

**Maersk Line UK Limited**

**Directors' Report and Accounts**

**31 December 2012**

**(Company No: 857789 )**



## **Contents**

	<b>Page</b>
Report of the Directors	2 - 4
Statement of directors' responsibilities	5
Independent Auditor's report to the members of Maersk Line UK Limited	6
Income Statement	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash flows	11
Notes to the accounts	12 - 36

**MAERSK LINE UK LIMITED**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012**

1. The directors present their report and accounts of the Company for the year ended 31 December 2012

2. **Principal activities**

The principal activities of the Company during the year were ship-owning and operations

3. **Results**

The income statement for the year is set out on page 7

4. **Dividends**

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2012 (2011: \$nil)

5. **Business review**

**Development and performance of the Company's business**

The Company showed a loss before taxation of \$89m in 2012 and a profit before taxation of \$101m in 2011. This deterioration is largely attributable to significantly lower other operating income and an increase in other operating expenses of \$56m.

The gross profit for 2012 was \$4m higher than 2011 and the gross profit margin improved from 47.1% in 2011 to 52.5% in 2012. Reduced revenue was more than offset by lower costs of sales due to both the composition of the vessel fleet and the full year effect of the decrease in the container fleet in 2011.

Other operating expenses include investment impairment charges of \$51m.

Administration expenses for 2012 were \$5m lower than 2011 with lower depreciation charges offset by additional provision charges.

Vessel and container sales contributed profits of \$121m in 2011 compared with an overall loss of \$1m in 2012. These are the main cause of the deterioration in other operating income/expenses. Additionally the net currency gains in 2011 were higher than 2012.

Net financing costs increased by \$4m in 2012. The 2011 result benefited from gains on the termination of some container leases.

**Principal risks and uncertainties**

The main risks facing the Company are related to cyclical fluctuations in the freight and shipping markets and movements in the oil price and exchange rates. The Company's risk management includes entering into long-term agreements where possible and by applying hedging techniques to mitigate significant financial exposures.

**Position of the Company's business at the end of the year**

At the end of the year the Company had shareholder equity of \$838m (2011: \$936m).

**MAERSK LINE UK LIMITED**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012**

Total assets are \$2,041m (2011 \$2,333m) of which vessels and equipment total \$821m (2011 \$1,200m)

During 2012 4 vessels were sold and in addition the Company disposed of its interest in 14 vessels held on finance leases. The Company also purchased 1 vessel in 2012

**Key performance indicators**

The Company utilises specific key performance indicators for monitoring and measuring performance. The key factors by which management monitors overall performance are operating margin and return on equity. The Company is committed to conducting its activities in a manner that protects the health and safety of all personnel working under its direction. Performance is measured based on lost-time incidents using a number of parameters and in line with the industry norm in the particular market. These measures permit a focus on reduction and mitigation of health and safety risks at work. Preserving the environment is an important factor in the way the Company operates, with high priority placed on environmental considerations in the way the business is managed. Further details on how environmental issues are addressed can be obtained from the website of the ultimate parent Company, A.P. Moller-Maersk A/S, on [www.maersk.com](http://www.maersk.com)

The operating margin for the Company decreased from 43.0% in 2011 to -3.0% in 2012. Return on equity declined from 17.6% to -7.6% in 2012. There were 5 lost-time incidents in 2012, compared to 8 in 2011. The Company continues to focus on improving safety levels to ensure these incidents are kept to a minimum.

**6. Directors**

The directors of the Company during and subsequent to the year were

P. R. Andersen (Resigned 18 June 2012)

J. Stausholm (Appointed 04 July 2012)

T. E. Cornick

J. Kilby

S. N. Christensen (Resigned 29 March 2013)

D. J. Harris (Appointed 29 March 2013)

D. P. Hedges

**MAERSK LINE UK LIMITED**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. Employment Policies**

Maersk Line UK Limited is committed to ensuring that no discrimination is practised against any employee or prospective employee on the grounds of colour, race, creed or sex. In particular the Company has a policy of giving full and fair consideration to applications for employment from registered disabled people. In cases where disablement occurs whilst in service, Company policy is, as far as possible, to continue employment and to arrange for any necessary re-training facilities. Opportunities for training, career development and promotion apply equally across the Company to disabled and non-disabled alike.

The Company has developed harmonised arrangements for communication and consultation with employees including an intranet web site, electronic mail for the announcement of key issues, staff newsletters and magazines and senior management briefings to staff.

**8. Creditor Payment Policy**

The Company's policy is to pay suppliers in accordance with terms and conditions agreed when the orders are placed. Where payment terms have not been specifically agreed, the invoices dated in one calendar month are paid close to the end of the following month. The Company has procedures for dealing promptly with complaints and disputes. The creditor payment period in 2012 totalled 21 days (2011 19 days).

**9. Auditors**


Each person who is a director at the date of approval of this report confirms that

so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.

each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

BY ORDER OF THE BOARD



J Kilby  
Secretary

Maersk House  
Braham Street  
London  
E1 8EP

22<sup>nd</sup> May 2013

---

**MAERSK LINE UK LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS**  
**REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,  
make judgments and estimates that are reasonable and prudent,  
state whether they have been prepared in accordance with IFRSs as adopted by the EU,  
prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF MAERSK LINE UK LIMITED**

We have audited the financial statements of Maersk Line UK Limited (the "financial statements") for the year ended 31 December 2012 set out on pages 7 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.



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

22 May 2013

**MAERSK LINE UK LTD**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b><u>Notes</u></b>	<b><u>2012</u></b> <b><u>\$000</u></b>	<b><u>2011</u></b> <b><u>\$000</u></b>
<b>Continuing operations</b>			
Revenue		372,253	406,518
Cost of sales		<u>(176,995)</u>	<u>(215,220)</u>
<b>Gross profit</b>		195,258	191,298
Other operating income	2	8,793	147,974
Administrative expenses		(159,328)	(164,677)
Other operating expenses	3	<u>(55,966)</u>	<u>(392)</u>
<b>Operating (loss)/profit before financing costs</b>		(11,243)	174,203
Financial income	7	6,627	17,548
Financial expense	7	<u>(86,857)</u>	<u>(93,514)</u>
<b>Net finance costs</b>		(80,230)	(75,966)
Dividend income		2,422	2,327
<b>(Loss)/profit before income tax</b>		<u>(89,051)</u>	100,564
Income tax benefit/(expense)	8	17,744	46,166
<b>(Loss)/profit for the year</b>		<u>(71,307)</u>	146,730
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<u>(71,307)</u>	146,730

There is no material difference between the result shown in the income statement and that on a historical cost basis

The notes on pages 12 to 36 form part of these financial statements

**MAERSK LINE UK LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b><u>Notes</u></b>	<b><u>2012</u></b> <b><u>\$000</u></b>	<b><u>2011</u></b> <b><u>\$000</u></b>
<b>(Loss)/profit for the year</b>		(71,307)	146,730
<b>Other comprehensive income</b>			
Defined benefit plan actuarial (losses)	23	<u>(26,655)</u>	<u>(44,766)</u>
<b>Net (expense) recognised directly in equity</b>		<u>(26,655)</u>	<u>(44,766)</u>
<b>Total comprehensive income for the year</b>		<u><u>(97,962)</u></u>	<u><u>101,964</u></u>
<b>Attributable to :</b>			
Equity holders of the Company		<u><u>(97,962)</u></u>	<u><u>101,964</u></u>

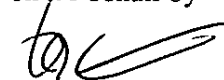
The notes on pages 12 to 36 form part of these financial statements

**MAERSK LINE UK LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**  
**(Company No: 857789)**

	<b><u>Notes</u></b>	<b>2012</b> <b><u>\$000</u></b>	<b>2011</b> <b><u>\$000</u></b>
<b>Assets</b>			
Vessels	10	815,858	1,192,405
Property, plant and equipment	11	4,940	7,652
Investment in subsidiaries	12	81,854	131,820
Deposit with parent	14	500,000	-
Employee benefits	23	17,767	13,504
Deferred tax	13	4,843	-
<b>Total non-current assets</b>		<b><u>1,425,262</u></b>	<b><u>1,345,381</u></b>
Trade and other receivables	15	562,871	939,208
Cash and cash equivalents	16	52,714	48,445
<b>Total current assets</b>		<b><u>615,585</u></b>	<b><u>987,653</u></b>
<b>Total assets</b>		<b><u>2,040,847</u></b>	<b><u>2,333,034</u></b>
<b>Equity</b>			
Issued capital	17	475,548	475,548
Share premium		46,526	46,526
Retained earnings		315,816	413,778
<b>Total equity</b>		<b><u>837,890</u></b>	<b><u>935,852</u></b>
<b>Liabilities</b>			
Loans and borrowings	18	825,393	968,318
Provisions	20	190,238	161,477
Employee benefits	23	66,259	76,830
<b>Total non current liabilities</b>		<b><u>1,081,890</u></b>	<b><u>1,206,625</u></b>
Loans and borrowings	18	39,932	68,481
Trade and other payables	19	79,516	119,730
Provisions	20	1,619	2,346
<b>Total current liabilities</b>		<b><u>121,067</u></b>	<b><u>190,557</u></b>
<b>Total liabilities</b>		<b><u>1,202,957</u></b>	<b><u>1,397,182</u></b>
<b>Total equity and liabilities</b>		<b><u>2,040,847</u></b>	<b><u>2,333,034</u></b>

The notes on pages 12 to 36 form part of these financial statements

These Financial Statements were approved by the board of directors on 22<sup>nd</sup> May 2013 and were signed on its behalf by



T E Cornick  
Director

**MAERSK LINE UK LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<u>Notes</u>	<u>Share capital \$000</u>	<u>Share premium \$000</u>	<u>Fair value reserve \$000</u>	<u>Retained earnings \$000</u>	<u>Total \$000</u>
<b>Balance at 1 January 2011</b>		475,548	46,526	(77,494)	389,308	833,888
Profit for the period		-	-	-	146,730	146,730
<i>Other comprehensive income</i>						
Defined benefit plan actuarial loss	23	-	-	(44,766)	-	(44,766)
<b>Total comprehensive income for the period</b>		<u>475,548</u>	<u>46,526</u>	<u>(122,260)</u>	<u>536,038</u>	<u>935,852</u>
<b>Transactions with owners, recorded directly in equity</b>		-	-	-	-	-
<b>Balance at 31 December 2011</b>		<u>475,548</u>	<u>46,526</u>	<u>(122,260)</u>	<u>536,038</u>	<u>935,852</u>
<b>Balance at 1 January 2012</b>		475,548	46,526	(122,260)	536,038	935,852
Loss for the period		-	-	-	(71,307)	(71,307)
<i>Other comprehensive income</i>						
Defined benefit plan actuarial loss	23	-	-	(26,655)	-	(26,655)
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>-</u>	<u>(26,655)</u>	<u>(71,307)</u>	<u>(97,962)</u>
<b>Transactions with owners, recorded directly in equity</b>		-	-	-	-	-
<b>Balance at 31 December 2012</b>		<u>475,548</u>	<u>46,526</u>	<u>(148,915)</u>	<u>464,731</u>	<u>837,890</u>

The notes on pages 12 to 36 form part of these financial statements

**MAERSK LINE UK LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b><u>Notes</u></b>	<b><u>2012</u></b> <b><u>\$000</u></b>	<b><u>2011</u></b> <b><u>\$000</u></b>
<b>Cash flow from operating activities</b>			
(Loss)/Profit for the period		(71,307)	146,730
Adjustments for			
Depreciation		128,404	135,839
Impairment of fixed assets		520	4,504
Impairment of investments charged/(reversed)		51,466	(777)
Loss on sale of investments		-	1,168
Loss/(Profit) on sale of fixed assets	3	524	(120,819)
Net financing costs	7	80,230	75,966
Net hedging and currency revaluations		(3,531)	(25,288)
Dividend income		(2,422)	(2,327)
Income tax (benefit)/expense	8	(17,744)	(45,507)
<i>Operating profit before changes in working capital and provisions</i>		<u>166,140</u>	<u>169,489</u>
 (Increase)/decrease in trade and other receivables		(44,429)	35,184
Increase in provisions		38,717	1,980
(Decrease) in trade and other payables		<u>(34,828)</u>	<u>(72,535)</u>
<i>Cash generated from operations</i>		<u>125,600</u>	<u>134,118</u>
 Payments to defined benefit schemes		(51,674)	(45,175)
Interest paid		(82,794)	(98,027)
Interest received		6,573	2,310
Net hedge (payments)/receipts		(2,521)	5,486
Income taxes		16,204	7,778
<b>Net cash from operating activities</b>		<u>11,388</u>	<u>6,490</u>
 <b>Cash flow from investing activities</b>			
Proceeds from sale of vessels		86,528	76,882
Proceeds from sale of property, plant and equipment		-	1,366
Acquisition of vessels		(22,517)	(3,691)
Acquisition of investments		(1,500)	-
Dividends received		2,422	2,327
<b>Net cash from/(used in) investing activities</b>		<u>64,933</u>	<u>76,884</u>
 <b>Cash flow from financing activities</b>			
Payment of finance lease liabilities		(73,579)	(99,443)
<b>Net cash used in financing activities</b>		<u>(73,579)</u>	<u>(99,443)</u>
 Net increase/(decrease) in cash and cash equivalents		2,742	(16,069)
Cash and cash equivalents at 1 January		48,445	63,178
Effect of exchange rate fluctuations on cash held		1,528	1,336
<b>Cash and cash equivalents at 31 December</b>		<u><u>52,714</u></u>	<u><u>48,445</u></u>

The notes on pages 12 to 36 form part of these financial statements

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**1. Principal accounting policies**

The Company is incorporated in England and Wales and is domiciled in the United Kingdom. Its registered office is at Maersk House, Braham Street, London E1 8EP which is also its principal place of business.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

The Company is exempt by virtue of s400 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 as a group.

The Company's ultimate parent undertaking, A P Møller-Mærsk A/S (a Company incorporated in Denmark), prepares and publishes consolidated financial statements that comply with IFRSs. These accounts can be obtained from A P Møller-Mærsk A/S, Esplanaden 50, DK-1098, Copenhagen.

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

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- (i) derivative financial instruments, financial instruments classified as fair value through the income statement or as available-for-sale,
- (ii) non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

The financial statements are presented in US dollars which is also the Company's functional currency.

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 2.

The Company is expected to continue to generate positive operating cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the Company's ultimate parent, A P Møller-Mærsk A/S, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of A P Møller-Mærsk A/S to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of A P Møller-Mærsk A/S, 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.

A summary of the Company's main accounting policies is set out below.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(a) Foreign currencies**

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rate ruling on the date on which each transaction occurs

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rate of exchange 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 translated at foreign exchange rates ruling at the dates that the fair value was determined. All exchange differences arising from these transactions are included in the income statement.

At 31 December 2012 the US dollar sterling exchange rate was 1.0620 (2011: 1.0646)

**(b) Derivative financial instruments and hedging**

**Derivative financial instruments**

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

**Cash flow hedges**

To the extent that hedge accounting is adopted, where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e., when interest income or expense is recognised).

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(b) Derivative financial instruments and hedging (continued)**

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective portion of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If a hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

**Fair value hedges**

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship is recognised in the income statement over the remaining life of the hedged item.

**(c) Vessels, property, plant and equipment**

- (i) Vessels, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain vessels, property, plant and equipment that had been revalued to fair value on or before 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

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 finance 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 impairment losses.

Lease payments are accounted for as described in (n) below.

Where parts of vessels, property, plant and equipment have different useful lives, they are accounted for as separate items of vessels, property, plant and equipment. Dry docking costs are recognised in the carrying value of vessels when incurred and depreciated over the period until the next assumed dry docking.

- (ii) Depreciation is calculated on a straight-line basis so as to write off the cost less the estimated residual value over the expected useful lives as follows:

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(c) Vessels, property, plant and equipment (*continued*)**

Container Ships	20 years
Containers	10-15 years
Other Plant and Equipment	4-15 years
Software	5-7 years

Depreciation periods and residual values are reassessed on a regular basis

**(d) Finance leases and similar arrangements**

Each lease, when entered into, is assessed using the guidelines in IAS 17, to determine whether the lease is a financial or operating lease

Assets acquired under finance leases being leases that transfer substantially all the risks and rewards of ownership of an asset to the lessee, are capitalised and the outstanding future lease obligations are shown in liabilities. Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease

**(e) Investments**

Investments in associates and subsidiaries are carried at cost less impairment losses

Deposits with group companies are held at amortised cost

Financial instruments held for trading or designated upon initial recognition or at the IAS 39 transition date if later are stated at fair value, with any resultant gain or loss recognised in the income statement

Other investments in debt and equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement

**(f) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Overdrafts are reported in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits

**(h) Impairment**

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(h) Impairment (continued)**

The Company has determined that each vessel is a cash generating unit. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

**Calculation of recoverable amount**

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversals of impairment**

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and 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.

**(i) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**(j) Loans and borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**(k) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(l) Employee benefits**

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity 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 employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. An asset or liability may result from advance payments or payments due, respectively, to a defined contribution fund.

*Defined benefit plans*

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 service in the current and prior periods, that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised directly in equity.

The Company is a contributing member to multi-employer pension schemes. Provision, on the basis of actuarial estimates and in accordance with IFRIC14, is made for the Company's exposure should other contributing members of the schemes be unable to meet their liabilities. Where insufficient information is available about a multi-employer plan, such that the Company is not able to identify its share of the underlying financial position and performance of the plan, the Company accounts for the plan as if it were a defined contribution plan.

For all pension funds designated as 'defined benefit' funds, a full actuarial valuation is conducted every three years and this is updated at the end of each interim year.

**(m) Revenue**

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes Value Added Tax and similar sales related taxes.

**(n) Expenses**

*Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

*Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Net financing costs*

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested and dividend income that are recognised in the income statement.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**(o) Income tax**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Certain activities of the Company qualify for UK tonnage tax, where tax payable is calculated with reference to net tonnage of qualifying vessels.

During 2012 the Company considered its classification of tonnage tax in the income statement. As a result, the tonnage tax, previously included in income tax, has been reclassified as an Administration expense. This presentation is considered more appropriate given the tonnage tax charge is not proportionate to the profit before tax.

Deferred tax is provided using the balance sheet liability method, providing for 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 assets or liabilities that affect neither accounting nor taxable profit, and 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 substantially 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 asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends if any are recognised at the same time as the liability to pay the related dividend.

**(p) Accounting Estimates and Judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are detailed below.

**Recoverability of certain assets/impairment calculations**

All assets are reviewed to assess their recoverable value. Where the book value of the asset is believed to be higher than the recoverable value, an impairment of the asset is immediately made and a charge made to the profit and loss.

**Pension Assumptions**

For all pension funds designated as 'defined benefit' funds, a full actuarial valuation is conducted every three years and this is updated at the end of each interim year.

**Finance and Operating Leases**

Each lease, when entered into, is assessed using the guidelines in IAS 17, to determine whether the lease is a financial or operating lease. The lease is then accounted for in the appropriate manner.

**(q) New standards and interpretations not yet adopted**

The IASB and the IFRIC have issued a number of amended standards and interpretations with an effective date after the effective date of these financial statements. These standards include, but are not limited to, IAS 1 Amendment Presentation of Items of Other Comprehensive Income, IAS 19 Amendment Employee Benefits, IAS 32 Amendment Offsetting Financial Assets and Financial Liabilities, IFRS 9 Financial Instruments Classification and Measurement, and IFRS 7 Amendment Disclosures – Offsetting Financial Assets and Financial Liabilities.

These standards are not expected to have a material effect on the Company's 2012 accounts. In particular, the impact of the IAS 19 amendment would be to reduce the 2012 loss by USD 1.0m.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**2. Other operating income**

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Gain on non-hedge derivatives	7,507	15,167
Profit on sale of fixed assets	-	120,819
Foreign exchange gain	-	10,121
Other income	1,286	1,867
	<u>8,793</u>	<u>147,974</u>

**3. Other operating expense**

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Write off and impairment of investments	51,466	351
Loss on sale of investments	-	41
Foreign exchange loss	3,976	-
Loss on sale of fixed assets	524	-
	<u>55,966</u>	<u>392</u>

**4. Auditor's remuneration**

The fee for audit of these 2012 financial statements is \$201,000 (2011 \$188,000), and has been reported under administration expenses. These costs were incurred by The Maersk Company Ltd and recharged.

There were fees totalling \$39,000 (2011 nil) for other non-audit services paid to the auditors by the Company.

**5. Employee information**

The average number of persons employed by the Company, including executive directors, was as follows:

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>number</u></b>	<b><u>number</u></b>
In the United Kingdom	<u>355</u>	<u>393</u>

All employment costs (excluding provision for the deficit on defined benefit pension plans) are borne by either the parent or the fellow subsidiary on behalf of which the employee undertakes their duties.

The average number of persons employed has declined since 2011 due to restructuring within the A P Møller-Mærsk A/S agencies and Damco.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**6. Remuneration of directors**

In 2012 and 2011 there was no directors' remuneration paid in respect of services to the Company. The directors were remunerated by the parent undertakings

**7. Net finance costs**

		<b><u>2012</u></b>	<b><u>2011</u></b>
		<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Interest income	- external	617	387
	- inter group	6,010	6,899
Gain on termination of finance leases		-	10,262
Financial income		<u>6,627</u>	<u>17,548</u>
Interest expense	- external	(81,767)	(86,642)
	- inter group	(52)	(81)
Lease termination costs		<u>(5,038)</u>	<u>(6,791)</u>
Financial expense		<u>(86,857)</u>	<u>(93,514)</u>
Net financing cost		<u>(80,230)</u>	<u>(75,966)</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**8. Income tax benefit/(expense)**

Recognised in the income statement

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Current tax benefit/(expense)		
Current year	11,141	9,100
Adjustments for prior years	1,172	36,407
	<u>12,313</u>	<u>45,507</u>
Deferred tax benefit/(expense)		
Adjustments in respect of prior periods	4,843	-
Total tax benefit/(expense) in income statement	<u>17,156</u>	<u>45,507</u>
Of which relates to tonnage tax (included in administration expenses)	(588)	(659)
income taxes	17,744	46,166
Total tax benefit/(expense) in income statement	<u>17,156</u>	<u>45,507</u>

Total

Reconciliation of effective tax rate

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
(Loss)/profit before taxation	(89,051)	100,564
Profit taxed under the tonnage tax regime	(8,321)	(130,723)
Other (loss) before tax	<u>(97,372)</u>	<u>(30,159)</u>
Theoretical tax thereon at 24.5% (2011 - 26.5%)	(23,856)	(7,992)
(Income not taxable)/expenses not deductible for tax purposes	12,127	(2,229)
Losses carried forward in the year	-	-
Difference in group relief payment rate	-	462
Adjustments in respect of prior periods	(6,015)	(36,407)
Income tax expense/(benefit) for the year	<u>(17,744)</u>	<u>(46,166)</u>

The 2012 prior year adjustment relates to tax losses surrendered to other UK companies on which deferred tax has not been provided previously

**9. Current tax assets and liabilities**

The Company has a net current tax asset of \$35,655,000 (2011 \$38,958,000 current tax asset). These balances relate to Group relief receivable or payable and amounts due to/from HMRC in respect of current and prior periods.

This balance is recognised within Note 15 Trade and other receivables (2012 \$36,895,000, 2011 \$41,616,000) and Note 19 Trade and other payables (2012 \$1,240,000, 2011 \$2,658,000).

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

<b>10. Vessels</b>	<b>Owned \$'000</b>	<b>Finance Leases \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>			
At 1 January 2011	301,619	1,761,210	2,062,829
Additions	1,279	2,412	3,691
Disposals	(9,254)	(3,705)	(12,959)
At 31 December 2010	293,644	1,759,917	2,053,561
At 1 January 2012	293,644	1,759,917	2,053,561
Additions	22,510	7	22,517
Disposals	(163,435)	(671,060)	(834,495)
At 31 December 2012	152,719	1,088,864	1,241,583
<b>Depreciation &amp; impairment losses</b>			
At 1 January 2011	24,387	704,814	729,201
Depreciation for the year	25,520	107,301	132,821
Impairment loss	4,504	-	4,504
Disposals	(2,607)	(2,763)	(5,370)
At 31 December 2011	51,804	809,352	861,156
At 1 January 2012	51,804	809,352	861,156
Depreciation for the year	24,139	101,553	125,692
Impairment loss	520	-	520
Disposals	(29,941)	(531,702)	(561,643)
At 31 December 2012	46,522	379,203	425,725
<b>Carrying amounts</b>			
At 1 January 2011	277,232	1,056,396	1,333,628
At 31 December 2011	241,840	950,565	1,192,405
At 1 January 2012	241,840	950,565	1,192,405
At 31 December 2012	106,197	709,661	815,858

During 2012 4 vessels were sold and in addition the Company disposed of its interest in 14 vessels held on finance leases. The Company also purchased 1 vessel in 2012.

*Leased vessels*

*As a lessor*

The Company's vessels are leased to third parties. Each of the leases contains a fixed rate rental income. Renewals are negotiated with the lessee and generally renewal periods are between 3 and 8 years. No contingent rents are charged. See note 22 for further information.

*As a lessee*

At 31 December 2012 the net carrying amount of the leased vessels was \$709,661,000 (2011: \$950,565,000). Depreciation for the year for leased vessels was \$101,553,000 (2011: \$107,301,000).

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**10. Vessels (continued)**

The impairment loss is recognised in administrative expenses within the income statement. One vessel has been impaired and recognised at its recoverable amount which has been identified as its value in use. The discount rate applied to the value in use calculation was 10.0% (2011: 10.0%).

Impairments have resulted largely from the significant reduction in market charter rates.

**11. Property plant and equipment**

	<b>Containers &amp; Other Plant &amp; Equipment</b>		<b>Total</b>
	<b>Owne</b>	<b>Finance Leases</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost or Valuation</b>			
At 1 January 2011	-	36,659	36,659
Reclassification	33,611	(33,611)	-
Disposals	-	(3,048)	(3,048)
At 31 December 2011	33,611	-	33,611
At 1 January 2012	33,611	-	33,611
Disposals	(541)	-	(541)
At 31 December 2012	33,070	-	33,070
<b>Depreciation</b>			
At 1 January 2011	-	25,742	25,742
Charged for the year	-	3,018	3,018
Reclassification	25,959	(25,959)	-
Disposals	-	(2,801)	(2,801)
At 31 December 2011	25,959	-	25,959
At 1 January 2012	25,959	-	25,959
Charged for the year	2,712	-	2,712
Disposals	(541)	-	(541)
At 31 December 2012	28,130	-	28,130
<b>Carrying amounts</b>			
At 1 January 2011	-	10,917	10,917
At 31 December 2011	7,652	-	7,652
At 1 January 2012	7,652	-	7,652
At 31 December 2012	4,940	-	4,940

As of 31 December 2011 all property plant and equipment finance arrangements had been either completed or terminated and the residual assets reclassified as owned.

*Leased property plant and equipment*

*As a lessor*

The Company's property plant and equipment are leased to third parties. The lease contains a fixed rate rental income. The lease rental will terminate in 2013. No contingent rents are charged. See note 22 for further information.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**12. Investment in subsidiaries**

	<b><u>Subsidiaries</u></b> <b><u>\$'000</u></b>
<b>Cost</b>	
At 1 January 2011	151,964
Additions	37,863
Disposals	(29,311)
Liquidation of subsidiary	(17,124)
At 31 December 2011	<u>143,392</u>
At 1 January 2012	143,392
Additions	1,500
At 31 December 2012	<u>144,892</u>
<b>Provisions</b>	
At 1 January 2011	23,866
Provision for impairment	11,128
Provision for impairment reversed for investments disposed	(23,422)
At 31 December 2011	<u>11,572</u>
At 1 January 2012	11,572
Provision for impairment	51,466
At 31 December 2012	<u>63,038</u>
<b>Carrying amounts</b>	
At 1 January 2011	<u>128,098</u>
At 31 December 2011	<u>131,820</u>
At 1 January 2012	131,820
At 31 December 2012	<u>81,854</u>

The following information relates to those significant companies that, in the opinion of the directors, principally affect the profits or assets of the Company. Except where indicated the holdings are of ordinary shares and the country of registration or incorporation is England & Wales

<b>Name of subsidiary</b>	<b>Activity</b>	<b>% of ordinary share capital held</b>
Nedlloyd Genoa Limited	Container Ship Operators	100
Nedlloyd Marseille Limited	Container Ship Operators	100
Pentalver Transport Limited	Container depots and associated services	100

Investments in Nedlloyd Genoa and Nedlloyd Marseille were impaired during the year as a result of lower asset carrying values in those subsidiaries. The investment in Pentalver Transport Limited was impaired as a result of weak market conditions.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**13. Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

Deferred tax assets have been recognised in respect of the following items

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Tax losses	4,843	-

Movement in temporary differences during the year

Balance at 01 Jan 12	Recognised in income statement	Balance at 31 Dec 12
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
-	4,843	4,843

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Tax losses	823	1,091

Deferred tax assets have been recognised to the extent it is considered probable that the losses will be utilised as group relief surrenders to other UK companies within the Group. Tax losses do not expire under the current legislation.

**14. Deposit with parent**

The deposit with the parent company is a non current deposit which will mature 14 January 2014 and earns interest at 0.80%.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**15. Trade and other receivables**

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Amounts owed by group undertakings	519,153	896,944
Prepayments	-	426
Tax receivable	36,895	41,616
Fair value of derivatives (note 22)	6,546	-
Other receivables	277	222
	<u>562,871</u>	<u>939,208</u>

Included within amounts owed by group undertakings are cash deposits made with the parent entity, The Maersk Company Limited. These deposits can be drawn upon as required by the Company. At 31 December 2012 the value of the deposit included in amounts owed by group undertakings was \$439,809,000 (2011: \$890,522,000).

The Company's exposure to credit and currency risks and impairment issues related to trade and other receivables are discussed in note 22.

**16. Cash and cash equivalents**

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Deposits	26,011	25,309
Cash at bank	26,703	23,136
	<u>52,714</u>	<u>48,445</u>

The deposits are pledged against certain finance lease obligations of the Company.

The Company's exposure to interest rate risks and sensitivity analysis for financial assets are disclosed in note 21.

**17. Capital and reserves**

*Share capital*

	<u>2012</u>		<u>2011</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
		<u>\$'000</u>		<u>\$'000</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of \$10.00 each	42,554,772	425,548	42,554,772	425,548
Redeemable preference shares of \$100.00 each	500,000	50,000	500,000	50,000
		<u>475,548</u>		<u>475,548</u>

**Redeemable Preference Shares** in addition to full voting rights, the holders have the right to receive out of the profits available for distribution and from time to time determined to be distributed by way of dividend an amount per share equal to the dividends declared and payable (Preference Dividend). No dividends shall be paid on any Ordinary Shares in respect of any financial year until the Preference Dividends have been actually paid in full in respect of that financial year. The holders shall, in the event of a winding up of the Company or other return of capital assets receive the amounts paid up or credited as paid up on the Preference Shares together with any premiums paid in priority to the holders of any other class of shares. The Preference Shares may be redeemed at par, in part or wholly, at the option of the Company by giving one month's notice in writing to the holders of the Preference Shares to be redeemed.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**17. Capital and reserves (continued)**

***Capital management***

The Board's policy is to maintain a strong capital base so as to sustain future operations of the business. Capital consists of ordinary and preference share capital and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to shareholders.

**18. Loans and borrowings**

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see note 21.

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Non current liabilities</i>		
Obligations under finance leases	825,393	968,318
	<u>825,393</u>	<u>968,318</u>

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Current liabilities</i>		
Obligations under finance leases	39,932	68,481
	<u>39,932</u>	<u>68,481</u>

*Finance lease liabilities*

	<u>Minimum lease</u>		
	<u>payments</u>	<u>Interest</u>	<u>Principal</u>
	<u>2012</u>	<u>2012</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within one year	108,177	68,245	39,932
In the second to fifth years	440,640	236,160	204,480
Over five years	767,260	146,347	620,913
	<u>1,316,077</u>	<u>450,752</u>	<u>865,325</u>

	<u>Minimum lease</u>		
	<u>payments</u>	<u>Interest</u>	<u>Principal</u>
	<u>2011</u>	<u>2011</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within one year	149,688	81,207	68,481
In the second to fifth years	559,628	265,877	293,751
Over five years	872,327	197,760	674,567
	<u>1,581,643</u>	<u>544,844</u>	<u>1,036,799</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**19. Trade and other payables**

	<b>2012</b>	<b>2011</b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Amounts due to group undertakings	63,738	64,046
Tax payable	1,240	2,658
Accruals	14,336	16,729
Fair value of derivatives (note 22)	-	3,482
Prepayments received	202	32,815
	<u>79,516</u>	<u>119,730</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 21

**20. Provisions**

	<b>2012</b>	<b>2011</b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Balance at 1 January	163,823	202,109
Provided during the year	35,602	12,982
Utilised during the year	(1,303)	(2,268)
Reversed during the year	(3,370)	(28,554)
Currency (gain)/loss	(2,895)	(20,446)
Balance at 31 December	<u>191,857</u>	<u>163,823</u>
Non-current	190,238	161,477
Current	<u>1,619</u>	<u>2,346</u>
	<u>191,857</u>	<u>163,823</u>

The provisions are in respect of restructuring costs, claims and onerous contracts. The amount and timing of the settlement of the claims provisions are dependent on the outcome of on going legal cases which can last for several years. The onerous contract provisions are expected to be settled within the next 6 years.

**21. Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

***Credit risk***

The Company's principal financial assets are bank and cash balances and trade and other receivables. These represent the Company maximum exposure to credit risk in relation to financial assets.

***Trade and other receivables***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The Company does not require collateral in respect of financial assets.

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**21. Financial instruments (continued)**

Transactions involving derivative financial instruments are with counterparties with whom the Company has signed a netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Trade receivables and provision for bad debt are presented as a net figure in the balance sheet. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

***Cash and bank***

The group's credit risk attributable to amounts deposited with banks and other financial institutions is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The possibility of material loss in this way is considered unlikely.

***Interest rate risk***

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose of the financing. The Company adopts a policy of targeting approximately 50% of its exposure to changes in interest rates on borrowings on a fixed rate basis. Interest rate swaps, denominated in USD, have been entered into in prior years to achieve an appropriate mix of fixed and floating rate exposure within the Company's policy. These swaps are no longer in place.

***Effective interest rate and repricing analysis***

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprice.

	Note	Effective interest rate	Less than 12 months	1-2 years	2-5 years	Over 5 years	Total
			\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>							
Cash and cash equivalents	16	0.59%	52,714	-	-	-	52,714
Amount due from group	15	0.39%	519,153	-	-	-	519,153
Loans granted to parent	14	0.80%	-	500,000	-	-	500,000
Amount due to group	19	nil	(63,738)	-	-	-	(63,738)
Finance leases	18	7.85%	(52,803)	-	-	(812,522)	(865,325)
			<u>455,326</u>	<u>500,000</u>	<u>-</u>	<u>(812,522)</u>	<u>142,804</u>
<b>2011</b>							
Cash and cash equivalents	16	0.99%	48,445	-	-	-	48,445
Amount due from group	15	0.67%	896,944	-	-	-	896,944
Loans granted to parent			-	-	-	-	-
Amount due to group	19	nil	(64,046)	-	-	-	(64,046)
Finance leases	18	7.94%	(53,134)	-	(140,540)	(843,125)	(1,036,799)
			<u>828,209</u>	<u>-</u>	<u>(140,540)</u>	<u>(843,125)</u>	<u>(155,456)</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**21. Financial instruments (continued)**

*Fair value versus carrying amount*

The carrying amount of financial assets and liabilities of the Company at balance sheet date approximate their fair value with the exception of the following

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Finance lease liabilities	865,325	1,224,293	1,036,799	1,441,107

*Fair values*

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments

*Derivative*

The fair value of the interest rate is calculated based on discounted expected future principal and interest cash flow  
The valuations are derived from observed market prices (level 2)

*Interest bearing loans and borrowings*

Fair value is calculated based on discounted expected future principal and interest cash flows

*Trade and other payables and receivables*

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value

*Finance lease liabilities*

The fair value is estimated as present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates. The Company has no level 1 or level 3 financial instruments

*Currency risk*

The Company is exposed to currency risk on borrowings that are denominated in a currency other than the functional currency of the Company. The currency of some finance leases are denominated in GBP

The principal amounts of the Company's GBP bank loans, taken out by USD functional currency, have been fully hedged using forward contracts that mature on the same dates that the loans are due for repayment

Interest on borrowings is predominantly denominated in currencies that match the cash flows generated by the underlying operations of the Company primarily USD. This provides an economic hedge and no derivatives are entered into

The unhedged financial assets of the Company that are not denominated in the functional currency are as follows

	2012	2011
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents		
EUR	2,006	1,324
GBP	7,821	44,383
USD	16,876	2,738
	<u>26,703</u>	<u>48,445</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**21. Financial instruments (continued)**

In addition, the Company has the following lease/loan exposures

**Loans and borrowings**

Loans and borrowings	2012			
	Interest spread			Total \$000
	0-3%	3-6%	>6%	
	\$000	\$000	\$000	
GBP	52,803	85,228	-	138,031
USD	-	-	727,294	727,294
	52,803	85,228	727,294	865,325

	2011			
	Interest spread			Total \$000
	0-3%	3-6%	>6%	
	\$000	\$000	\$000	
GBP	53,134	83,100	-	136,234
USD	-	-	900,565	900,565
	53,134	83,100	900,565	1,036,799

Forward exchange contracts are used to hedge the currency risk related to recognised and unrecognised transactions  
The net principal amount for purchase/sale and fair value of forward exchange contracts can be specified as follows

	<b>Principal Purchase/(sale), net</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
GBP	146,125	137,359
USD	(139,514)	(140,726)
	<u>6,611</u>	<u>(3,367)</u>
Fair value	6,546	(3,482)
Of which recognised	<u>(6,546)</u>	<u>3,482</u>
For future recognition	<u>-</u>	<u>-</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**22. Operating Leases**

	<b>Vessels</b>	
	<b>2012</b>	<b>2011</b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Non-cancellable operating lease rentals are payable as follows		
Within one year	55,764	46,103
In the second to fifth years inclusive	55,600	111,568
	<u>111,364</u>	<u>157,671</u>

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Recognised expense in the year (within cost of sales)	<u>50,033</u>	<u>78,561</u>

**As a Lessor**

	<b>2012</b>	<b>2011</b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Operating lease income from time charter of vessels is receivable as follows		
Within one year	246,574	379,308
In the second to fifth years	410,211	1,026,001
Over five years	-	16,273
	<u>656,785</u>	<u>1,421,582</u>

Recognised income in the year	<u>367,368</u>	<u>392,195</u>
-------------------------------	----------------	----------------

	<b>2012</b>	<b>2011</b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Operating lease income from containers is receivable as follows		
Within one year	1,631	2,427
	<u>1,631</u>	<u>2,427</u>
Recognised income in the year	<u>4,894</u>	<u>112,702</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**23. Employee benefits**

**Defined benefit schemes**

The Company makes contributions to a multi-employer plan, the Merchant Navy Officers Pension Fund (MNOFF). The Company also makes contributions to a defined benefit plan, PONL Pension Scheme. These plans are explained below.

**MNOFF**

The MNOFF is an industry wide defined benefit scheme. It closed to new employees in October 1996, but remains open to future pension accruals. Benefits are based on re-valued career average earnings with benefits accrued post 1997 subject to annual statutory revaluation.

The scheme provides spouse's / dependant's pensions at the rate of 50% of the member's pension.

Contributions to the MNOFF are in respect of a past service deficit.

**PONL Pension Scheme**

The PONL pension scheme is a final salary defined benefit scheme. It is closed to new members effective January 2001, but remains open to future pension accruals. It provides pensions for members on retirement and holds deferred pensions for former members who have left service and not yet reached retirement age. The scheme provides a contingent spouse's pension on the death of a member. Pensions in payment and the deferred pensions of former members are subject to an annual increase in line with RPI subject to a maximum of 3%.

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Present value of funded obligations	1,237,881	1,107,778	1,001,563	983,397	807,922
Present value of unfunded obligations	138	57,587	29,513	41,807	55,055
Fair value of plan assets	(1,189,527)	(1,102,039)	(976,274)	(937,128)	(735,554)
Total net employee benefits	<u>48,492</u>	<u>63,326</u>	<u>54,802</u>	<u>88,076</u>	<u>127,423</u>
This net balance is included in the statement of financial position as					
Non current asset	(17,767)	(13,504)	(23,576)	-	-
Non current liabilities	66,259	76,830	78,378	88,076	127,423
	<u>48,492</u>	<u>63,326</u>	<u>54,802</u>	<u>88,076</u>	<u>127,423</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**23. Employee benefits (continued)**

**Defined benefit plans (continued)**

**2012**                      **2011**  
**\$000**                      **\$000**

*Movements in the net liability for defined benefit obligations recognised in the statement of financial position*

Net liability for defined benefit obligations at 1 January	63,326	54,802
Contributions	(51,675)	(45,174)
Expense recognised in the income statement (see below)	7,855	9,044
Liability recognised directly to reserves	26,655	44,766
Foreign exchange loss/(gain)	2,331	(112)
Net liability for defined benefit obligations at 31 December	<u>48,492</u>	<u>63,326</u>

*Movements in the gross liability for defined benefit obligations recognised in the statement of financial position*

Liability for defined benefit obligations at 1 January	1,165,365	1,031,076
Net service costs	4,893	6,527
Contribution by members	968	952
Interest costs	51,749	56,350
Benefits paid	(51,668)	(52,877)
Actuarial loss	73,812	95,461
Unfunded obligations	(56,186)	29,052
Foreign exchange (gain)/loss	49,086	(1,176)
Liability for defined benefit obligations at 31 December	<u>1,238,019</u>	<u>1,165,365</u>

*Movements in fair value of plan assets for defined benefit obligations recognised in the statement of financial position*

Net plan assets for defined benefit obligations at 1 January	1,102,039	976,274
Expected return on plan assets	48,787	53,833
Actuarial (loss)/gain	(9,028)	79,748
Contribution by employers	51,674	44,923
Contribution by members	968	952
Benefits paid	(51,668)	(52,627)
Foreign exchange gain/(loss)	46,755	(1,064)
Net plan assets for defined benefit obligations at 31 December	<u>1,189,527</u>	<u>1,102,039</u>

The allocation of the plan assets is as follows

Equities	423,419	315,829
Government bonds	467,964	455,913
Corporate bonds	260,089	172,110
Property	4,652	12,231
Cash	33,403	145,956
	<u>1,189,527</u>	<u>1,102,039</u>

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**23. Employee benefits (continued)**

**Defined benefit plans (continued)**

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b>\$000</b>	<b>\$000</b>
Actual return on plan assets	39,758	133,581
Actual return on plan assets percentage	3.46%	12.39%

*Expense recognised in the income statement*

Current service costs	5,861	7,479
Interest cost on obligation	51,749	56,350
Expected return on plan assets	(48,787)	(53,833)
Employee contributions	(968)	(952)
Foreign exchange (gain)	2,331	(112)
	<u>10,186</u>	<u>8,932</u>

The expense is recognised in the following line items in the income statement

Administrative expenses	7,855	9,044
Other operating income	2,331	(112)
	<u>10,186</u>	<u>8,932</u>

**Principal actuarial assumptions at the balance sheet date (weighted averages):**

	<b><u>2012</u></b>	<b><u>2011</u></b>
Discount rate	4.4%	4.6%
Expected return on plan assets	N/A	4.3%
Future salary increases	4.2%	4.2%
Future pension increases	2.9%	2.8%

The expected return on assets has not been determined in 2012 since the pension cost from 2013 is calculated on the basis of the discount rate in accordance with the revised IAS 19

**Contributions to be paid to the plans during 2013**

Employer contributions to the MNPOF and PONL defined benefit schemes are intended to cover any deficit on the Actual Return on Assets. Scheduled employer contributions to MNOPF and PONL in 2013 are USD 10.96m (2012 projection: USD 31.45m)

**MAERSK LINE UK LTD**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2012**

**23 Employee benefits (continued)**

**Defined contribution plans**

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Total expenses relating to these plans were	<u>31,386</u>	<u>12,392</u>

**24 Contingent liabilities**

**Guarantees**

The Company has given unsecured operational guarantees to third parties amounting to \$272 000,000 (2011 \$2 000 000). This includes \$270,000,000 guarantees relating to time charter payments by the Company's ultimate parent Company.

The Company is involved in a number of legal disputes, some of which involve significant amounts. None of these disputes are expected to have a material impact on earnings in future periods.

**25 Ultimate Parent Company**

The Company is a wholly owned subsidiary of The Maersk Company Limited, a Company incorporated in Great Britain and registered in England and Wales.

The Company's ultimate holding Company for the period A P Møller-Mærsk A/S, a Company incorporated in Denmark.

The smallest group in which the results of the Company are consolidated is headed by A P Møller-Mærsk A/S. The consolidated group accounts can be obtained from [www.maersk.com](http://www.maersk.com).

**26 Related party transactions**

The Company has a related party relationship with its parent and ultimate holding Company (see note 25), its subsidiaries (see note 12) and with its directors and executive officers (see note 6).

All transactions with parent and ultimate parent Company, subsidiaries, associates and joint ventures are on an arm's length basis and were as follows:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
<b>Transaction values</b>		
Sales of Goods & Services - Fellow Subsidiaries	373,548	407 982
Administrative expenses - Parent	(3,150)	(1,219)
Administrative expenses - Fellow Subsidiaries	(4 131)	(4 179)
Interest income - Parent	6,010	6 899
Interest expense - Parent	(52)	(81)
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
<b>Balances outstanding</b>		
Amounts owed to Parent	(290)	-
Amount owed from Parent	940,169	895,224
Amounts owed to Subsidiaries	(17,531)	(17,876)
Amounts owed from Subsidiaries	-	-
Amounts owed to Fellow Subsidiaries	(55 796)	(46 171)
Amounts owed from Fellow Subsidiaries	78 982	1 732

All outstanding balances with related parties are non-secured.