits paid	(269)	(132)
Administrative expenses paid	-	(9)
Change in overall share	-	(212)
Fair value at end of year	6,558	5,553

17 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Equity instruments	1,999	1,692
Bonds	3,279	2,777
Other	1,280	1,084
	6,558	5,553

Actual return on scheme's assets

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.

Scheme liabilities

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

	2016 £ 000	2015 £ 000
Present value at start of year	5,904	7,205
Current service cost	50	54
Actuarial gains and losses arising from changes in financial assumptions	662	(535)
Actuarial gains and losses arising from experience adjustments	(377)	(227)
Foreign exchange differences	982	(410)
Interest cost	161	133
Benefits paid	(269)	(132)
Contributions by scheme participants	-	15
Overall change in share	-	(199)
Employer contributions	13	-
Present value at end of year	7,126	5,904

17 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2016 %	2015 %
Discount rate	1.70	2.50
Future salary increases	2.80	2.40
Future pension increases	.90	.95
Inflation	1.80	1.90

Post retirement mortality assumptions

At 31 December 2016 we have used mortality assumptions for current and future pensioners based on standard mortality tables allowing for future mortality improvements. The life expectancies from age 65 for sample ages, as derived from these updated mortality assumptions, would be as follows (31 December 2015 life expectancies also provided for comparison):

Life expectancy at age 65 (in years)	2016 Years	2015 Years
Male, now aged 45	24	24
Female, now aged 45	27	26
Male, now aged 65	23	23
Female, now aged 65	25	25

17 Pension and other schemes (continued)

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Current service cost	50	54
Administrative expenses paid	-	9
Recognised in arriving at operating profit	50	63
Amounts recognised in finance income or costs		
Net interest	8	22
Total recognised in the income statement	58	85

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in financial assumptions	(662)	735
Actuarial gains and losses arising from experience adjustments	377	227
Return on plan assets, excluding amounts included in interest income/(expense)	46	(153)
Exchange rate movements	(64)	82
Amounts recognised in the Statement of Comprehensive Income	(303)	891

17 Pension and other schemes (continued)

MNOPF

The MNOPF Scheme is a defined benefit final salary multi-employer scheme in which officers employed by the Company have participated. This is a Career Average Related Earnings (CARE) scheme. The Scheme is divided into two sections, the Old Section and the New Section both of which are closed to defined benefit accrual on 31 March 2016. The assets and liabilities are jointly owned by all participating employers and the outstanding scheme deficit is jointly and severally held amongst all employers, including the Company.

The Plan is governed by the Trustees and in accordance with the Trust Deed and Rules. The Trustees are appointed under the Trust Deed and Rules and there are currently two corporate trustees.

The parent company P&O Ferries Division Holdings Limited is responsible for the governance of the plan.

There are no amendments, curtailments or settlements.

Agreements were reached in 2014 and 2016 with the Trustees of the MNOPF regarding deficit contributions. The amount disclosed as a minimum funding liability for the MNOPF scheme is based on the Deficit Share Notices issued by the Trustees and payments set out in the respective contribution agreements.

Contributions payable to the pension scheme at the end of the year are £Nil (2015 - £Nil). The expected contributions to the plan for the next reporting period are £304,000. No refunds or reductions in future contributions have been assumed in the calculation of these amounts and therefore no asset is recognised.

The scheme was most recently valued on 31 March 2015.

Risks

Investment risk
One of the main risks associated with the Scheme is that there will be insufficient funds in the Scheme to meet benefit payments as they fall due. The assessment of the Scheme is dependent on the financial and demographic assumptions made. Experience will determine the actual cost of providing the benefit and to the extent that experience differs from these assumptions, the cost to the Employer of providing benefits may be higher than expected.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016 £ 000	2015 £ 000
Fair value of scheme assets	7,712	5,843
Present value of scheme liabilities	(7,224)	(5,570)
	488	273
Effect of asset ceiling	(488)	(546)
Defined benefit pension scheme deficit	-	(273)

17 Pension and other schemes (continued)

Scheme assets

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

	2016 £ 000	2015 £ 000
Fair value at start of year	5,843	5,594
Interest income	198	197
Return on plan assets, excluding amounts included in interest income	1,639	211
Employer contributions	304	-
Benefits paid	(278)	(265)
Administrative expenses paid	(14)	(17)
Irrecoverable surplus brought forward	-	546
Change in irrecoverable surplus	-	(423)
Interest on irrecoverable surplus	20	-
Fair value at end of year	7,712	5,843

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Equity instruments	2,838	2,150
Bonds	4,874	3,693
	7,712	5,843

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.

17 Pension and other schemes (continued)

Scheme liabilities

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

	2016 £ 000	2015 £ 000
Present value at start of year	5,570	5,911
Actuarial gains and losses arising from changes in demographic assumptions	(53)	28
Actuarial gains and losses arising from changes in financial assumptions	1,772	(66)
Actuarial gains and losses arising from experience adjustments	12	(246)
Interest cost	201	208
Benefits paid	(278)	(265)
Present value at end of year	7,224	5,570

Effect of asset ceiling

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

	2016 £ 000	2015 £ 000
Opening balance	(545)	(119)
Interest cost	(21)	(3)
Changes in asset ceiling, excluding amounts included in interest	78	(424)
Closing balance	(488)	(546)

Principal actuarial assumptions

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

	2016 %	2015 %
Discount rate	2.50	3.70
Revaluation of benefits in service	4.00	4.20
Future pension increases - deferment	2.50	2.20
Inflation	3.50	3.20
Future pension increases - payment	3.40	3.10

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on 85% of SAPS tables with adjustments to reflect historical scheme experience. The future improvements are in line with CMI 2014 projections with a long term improvement rate of 1.8% p.a.

17 Pension and other schemes (continued)

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	15	17
Amounts recognised in finance income or costs		
Net interest	3	11
Total recognised in the income statement	18	28

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	53	-
Actuarial gains and losses arising from changes in financial assumptions	(1,772)	38
Actuarial gains and losses arising from experience adjustments	(12)	246
Return on plan assets, excluding amounts included in interest income/(expense)	1,639	211
Change in irrecoverable surplus	78	(423)
Amounts recognised in the Statement of Comprehensive Income	(14)	72

17 Pension and other schemes (continued)

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 immediate parent undertaking. 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:

	2016 - 0.1% £ 000	2015 - 0.1% £ 000
Adjustment to discount rate		
Present value of total obligation	8,700	6,400

	2016 + 0.1% £ 000	2015 + 0.1% £ 000
Adjustment to rate of inflation		
Present value of total obligation	3,700	2,500

	2016 + 0.25% £ 000	2015 + 0.25% £ 000
Adjustment to mortality age rating assumption		
Present value of total obligation	3,900	7,100

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

17 Pension and other schemes (continued)

P&O UK Defined Benefit Pension Scheme

The P&O Ferries Division 2008 Pension scheme (the "P&O Ferries UK Scheme"), a Career Average Related Earnings (CARE) scheme, is closed to new members. It is a company sponsored funded defined benefit pension scheme.

The assets of the scheme are managed on behalf of the trustee by independent fund managers.

The benefits under the Scheme are contained in the Trust Deed and Rules of the Scheme dated 28 March 2008 and subsequent amendments.

The parent company P&O Ferries Division Holdings Limited is responsible for the governance of the plan.

There are no amendments, curtailments or settlements.

Agreements were reached in 2014 and 2016 with the Trustees of the P&O Ferries UK Scheme regarding deficit contributions.

Contributions payable to the pension scheme at the end of the year are £Nil (2015 - £Nil). The expected contributions to the plan for the next reporting period are £930,544. No refunds or reductions in future contributions have been assumed in the calculation of these amounts and therefore no asset is recognised.

The scheme was most recently valued on 1 April 2014.

Risks

Investment risk
One of the main risks associated with the Scheme is that there will be insufficient funds in the Scheme to meet benefit payments as they fall due. The assessment of the Scheme is dependent on the financial and demographic assumptions made. Experience will determine the actual cost of providing the benefit and to the extent that experience differs from these assumptions, the cost to the Employer of providing benefits may be higher than expected.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016 £ 000	2015 £ 000
Fair value of scheme assets	24,440	20,990
Present value of scheme liabilities	(33,350)	(23,950)
Defined benefit pension scheme deficit	(8,910)	(2,960)

17 Pension and other schemes (continued)

Scheme assets

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

	2016 £ 000	2015 £ 000
Fair value at start of year	20,990	21,190
Interest income	770	750
Return on plan assets, excluding amounts included in interest income	3,120	(330)
Employer contributions	520	110
Contributions by scheme participants	40	30
Benefits paid	(970)	(730)
Administrative expenses paid	(30)	(30)
Fair value at end of year	24,440	20,990

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Equity instruments	10,026	20,990
Bonds	5,937	-
Other	8,477	-
	24,440	20,990

Actual return on scheme's assets

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.

17 Pension and other schemes (continued)

Scheme liabilities

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

	2016 £ 000	2015 £ 000
Present value at start of year	23,950	23,740
Current service cost	80	110
Actuarial gains and losses arising from changes in financial assumptions	8,860	(530)
Actuarial gains and losses arising from experience adjustments	520	490
Interest cost	870	840
Benefits paid	(970)	(730)
Contributions by scheme participants	40	30
Present value at end of year	33,350	23,950

Principal actuarial assumptions

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

	2016 %	2015 %
Discount rate	2.50	3.70
Future pension increases - payment	3.00	2.80
Revaluation of benefits in service	3.00	2.80
Inflation	3.50	3.20
Future pension increases - deferment	3.10	2.90

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on SAPS tables with a -1 age rating and future improvements in line with CMI 2013 projections with a long term improvement rate of 2%.

Post retirement mortality assumptions

	2016 Years	2015 Years
Male aged 65 now	25	24
Female aged 65 now	27	27
Male aged 65 in 20 years' time	28	27
Female aged 65 in 20 years' time	30	30

17 Pension and other schemes (continued)

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Current service cost	80	110
Administrative expenses paid	30	30
Recognised in arriving at operating profit	110	140
Amounts recognised in finance income or costs		
Net interest	100	90
Total recognised in the income statement	210	230

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in financial assumptions	(8,860)	530
Actuarial gains and losses arising from experience adjustments	(520)	(490)
Return on plan assets, excluding amounts included in interest income/(expense)	3,120	(330)
Amounts recognised in the Statement of Comprehensive Income	(6,260)	(290)

17 Pension and other schemes (continued)

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 immediate parent undertaking. 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:

	2016 - 0.1% £ 000	2015 - 0.1% £ 000
Adjustment to discount rate		
Present value of total obligation	5,800	3,900

	2016 + 0.1% £ 000	2015 + 0.1% £ 000
Adjustment to rate of inflation		
Present value of total obligation	5,500	3,800

	2016 + 0.25% £ 000	2015 + 0.25% £ 000
Adjustment to mortality age rating assumption		
Present value of total obligation	4,300	2,400

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 2014 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.

17 Pension and other schemes (continued)

MNRPF

The MNRPF Scheme is an industry wide multi-employer benefit final salary pension scheme in which sea staff employed by the company have participated. This is a Career Average Related Earnings (CARE) scheme. The scheme has significant funding deficit and has been closed to further benefits accrual since 2001. The assets and liabilities of the scheme are jointly owned by all participating employers and the outstanding scheme deficit is jointly and severally held amongst all employers, including the Company.

The Plan is governed by the Trustees and in accordance with the Trust Deed and Rules. The Trustees are appointed under the Trust Deed and Rules and there are currently two corporate trustees.

The parent company P&O Ferries Division Holdings Limited is responsible for the governance of the plan.

There are no amendments, curtailments or settlements.

Agreements were reached in 2014 and 2016 with the Trustees of the MNRPF regarding deficit contributions. The amount disclosed as a minimum funding liability for the MNRPF scheme is based on the Deficit Share Notices issued by the Trustees and payments set out in the respective contribution agreements.

Contributions payable to the pension scheme at the end of the year are £Nil (2015 - £Nil). The expected contributions to the plan for the next reporting period are £291,747. No refunds or reductions in future contributions have been assumed in the calculation of these amounts therefore no asset is recognised.

The scheme was most recently valued on 1 April 2014.

Risks

Investment risk
One of the main risks associated with the Scheme is that there will be insufficient funds in the Scheme to meet benefit payments as they fall due. The assessment of the Scheme is dependent on the financial and demographic assumptions made. Experience will determine the actual cost of providing the benefit and to the extent that experience differs from these assumptions, the cost to the Employer of providing benefits may be higher than expected.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016 £ 000	2015 £ 000
Fair value of scheme assets	2,049	1,382
Present value of scheme liabilities	(2,118)	(1,772)
	(69)	(390)
Effect of asset ceiling	(231)	(151)
Defined benefit pension scheme deficit	(300)	(541)

17 Pension and other schemes (continued)

Scheme assets

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

	2016 £ 000	2015 £ 000
Fair value at start of year	1,382	1,377
Interest income	46	48
Return on plan assets, excluding amounts included in interest income	416	90
Actuarial gains and losses arising from changes in financial assumptions	-	(40)
Employer contributions	292	-
Benefits paid	(79)	(68)
Administrative expenses paid	(14)	(25)
Interest on irrecoverable surplus	6	-
Fair value at end of year	2,049	1,382

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Equity instruments	311	210
Bonds	1,154	778
Other	584	394
	2,049	1,382

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.

17 Pension and other schemes (continued)

Scheme liabilities

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

	2016 £ 000	2015 £ 000
Present value at start of year	1,772	1,826
Actuarial gains and losses arising from changes in demographic assumptions	-	(28)
Actuarial gains and losses arising from changes in financial assumptions	374	(74)
Actuarial gains and losses arising from experience adjustments	(13)	51
Interest cost	64	65
Benefits paid	(79)	(68)
Present value at end of year	2,118	1,772

Effect of asset ceiling

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

	2016 £ 000	2015 £ 000
Opening balance	(151)	-
Interest cost	(6)	(151)
Changes in asset ceiling, excluding amounts included in interest	(74)	-
Closing balance	(231)	(151)

Principal actuarial assumptions

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

	2016 %	2015 %
Discount rate	2.50	3.70
Revaluation of benefits in service	4.50	4.20
Future pension increases - deferment	2.50	2.20
Inflation	3.50	3.20
Future pension increases - payment	3.40	3.10

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on 89% of SAPS tables with adjustments to reflect historical scheme experience. The future improvements are in line with CMI 2013 projections with a long term improvement rate of 1.6% p.a.

17 Pension and other schemes (continued)

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	12	25
Amounts recognised in finance income or costs		
Net interest	18	16
Total recognised in the income statement	30	41

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	-	28
Actuarial gains and losses arising from changes in financial assumptions	(374)	74
Actuarial gains and losses arising from experience adjustments	13	(52)
Return on plan assets, excluding amounts included in interest income/(expense)	416	50
Change in irrecoverable surplus	(75)	(150)
Amounts recognised in the Statement of Comprehensive Income	(20)	(50)

17 Pension and other schemes (continued)

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 immediate parent undertaking. 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:

	2016	2015
	- 0.1%	- 0.1%
Adjustment to discount rate	**£ 000**	**£ 000**
Present value of total obligation	7,200	5,900

	2016	2015
	+ 0.1%	+ 0.1%
Adjustment to rate of inflation	**£ 000**	**£ 000**
Present value of total obligation	2,300	1,600

	2016	2015
	+ 0.25%	+ 0.25%
Adjustment to mortality age rating assumption	**£ 000**	**£ 000**
Present value of total obligation	8,900	7,500

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 2014 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.

18 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	66,916	62,498
Accrued expenses	6,090	2,622
Amounts due to related parties	8,854	10,756
Social security and other taxes	2,164	2,240
Outstanding defined contribution pension costs	73	93
Other payables	673	1,162
	84,770	79,371

19 Contingent liabilities

The company is participating in an on-going appeal against an assessment by an overseas tax authority that sales taxes should have been charged on certain ordinary activities in that jurisdiction. Whilst the Company is vigorously appealing this assessment, and is taking appropriate external advice, the final appeal outcome is inherently uncertain. Should the Company be unsuccessful in its appeal, the quantum of any additional liability to be borne by the Company, after taking into account potential mitigating actions taken or available to the Company, is also uncertain. For these reasons, no provision has been recorded in these financial statements and this matter is disclosed only.

20 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is P&O Ferries Division Holdings Limited (Registration number 6038090).

These financial statements are available upon request from:

The Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF14 3UZ

21 Parent and ultimate parent undertaking

The company's immediate parent is P & O Ferrymasters Holdings Limited.

The ultimate parent is Dubai World Corporation.

The most senior parent entity producing publicly available financial statements is P&O Ferries Division Holdings Limited.

The ultimate controlling party is Port and Free Zone World FZE.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Port and Free Zone World FZE, incorporated in Dubai.

The address of Port and Free Zone World FZE is:
Jebel Ali
PO Box 17000
Dubai
United Arab Emirates

The statements of this Corporation are not publicly available.